



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Monday, 18th July, 2011
at 2.00 pm

MEMBERSHIP

Councillors

G Driver (Chair)	C Campbell	W Hyde	J Elliott
P Grahame	G Kirkland	C Fox	
N Taggart			
A Lowe			
T Hanley			
G Hussain			

Co-opted Member

G Tollefson
(Chair of Standards Committee)

A G E N D A

Item No	Ward	Item Not Open		Page No
1			<p>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</p> <p>To consider any appeals in accordance with Procedure Rule 25 of the Access to Information Procedure Rules (in the event of an Appeal the press and public will be excluded).</p> <p>(*In accordance with Procedure Rule 25, written notice of an appeal must be received by the Head of Governance Services at least 24 hours before the meeting)</p>	
2			<p>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</p> <p>1 To highlight reports or appendices which officers have identified as containing exempt information, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.</p> <p>2 To consider whether or not to accept the officers recommendation in respect of the above information.</p> <p>3 If so, to formally pass the following resolution:-</p> <p>RESOLVED – That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows:-</p>	

Item No	Ward	Item Not Open		Page No
3			<p>LATE ITEMS</p> <p>To identify items which have been admitted to the agenda by the Chair for consideration</p> <p>(The special circumstances shall be specified in the minutes)</p>	
4			<p>DECLARATION OF INTERESTS</p> <p>To declare any personal / prejudicial interests for the purpose of Section 81(3) if the Local Government Act 2000 and paragraphs 8 to 12 of the Members Code of Conduct.</p>	
5			<p>APOLOGIES FOR ABSENCE</p> <p>To receive any apologies for absence from the meeting.</p>	
6			<p>MINUTES OF THE PREVIOUS MEETING</p> <p>To confirm as a correct record the minutes of the meeting held on 15th June 2011.</p>	1 - 6
7			<p>KPMG INTERIM AUDIT REPORT</p> <p>To receive a report of the Director of Resources identifying the findings from KPMG's interim audit work in relation to the 2010/11 financial statements and the initial work undertaken to support their 2010/11 Value for Money conclusion.</p>	7 - 44
8			<p>2010/11 STATEMENT OF ACCOUNTS</p> <p>To receive a report of the Director of Resources to present to the Committee the 2010/11 Statement of Accounts for Leeds City Council prior to them being made available for public inspection.</p>	45 - 56

Item No	Ward	Item Not Open		Page No
9			<p>ANNUAL RISK MANAGEMENT REPORT</p> <p>To receive a report of the Director of Resources providing The Committee with an overview of the risk management work conducted by the Risk Management Unit (RMU) in the last year.</p>	57 - 62
10			<p>ANNUAL MONITORING OF KEY AND MAJOR DECISIONS</p> <p>To receive a report of the Director of Resources providing an annual review in respect of the monitoring of Key and Major decisions notified to Democratic Services during the financial year 2010/11.</p>	63 - 92
11			<p>LOCALISM BILL - OUTCOME OF INITIAL CONSULTATION</p> <p>To receive a report of the City Solicitor providing an update on the proposals in the Localism Bill about ethical governance issues, and to outline the results of the first round of consultation with various stakeholders on the future of the ethical framework in Leeds.</p>	93 - 106
12			<p>COUNCIL HOUSING ASSURANCE FRAMEWORK</p> <p>To receive a report of the Chief Officer for Statutory Housing informing The Committee on the outturn of the 2010/11 Council Housing Management Assurance Framework.</p>	107 - 112
13			<p>PROCUREMENT & COMMISSIONING EFFICIENCY SAVINGS</p> <p>To receive a report of the Director of Resources informing the Committee of the actions and measures in place within the Council to achieve the required budget savings during 2011/12.</p>	113 - 118

Item No	Ward	Item Not Open		Page No
14			<p>WORK PROGRAMME</p> <p>To receive a report of the Director of Resources notifying and inviting comment from the Committee upon the work programme.</p>	119 - 124

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Agenda Item 6

Corporate Governance and Audit Committee

Wednesday, 15th June, 2011

PRESENT: Councillor G Driver in the Chair
Councillors P Grahame, N Taggart,
C Campbell, G Kirkland, J Elliott, W Hyde,
T Hanley, C Fox and G Hussain

Co-optee G Tollefson

Apologies Councillors A Lowe

1 Appeals Against Refusal of Inspection of Documents

There were no appeals against the refusal of inspection of documents.

2 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

3 Late Items

There were no late items submitted to the agenda for consideration.

4 Declaration of Interests

Councillors Campbell and Driver declared a personal interest in Agenda item 11 (Minute 11. refers) as Members of Plans Panel.

5 Apologies For Absence

Apologies for absence were received from Councillor Lowe.

6 Minutes Of The Previous Meeting

The minutes of the Corporate Governance and Audit Committee meeting held on 18th April 2011 were approved as a correct record.

7 Future of Local Public Audit; Consultation Response

The Chief Officer (Audit and Risk) presented a report of the Director of Resources which informed the Committee on some fundamental changes Communities and Local Government (CLG) are consulting on in relation to the

local public audit regime. The paper allowed Members the opportunity to shape and influence the Council's response to the consultation exercise.

The Committee discussed the report in detail. Initially Members considered the merits of an annual Council report on the key business activities and targeted at the public.

The consultation document proposes that with the abolition of the Audit Commission, Council's will appoint their own external auditors. In order for them to do so, CLG suggest that Councils' audit committee should be made up of a majority of independent members (i.e. not councillors) to help ensure the independence of the external auditors. Members felt that the Committee was already independent as it operated as a separate body to the Executive Board and that, as democratically elected representatives, they were the appropriate body to recommend the appointment of external auditors to Council. Furthermore comparisons were made with the private sector and that they do not use independent members but non-executive Directors.

Members also considered the extent to which the size of the Council might limit the number of audit firms with the capacity, experience and skills to tender for this work and the scope that there may be for encouraging other firms to be able to tender for such work. The Chief Officer (Audit and Risk) indicated that there was a reasonable likelihood of elements of the Audit Commission's operation becoming a 'Mutual' organisation which might be capable of tendering for this scale of work.

The scope of audit work was also considered, Members concluded that that the current scope of the audit should be extended to include an audit of the proposed annual report, should there be a new requirement to produce such a report.

In discussion Members also confirmed that the Council would not wish to take on the function of appointing auditors or independent examiners to smaller bodies (such as town councils or large parish councils) within the Council's boundary.

RESOLVED – The Committee resolved to:

- agree the consultation response subject to the additional comments made by the Committee; and
- request further updates on this matter.

(Councillor Taggart entered the meeting at 2.10pm during the discussion of this item)

8 Risk Management and the Budget Process

The Principal Risk Manager presented a report of the Director of Resources the report provided an assessment on the robustness of the 2011/12 budget risk assessments included in the Director of Resources' report, 'Revenue Budget and Council Tax 2011/12' presented to Executive Board on 11 February 2011.

Members discussed the report in light of the current financial climate. Members raised the importance of risks being flagged up to the Council in a timely manner giving opportunity for Members to react and noted that budget monitoring reports that include a projection of spend to the year end, are received by Executive Board on a monthly basis, rather than quarterly as was previously the case. Members questioned officers in relation to the financial reporting process and received confirmation that budget holders are required to review budget spend on a monthly basis and provide a projection for the year and that appropriate action is taken if this is not completed.

RESOLVED – The Committee Resolved to note the contents of the report.

9 The accurate recognition of assets on the Council's balance sheet

The Principal Finance Manager presented a report of the Director of Resources which detailed the new procedures which will minimise the risk that sold or demolished assets will still be recognised on the Council's Balance Sheet.

Members discussed the report and questioned officers on how the valuations of Council owned property was calculated. In particular highways infrastructure assets, and their subsequent depreciation, were considered.

RESOLVED – The Committee Resolved to note the improvements in the process for minimising the risk that sold or demolished assets are recognised on the Council's Balance Sheet.

10 Annual Internal Audit Report

The Head of Internal Audit presented a report of the Director of Resources which provided the annual audit opinion on the internal control environment. The opinion is that 'the internal control environment, including key financial systems, is well established and continues to operate well in practice. At the time of writing, there are no outstanding significant issues arising from the work undertaken by internal audit. However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.'

Members discussed the report. Concerns were raised about the monitoring of financial arrangements of partnerships particularly those of adult social care.

Members also reviewed the reporting process for when an audit report results in no or limited assurance being provided by Internal Audit and noted the escalation process, including reporting to the Corporate Governance and Audit Committee.

RESOLVED – The Committee Resolved to:

- note the assurance given in the Annual Internal Audit report; and
- approve the Internal Audit Operational Plan;

11 Planning Decisions Process

The Head of Planning Services presented a report of the Chief Planning Officer. The report provided assurance on the process by which planning decisions are taken at the Council.

Members discussed the report in detail, noting that there had been less complaints received in relation to planning decisions but an increase in the number of complaints being referred to the Ombudsman.

As part of this consideration Members had regard to correspondence received from a member of the public and an elected member. The Head of Planning Services addressed all the points made in the correspondence to the satisfaction of Members.

RESOLVED – The Committee Resolved to:

- note the contents of the report and the assurance that it provides in terms of the methodology used in taking planning decisions at the Council; and
- receive a report on planning decision making on an annual basis.

12 Standards Committee - Annual Report 2010/11

The Head of Governance Services and The Chair of the Standards Committee presented a report of the Director of Resources the report informed the Committee of the Standards Committee Annual Report 2010/11.

RESOLVED – The Committee Resolved to note the Standards Committee Annual Report 2010/11.

13 Annual report on Community engagement

The Assistant Chief Executive (Policy, Planning and Improvement) presented a report informing the Committee of the Council's ability to support residents' involvement in decision making and the development of services.

Members discussed the report and questioned officers on how topics were selected.

Members considered that the concept of community engagement was good and discussed the positive roles that 'Facebook' and 'Twitter' could play in engaging the community and that the Council should utilise these mediums.

The recruitment process of the citizens panel was also discussed by Members.

RESOLVED – The Committee Resolved to:

- (a) note that while the Council's engagement arrangements meet the relevant elements of the Code of Corporate Governance, there remained scope for the consistency and co-ordination of community engagement to be improved;
- (b) recommend that the Code of Corporate governance section 6 should be revised to include criteria that address compliance and quality of engagement work;
- (c) note the planned improvements to the way we manage community engagement; and
- (d) receive regular updates on improvement throughout 2011/12.

14 Work Programme

The Director of Resources submitted a report notifying Members of the draft work programme.

The Committee reviewed its forthcoming work programme.

RESOLVED – The Committee Resolved to note the draft work programme.

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Report of the Director of Resources

Corporate Governance & Audit Committee

Date: 18th July 2011

Subject: KPMG Interim Audit Report

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

1. KPMG have completed their interim work on the organisational procedures and system controls which underpin the Council's financial statements. They have concluded that the procedures and system controls are generally sound.
2. KPMG have identified two controls on financial systems which require strengthening. The main weakness identified was in respect of the authorisation of overtime payments for processing via the payroll system. As in previous years, officers continue to implement audit recommendations in a timely manner. Appropriate improvements to the control environment are being implemented for issues raised in the current year in order to mitigate against any potential risks.
3. Full reliance can and has been placed on the work of Internal Audit.
4. In respect of the VFM conclusion, KPMG are satisfied that the Authority understands the scale of the financial challenge and has responded appropriately to the risks contained in its savings plans.

Recommendations

5. It is recommended that Members note the positive assurances provide by KPMG on the organisational procedures and system controls which underpin the Council's financial statements.

1.0 Purpose of this Report

- 1.1 This report identifies the findings from KPMG's interim audit work in relation to the 2010/11 financial statements and the initial work undertaken to support their 2010/11 Value for Money conclusion.

2.0 Background Information

- 2.1 A significant proportion of the accounts audit is completed before KPMG receive the Council's financial statements. This initial audit work is designed to gain assurances on the Council's controls and procedures in order to minimise the audit coverage required at the final audit stage. The main procedures and controls assessed at this interim audit stage are as follows:
- review of the Authority's accounts production process, including work to address prior year audit recommendations and the specific risk areas identified for this year;
 - review of the Authority's work to restate the 2009/10 financial statements under International Financial Reporting Standards;
 - review of the Authority's general control environment, including the Authority's IT systems;
 - testing of certain controls over the Authority's key financial systems with the help of internal audit;
 - review of the internal audit function to determine if we could place reliance upon their work.
- 2.2 In addition to the interim work on the audit of the final accounts, KPMG also have undertaken the initial work on the 2010/11 Value for Money conclusion.
- 2.3 This covering report highlights the main findings of this audit work with the detailed results shown in the attached KPMG report.

3.0 Main Issues

- 3.1 The key findings of KPMG's interim audit on the Council's financial statements are as follows:
- The accounts process: There are no issues identified in respect of the progress towards completing the IFRS based 2010/11 accounts. Any issues identified in the main audit work in August will be reported back to members of this Committee in the External Auditors ISA 260 report in September.
 - IT controls: Overall the Council has effective IT controls and they have been further strengthened in 2010/11. KPMG made only two low priority recommendations (see Appendix 3 in the attached report) for improving access monitoring on the Financial Management System and Orchard. These are currently being actioned by officers.
 - Financial systems: Two control weaknesses have been identified, only one of which could potentially lead to further audit testing at KPMG's final audit visit. Officers have considered the current mitigating controls and accepted that some further strengthening of the payroll control environment is required.
- 3.1 In respect of the Value for Money conclusion, KPMG interim audit work has concentrated on:
- Actions used by the Authority to secure the necessary savings in the 2011/12 budget;
 - The capacity of the Authority's 2011/12 budget to secure financial stability.

This early work was specifically completed to support the Audit Commission study on the impact of the 2011/12 local government settlement on the Authorities' finance.

4 Implications for Council Policy and Governance

4.1 KPMG's report provides the Committee with independent assurance on the Council's organisational procedures and system controls which underpin the Council's financial statements. These independent assurances will form part of the evidence which underpins the Council's Annual Governance Statement.

4.2 The report also shows the initial findings in respect of the Council's Value for money conclusion.

5 Legal and Resource Implications

5.1 There are no specific legal or resource issues associated with this report.

6 Conclusions

6.1 A summary of the main conclusions made by KPMG in their Interim report are as follows:

- The Council's organisational controls are effective overall and there are no weaknesses that will have an impact on KPMG's audit strategy.
- Full reliance could be placed on the work of Internal Audit and they are compliant with the Code of Practice for Internal Audit in Local Government.
- The process for completing the Council's financial statements is adequate and there are no key issues identified to date on the convergence to IFRS based accounts.
- The controls over the Council's key financial systems are generally sound, although further audit work maybe required in respect of the payroll system. Officers continue to respond to audit recommendations made and actions from previous years have been implemented where appropriate.
- In respect of the VFM conclusion, initial findings are that the Authority is on target to deliver its planned 2010/11 savings. In respect of the 2011/12 budget, KPMG are satisfied that the Authority understands the scale of the financial challenge and has responded appropriately to the risks contained in its savings plans.

7 Recommendations

7.1 It is recommended that Members note the positive assurances provide by KPMG on the organisational procedures and system controls which underpin the Council's financial statements.

Background Documents

KPMG Interim Report 2010/11

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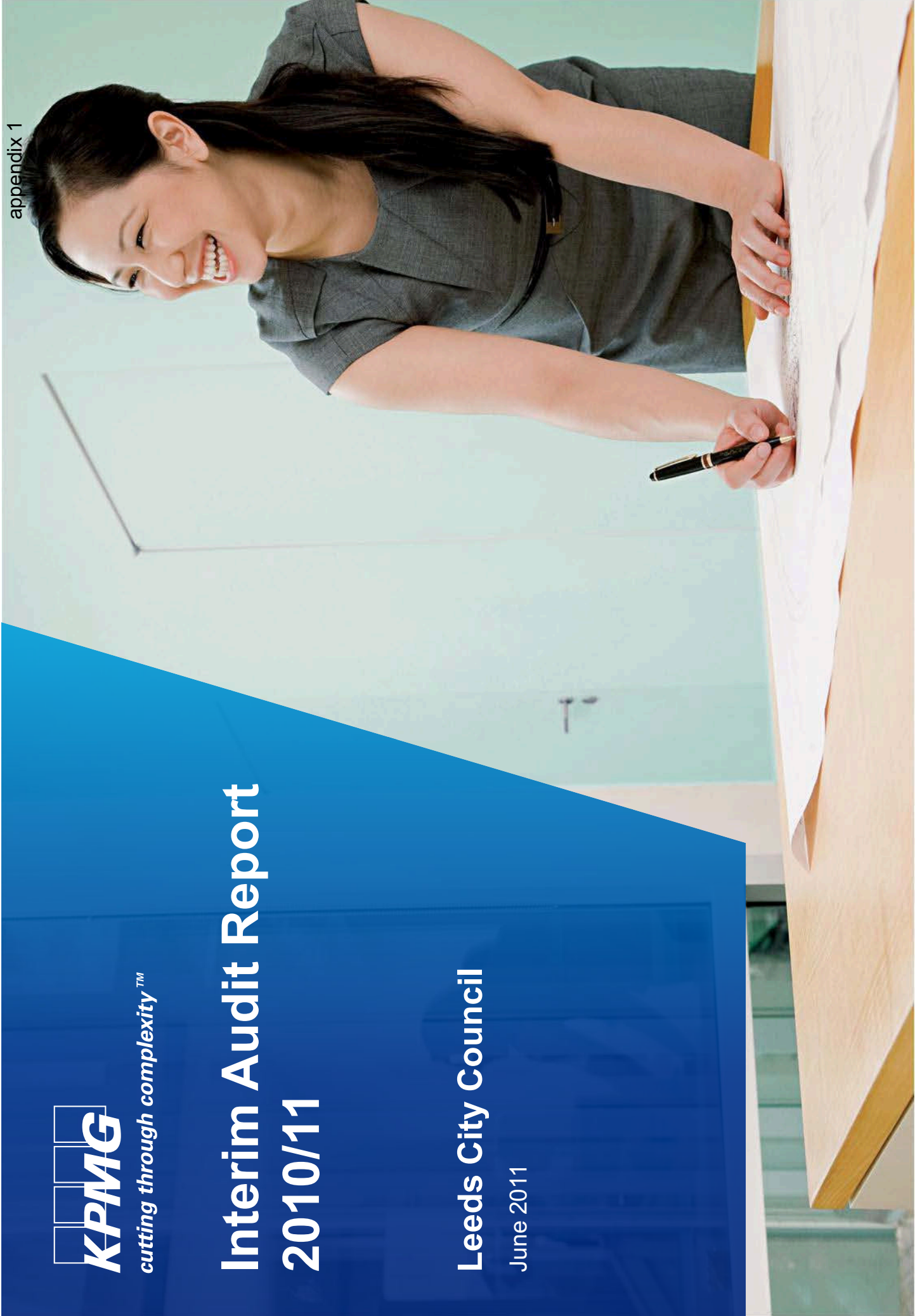
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Interim Audit Report 2010/11

Leeds City Council

June 2011

appendix 1



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2. Follow-up of prior year recommendations (accounts) 23
3. Key issues and recommendations (IT) 24
4. Follow-up of prior year recommendations (IT) 26

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Mike McDonagh, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, telephone (minicom) 020 7630 0421.

This document summarises the key findings arising from our work to date in relation to both the audit of the Authority's 2010/11 financial statements and the 2010/11 VFM conclusion.

Scope of this report

This report summarises the key findings arising from:

- our interim audit work at Leeds City Council (the Authority) in relation to the 2010/11 financial statements; and
- our work to support our 2010/11 value for money (VFM) conclusion up to April 2011.

Financial statements

Our *Financial Statements Audit Plan 2010/11*, presented to you in March 2011, set out the four stages of our financial statements audit process.



During January to April 2011 we completed our planning and control evaluation work. This covered our:

- review of the Authority's general control environment, including the Authority's IT systems;
- testing of certain controls over the Authority's key financial systems with the help of internal audit;
- assessment of the internal audit function;
- review of the Authority's accounts production process, including work to address prior year audit recommendations and the specific risk areas we have identified for this year; and
- review of the Authority's work to restate the 2009/10 financial statements under International Financial Reporting Standards (IFRS).

VFM conclusion

Our VFM Audit Plan 2010/11 presented in April 2011 described the new VFM audit approach introduced this year by the Audit Commission and highlighted the key changes compared to the previous Use of Resources auditor's scored judgements regime. It also set out our revised risk assessment for our VFM conclusion.

We have completed some early work to support our 2010/11 VFM conclusion. This included:

- undertaking a preliminary VFM audit risk assessment; and
- initial work to assess the Authority's financial resilience following the funding settlement for 2011-13.

Structure of this report

This report is structured as follows:

- Section two summarises the headline messages.
- Section three sets out our key findings from our interim audit work in relation to the 2010/11 financial statements.
- Section four outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendices one and three. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendices two and four.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages. The remainder of this report provides further details on each area.

<p>Organisational and IT control environment</p>	<p>Your organisational and IT control environments are effective overall.</p> <p>We have reviewed the prior year issues regarding network access and are satisfied that these have been either substantially addressed or deemed to be so low risk by officers that they propose taking no further action to mitigate against these issues.</p> <p>Some weakness does still remain regarding access rights being revoked in a timely manner when a member of staff leaves the Authority and this is detailed in appendix three.</p>
<p>Controls over key financial systems</p>	<p>The Authority has generally sound controls over its key financial systems.</p> <p>In payroll, however, internal audit have identified control weaknesses in respect of overtime payments which have previously been reported. These weaknesses relate to the fact that ten overtime payments tested by internal audit had not been appropriately authorised for payment. Internal Audit have undertaken further testing on this to ascertain if this was a wider issue for the Authority and if these payments were correct despite the controls operating ineffectively. The result of this testing found that the 10 instances mentioned above had been paid correctly. Further testing of an additional 25 instances found 1/25 where an overpayment was identified, this is now being reclaimed.</p> <p>We have also found that on one Housing Benefits Overpayment Reconciliation there was evidence of inadequate review of the detail of the reconciliation. On the reconciliation reviewed one of the figures did not agree to the underlying system report. This was deemed to be an isolated incident and due to human error.</p> <p>More detail on these issues can be found in appendix one.</p> <p>We have yet to finalise all of our controls work regarding fixed assets, financial reporting and expenditure due to a number of controls operating only at year end.</p>
<p>Review of internal audit</p>	<p>We were able to place full reliance on Internal Audit's work on the key financial systems and are satisfied that they are compliant with the <i>Code of Practice for Internal Audit in Local Government</i>.</p>
<p>Accounts production and specific risk areas</p>	<p>The Authority has met key closedown milestones although there is additional work required to restate the accounts under IFRS. We have noted the following in respect of specific risk areas:</p> <p>Financial Standing - We have completed our initial work to assess the Authority's financial resilience following the funding settlement for 2011-2013.</p> <p>Valuation of Assets – We will follow these issues up at our final visit as per our original timetable.</p> <p>IFRS Restatement - The Authority has made considerable progress in the restatement of its 2009/10 financial statements under IFRS. The main outstanding area concerns accounting for leases.</p>

This table summarises the headline messages. The remainder of this report provides further details on each area.

Financial resilience

Our financial resilience work undertaken during our interim visit found that the Authority was on target to deliver its planned 2010/11 savings in overall terms. However, this is against the backdrop of significant overspends in a number of directorates including Adult's and Children's services due to specific overspends in externally provided residential care and fostering budgets and the total number of placements within Community Care packages exceeding budget. Additionally there are a number of other services within these directorates which have not achieved savings at the levels expected in the budget.

Overall however the Authority is forecasting to under-spend against budget following the use of capital receipts to reduce PFI liabilities and other central savings, including the use of reserves which it assessed were no longer required.

The Authority believes that they are well placed to deliver the 2011/12 budget. However, the enormity of the financial management challenges cannot be underestimated particularly given demand pressures experienced in Adults and Children's and the fact that some political decisions still need to be made with regards to closing a number of service facilities in Leeds. We are satisfied the Authority understands this and has responded appropriately to the risks contained in its savings plans for 2011/12.

This table summarises the headline messages. The remainder of this report provides further details on each area.

IFRS restatement

The Authority provided us with working papers covering the majority of the areas of the expected restatement work. Based on our initial review, accounting policies are in line with the *Code of Practice for Local Authority Accounting in the United Kingdom 2010/11* ('the Code') for the major areas reviewed:

- **Employee benefits** – The Authority has performed a 10% sample of all non-teaching employees for 2008/09 and 2009/10 as a basis for calculating the holiday pay accrual, response rates were 79% and 73% respectively. The sample was representative of the population and therefore we concluded that the sample was an effective basis to calculate the total accrual. The teachers accrual has been calculated using the CIPFA pro-forma in line with CIPFA guidance.
- **Group accounting** – An assessment of group boundaries was undertaken by the Authority in line with the requirements of IFRS. This was found to be effective.
- **Non-current assets** – The main changes to non-current assets are in relation to investment properties and held for sale assets. We are satisfied that the Authority has undertaken a rigorous process of assessing their assets in line with the new conditions.
- **Capital grants** – Capital grants now need to be recognised immediately unless any conditions have not been met. The Authority has assessed all capital grants in line with the new requirements. This was found to be effective.

Outstanding items

The following items are outstanding and are expected to be received during the final visit.

- **Leases** – This is a key area of the IFRS restatement. The Authority is well underway with the review and we are confident that the Authority is undertaking a rigorous approach to lease assessments and therefore, as long the finance team ensure there is sufficient resource to complete the review, no significant issues are anticipated.
- **Full set of IFRS compliant financial statements and notes** - Work has been completed on the balances that require restating but we will need to audit the full set of IFRS compliant statements once completed.
- **Group accounting** – The Authority has reassessed the group boundary in line with IFRS but still need to complete an assessment of the accounting policies of entities within the group boundary to assess if there are any material adjustments required to ensure compliance with IFRS requirements.
- **Fixed asset register** - The adjustments required for assets in line with IFRS have been calculated however these now need updating on the fixed asset register.

Your organisational control environment is effective overall.

Your IT control environment is effective overall and has been further strengthened in year.

We noted two areas for further improvement.

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

In previous years we used our work on the Use of Resources assessment to inform our findings in these areas. Due to the reduced scope of the VFM assessment we have to complete more specific work to support our financial statements opinion.

We obtain an understanding of the Authority’s overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

The Authority relies on Information Technology (IT) to support both financial reporting and internal control processes. In order to rely on the use of IT, we obtain an understanding of the Authority’s overall control environment and determine if appropriate controls have been implemented.

The controls we review include those over access to systems and data, system changes, system development and computer operations.

Key findings

We found your IT control environment is effective overall and has been further strengthened in year. We noted two areas for further improvement.

We have raised two low priority recommendations in relation to the IT controls at the Authority. These should help address the issues noted in relation to management of access to the Authority’s key IT systems relevant for the external audit.

Recommendations are included in Appendix 1

Aspect	Assessment
Organisational structure	● (green)
Philosophy and operating style	● (green)
Participation of those charged with governance	● (green)
Human resource policies and practices	● (green)
Risk assessment process	● (green)
Financial reporting information systems	● (green)
Communication & Monitoring	● (green)
Access to systems and data (IT)	● (amber)
System changes and maintenance (IT)	● (green)
Development of new systems and applications (IT)	● (green)
Computer operations, incl. processing and backup (IT)	● (green)
End-user computing (IT)	● (green)

Key: ● (red) Significant gaps in the control environment.
 ● (amber) Minor deficiencies in respect of individual controls.
 ● (green) Generally sound control environment.

The controls over the key financial system are generally sound.

However, there are some weaknesses in respect of Payroll and Benefits Expenditure.

We may need to complete additional substantive work in these areas at year-end, subject to outcome of the work that Internal Audit is undertaking.

Work completed

We work with your internal auditors to update our understanding of the Authority's key financial processes where these are relevant to our final accounts audit. We confirm our understanding by completing walkthroughs for these systems.

We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a key system will not always be in line with the internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

The controls over the majority of the key financial system are generally sound but we noted some weaknesses in respect of individual financial systems, these were:

- Weakness 1: Overtime Payment Authorisation;
- Weakness 2: Housing Benefits Overpayment Reconciliation – Council Tenants (HRA).

Internal audit have reported on weakness 1 and included recommendations in their report as appropriate.

Our recommendations and further details are included in Appendix 1.

We have yet to finalise all of our controls work regarding fixed assets, financial reporting and expenditure as a number of these controls operate only at year end.

System	Assessment
Financial reporting	● (green)
Grant income	● (green)
Housing rents income	● (green)
Council tax income	● (green)
Business rates income	● (green)
Sundry income	● (green)
Payroll expenditure	● (amber)
Non-pay expenditure	● (green)
Benefits expenditure	● (green)
Cash	● (green)
Treasury management	● (green)
Capital expenditure	● (green)
Asset disposals	● (green)
Asset valuations	● (green)

Key:
 ● (red)
 ● (amber)
 ● (green)

Significant gaps in the control environment.
 Minor deficiencies in respect of individual controls.
 Generally sound control environment.

Internal audit complies with the Code of Practice for Internal Audit in Local Government.

We encountered one issue in respect of a Benefits expenditure reconciliation which had not been fully re-performed. When we re-performed the reconciliation we found that the figures contained within it had not been updated correctly.

Work completed

We work with your Internal Auditors to assess the control framework for key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work.

Where we intend to rely on Internal Audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the Internal Audit function and to evaluate and test aspects of their work.

We reviewed Internal Audit's work on the key financial systems and re-performed a sample of tests completed by them.

We have held regular meetings with Internal Audit throughout the year to ensure that we are made aware of any issues as they arise so that where relevant they can be incorporated into our audit planning.

Key findings

We have reviewed Internal Audit's work and are satisfied that they are compliant with the Code of Practice for Internal Audit in Local Government .

This is based on a previous self assessment completed by Internal Audit, our assessment of their files and our knowledge from continual liaison with the Head of Internal Audit, review of documents and attendance at Audit Committee.

Internal Audit have covered all areas included in our joint working protocol to a good standard, and we are again able to place full reliance on that work.

Aspect	Assessment
Scope of internal audit	● (green)
Independence	● (green)
Ethics for internal auditors	● (green)
Audit Committee	● (green)
Staffing, training and development	● (green)
Audit strategy and planning	● (green)
Undertaking audit work	● (green)
Audit strategy and planning	● (green)
Due professional care	● (green)
Reporting	● (green)

Key: ● (red) Non-compliance with the standard.
 ● (amber) Minor deficiencies.
 ● (green) Full compliance with the standard.

The Authority's overall process for the preparation of the financial statements is adequate.

The recommendations raised in our 2009-10 reports are not yet due for implementation as they relate to year end controls

Work completed

We issued our Accounts Audit Protocol on 14 April 2011. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work.

We continue to meet with officers on a regular basis to support them during the financial year end closedown and accounts preparation. As part of our interim work we specifically reviewed the Authority's progress in addressing the recommendations in our *ISA 260 Report 2009/10*.

Key findings

We consider that the overall process for the preparation of the financial statements is adequate.

Key closedown milestones have been met although there is additional work required around the IFRS restatement, these are stated in more detail on page 10 & 11.

The implementation of recommendations is on schedule and relate to the year end process, therefore we cannot comment on progress at this time but will update the committee as part of the 2010-11 ISA 260 report.

Issue	Progress
<p>Fixed Asset Disposals</p> <p>Our review of Fixed Asset revaluations found there were six properties which were revalued in the year which were included on the fixed asset register which should not have been.</p> <p>Of these, five of the properties had been disposed of in prior years and one asset had been duplicated on the fixed asset register.</p> <p>The value of these properties was £3.2m, this had already been adjusted by the authority in the accounts approved by Committee.</p> <p>We recommend that the Authority reviews all items within the Fixed Asset register which have not been revalued recently to ensure that these assets are still owned by the Authority. This indication of control weakness is considered serious but mitigated as the Authority were aware of this prior to our audit.</p>	<p>Not yet due.</p> <p>Officers expect to implement this during the close-down process.</p> <p>This is consistent with our understanding and we will report our finding in the ISA 260 report.</p>
<p>Fixed Asset Valuations</p> <p>During our work we identified three assets which had been revalued during the year, however these revaluations (upwards) had not been reflected in the fixed asset register.</p> <p>(The Council's) further review found two more assets where the same situation occurred. This has resulted an increase to the Fixed Asset balance in the accounts of £1.942m.</p> <p>The Authority should ensure that all fixed asset valuations are updated to the Fixed Asset Register each year.</p>	<p>Not yet due.</p> <p>Officers expect to implement this during the close-down process.</p> <p>This is consistent with our understanding and we will report our finding in the ISA 260 report.</p>

The Authority has made considerable progress in the restatement of its 2009/10 financial statements under IFRS.

The main outstanding area is leases. There are other areas which also require further work. These relate to the group accounts, the fixed asset register and the production of a full set of IFRS compliant financial statements,

We have reviewed the restatement work and are satisfied that the key changes we have reviewed have been appropriately identified and addressed.

Work completed

From 2010/11 local authorities are required to prepare their financial statements under the IFRS based *Code of Practice for Local Authority Accounting in the United Kingdom*. This contains a number of significant differences compared to the previous financial reporting regime.

We have reviewed the work the Authority has undertaken to restate its 2009/10 financial statements under IFRS and its preparations for producing 2010/11 balances in its accounts under IFRS.

Key findings

The Authority has made considerable progress in restating its 2009/10 financial statements under International Financial Reporting Standards (IFRS).

We have received working papers regarding material areas identified in our initial IFRS impact assessment. The working papers provided were of good quality and easy to follow.

We have focused our work on high risk areas as noted in our audit plan and specifically reviewed the processes and controls in place to ensure completeness and accuracy of the restatement work.

Based on our initial review, the Authority's accounting policies are in line with the Code. We did not identify any specific issues with the restatement work. The finance team were proactive in agreeing the approach to various balances with the audit team and this has prevented problems occurring.

Outstanding Work

Work is still outstanding in the following areas:

- **Leases** – The Authority has thousands of leases and therefore the process of reviewing these in line with IFRS requirements is an extensive piece of work. The Authority is well underway with the review however, in line with the timetable agreed, the completed figures will not be ready until the final audit visit. Through discussions with officers we are confident that the Authority is undertaking a rigorous approach in regards to identifying and assessing leases and therefore no significant issues are anticipated as long the finance team ensure there is sufficient resource to complete the review.
- **Update of Fixed Asset Register** – The adjustments required for assets in line with IFRS have been calculated, however these now need updating on the fixed asset register. We will review the fixed asset register to general ledger reconciliation at the final audit visit.
- **Group accounting** – A reassessment of group boundaries has been undertaken in line with the requirements of IFRS. The Authority will undertake a further assessment of accounting policies for those entities within the group boundaries to assess if there are any material adjustments required. At this stage it is not thought that there will be any material adjustments required for group financial statements.
- **Full set of IFRS compliant financial statements and notes** – Work has been completed on the balances that require restating in line with IFRS and we have audited the appropriate adjustments. This work needs to be brought together in a full set of IFRS compliant financial statements and notes. This will be completed as part of 2010/11 closedown procedures.

- **Component Accounting** – This is an area of the IFRS restatement that is implemented from 2010/11 and therefore no restatement is required. The Authority are currently working on componentisation and this will be audited as part of the final visit as originally planned.

Impact of IFRS adjustments

The following adjustments have had a significant impact:

- **IAS 20 Government Grants** – Under the SoRP, there was a Government Grants Deferred account which represented income that had been used to fund capital expenditure. The balance in this account was released to the Income and Expenditure account over the useful economic life of the asset.

Under the new Code (in line with IFRS) grants and contributions must be recognised immediately unless there are any conditions that have not been met. This means there is no longer a government grants deferred account. This has resulted in an adjustment decreasing the government grant deferred balance (within creditors) from £427m to zero and transferring this to Capital Adjustment Account (within reserves).

Furthermore, all capital grants classified as 'capital grants received in advance' in 2008/09 (£73m) and 2009/10 (£86m) financial statements need to be reassessed.

Where the grant has no conditions attached but the expenditure has not yet been incurred this now needs to be classified under a new usable reserve 'Capital Grants Unapplied'.

The Authority has taken the key risk areas we identified seriously and made good progress in addressing them.

However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.

Work completed

In our *Financial Statements Audit Plan 2010/11*, presented to you on 21 March 2011 we identified the key risks affecting the Authority's 2010/11 financial statements.


Our audit strategy and plan remain flexible as risks and issues change throughout the year. To date there have been no changes to the risks previously communicated to you

We have been discussing these risks with officers as part of our regular meetings. In addition, we sought to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

Key findings



The Authority has a clear understanding of the risks we have raised in our *Financial Statements Audit Plan 2010/11* and is making progress addressing them. However, significant challenges still exist and require careful management and focus. We will revisit these areas during our final accounts audit.

The table below provides a summary of the work the Authority has completed to date to address these risks

Key audit risk	Issue	Progress
 <p>Financial standing / MTFP</p>	<p>Financial standing / medium term financial planning</p> <p>Following the Government's spending review the Authority announced that it was required to make £90 million savings in the financial year to address the twin constraints of reduced funding and increasing demographic and demand pressures. The final settlement has since confirmed the figure to be accurate.</p> <p>In order to deliver the required savings, the Authority will be undertaking some significant change programmes across all services.</p>	<p>We report early findings in section four of this report.</p>

The Authority has taken the key risk areas we identified seriously and made good progress in addressing them.

However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.

Key audit risk	Issue	Progress
	<p>Valuation of Council Assets</p> <p>Valuation of Council Assets is considered to be a key audit risk for the following reasons:</p> <p>During 2009/10 audit we found a small number of errors relating to fixed asset valuations.</p> <p>There is a change in the valuation process during 2010/11 as the Authority are changing the number of Valuers from five to one, bringing all valuations in house.</p> <p>There are added complications in the valuation of Authority assets during 2010/11 due to componentisation as a result of the transition to IFRS.</p>	<p>We have reviewed the processes by which the internal valuer's have conducted their work and documented our assessment of the competence, independence and objectivity of the internal valuation service .</p> <p>The remainder of our work will be undertaken at year end and reported to you in the ISA 260. This will include:</p> <ul style="list-style-type: none"> • A review of valuations obtained by the Authority from the in-house team to ensure that asset values have been correctly recorded in asset registers and the financial statements. • An assessment of valuation assumptions for appropriateness. • A review of the Authority's processes for identifying assets which may require impairment and consider whether these impairments have been accounted for correctly within the financial statements.
	<p>IFRS conversion process</p> <p>The Authority will require a lot of planning and resources to ensure a smooth and successful transition to IFRS.</p> <p>The Authority have an IFRS Work Plan in place with lead officers being allocated responsibility for individual work areas. The finance team have involved us at an early stage in the conversion process and are keeping us up to date with progress against the Work Plan as well as seeking clarification on specific issues.</p>	<p>We have reported early findings on page nine and ten of this report.</p> <p>We have audited the re-stated 2009/10 financial statement figures, where available. During this time we have assessed the processes being undertaken by the Authority and provided advice on this to ensure the final year figures are compliant with the standards.</p> <p>We have kept in regular contact with the finance team during this period, discussing emerging issues and current guidelines.</p>

Section four – VFM conclusion New VFM audit approach

We follow the Audit

Commission's new VFM audit approach this year.

Our VFM conclusion will

consider how the Authority secures financial resilience and challenge how it secures economy, efficiency and effectiveness.

Our VFM Audit Plan 2010/11

describes in more detail how the new VFM audit approach operates and includes our assessment of the risks impacting on our VFM conclusion.

We will report on the result

of our work in our ISA 260 Report 2010/11.

Background

For 2010/11, auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

There are no scored judgements under the new approach and the VFM conclusion is the only output. This remains a 'pass / fail' style assessment.

We follow a risk based approach to target audit effort on the areas of

greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

Our VFM audit draws heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit. We then assess if more detailed audit work is required in specific areas. The Audit Commission has developed a range of audit tools and review guides which we can draw upon where relevant.

Overview of the new VFM audit approach

The key elements of the VFM audit approach are summarised below in the diagram below:



We have completed our initial work to assess the Authority's financial resilience following the funding settlement for 2011-2013.

Whereas there has been some slippage within individual directorates, the Authority has delivered its planned 2010/11 savings in overall terms, and has underspent against budget.

To achieve this, the Authority has had to rely on some central financial measures and short term actions. Mostly these relate to interest savings, capitalisation of redundancy costs and changes to the PFI accounting treatment.

Work completed

We have reviewed the Authority's Budget Strategy 2011/12 and its Medium Term Financial Plan 2011-15, as well as the process followed to arrive at these.

- We have specifically assessed:
- the actions used by the Authority to secure the necessary savings in its 2011/12 draft budget; and
 - the capacity of the Authority's 2011/12 budget to secure financial stability.

This early work was specifically completed to support an Audit Commission study on the impact of the 2011/12 local government settlement on authorities' finances. It is also a key part of our work programme on the financial resilience criterion of the VFM conclusion. As part of our work we have compared the Authority to the other 'Core Cities' which are Newcastle, Bristol, Manchester, Liverpool, Nottingham, Birmingham and Sheffield.

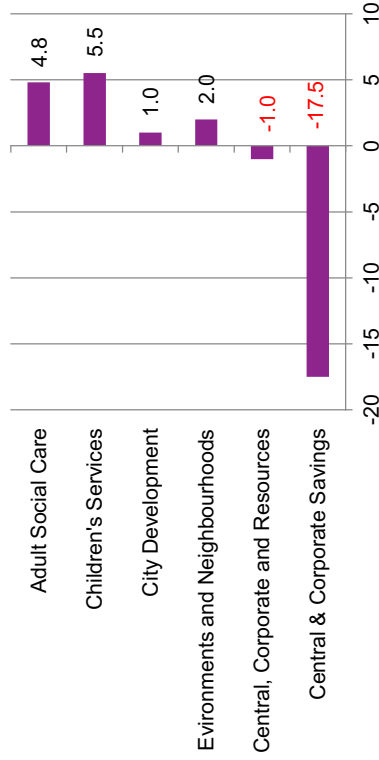
We will complete further work on the Authority's financial resilience during the coming months before we issue our VFM conclusion.

2010/11 financial performance

In its Quarterly Financial Report as at the end of February 2011, the Authority highlighted a total forecast underspend of £5.2 million against budget.

There are significant overspends in Children's Services and Adult Services with specific overspends in externally provided residential care, fostering budgets and Community Care packages. In addition to this, a number of other services within these directorates have not achieved savings at the levels expected in the budget.

Forecast outturn against 2010/11 budget as at February 2011 by directorate (£m)



Source: Quarterly Financial Report to Executive Board, 11 February 2011

A number of savings have been made centrally to offset this. The most significant of these relates to the funding of PFI arrangements. Recent changes to accounting rules regarding treatment of PFI schemes mean they can now be recognised as capital spend and can be funded from capital receipts. This has resulted in an improved position compared to budget of £8.4million. Other savings made were interest savings of £3.4million, £3.2million through capitalisation of staff costs relating to the Early Leavers Initiative, £2million through use of contingency funds and £3.2million through the use of reserves.

The Authority had been preparing for funding cuts prior to the announcement.

We are satisfied that the leadership team understands the financial management challenges facing the Authority. It is responding to this through increased monitoring and

The Authority believes that they are well placed to deliver the 2011/12 budget. However, the enormity of the challenge ahead cannot be underestimated.

We have not audited the numbers in the Authority's savings plans.

Preparation for the Local Government Finance Settlement

The Authority has a financial planning process which involves Members and Officers across all services. The Authority has used an iterative and incremental approach to the budget process whereby a level of savings has been identified centrally as a result of known issues. These have then been apportioned to directorates for them to meet alongside some general (set) expectations in terms of employee, premises and supplies expenditure reductions.

The Authority recognised the potential impact of the financial crisis and the subsequent impact on government spending policies in February 2010 when it set the 2010-11 budget, however the decision was not taken at this stage to implement any significant changes until the position was clearer.

A report was put before the Executive Board in November 2010 which assessed the possible impact of the Comprehensive Spending Review on the Authority in future years. In December 2010 this was adjusted in the light of further information to show a 10.6% reduction.

The impact of this review was to identify that a £89.8m of savings would be required for 11/12 (made up of a 10.6% reduction in funding of 51.1m and increased costs of 38.7m). As such the savings figure is considerably higher than the net reduction in funding.

The final budget was agreed by Executive board in February 2011.

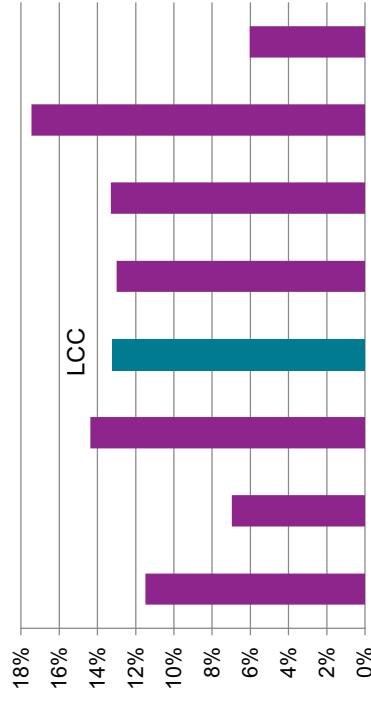
The 2011/12 budget set in February 2011 included*

- **service improvements/ increased spending and other commitments of £38.7million** – mainly targeted at Children's Services (£11.2 million) and Adult Services (£16.3 million) in line with increasing demand and service priorities. Plus debt costs (£10m) and inflation/other costs of £1.2m;

- **Loss of funding £51.1m**– made up of a loss of £61.9m of formula/specific grant and income from the new Council Tax and New Homes Bonus of £6.6mand £4.2m respectively
- **efficiencies, disinvestments & income generation of £89.8 million.**

*(figures taken from 11 February 2011 budget report):

Gross savings plans 2011/12 as a percentage of revenue spending power 2010/11 – comparison with Core Cities



Source: LG Finance Settlement data, authority budgets 2011/12

As well as formula grant, 'revenue spending power' includes council tax and other Government revenue grants, including the new NHS funding for social care.

The Authority recognises that its savings plans for 2011/12 are a significant challenge. It is responding to this through improved monitoring processes.

Reserve levels are currently lower than those of other authorities. However the Authority is planning to increase these reserves as at March 2011 due to the delivered under spend.

The Authority's total planned savings for 2011/12 equate to 13.2 percent of its revenue spending power for 2010/11. This is around the mid point of the other Core Cities who have been similarly hard hit by the Comprehensive Spending Review in comparison with other Authorities.

Directorates have been responsible for identifying savings. A number of mandated savings were identified centrally (e.g. staff costs, printing costs etc). Directorates did not initially identify a sufficient amount of savings and as such went through further rounds of review. The Authority have now implemented monthly monitoring of the budget by executive board and are also in the process of developing and implementing a Key Performance Indicator 'dashboard' to identify activity levels which provide an early indication of future financial pressure (e.g. number of children's placements/referrals).

Usable Reserves

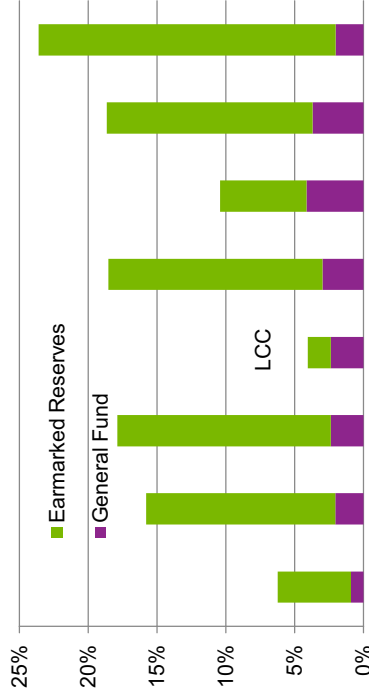
As at 31 March 2010 the Authority had a General Fund Balance of £16.1 million, which equates to 2.4 percent of its 2011/12 revenue spending power. The mean across the core cities is only marginally higher at 2.7 percent. However, Leeds does have the one of the smallest level of total reserves as a percentage of revenue expenditure of all Local Authorities.

Total usable reserves (including earmarked reserves, but excluding school based reserves) stood at £29 million as at 31 March 2010. These included reserves earmarked for future costs of £7million (under Single Status) and PFI reserves of £6 million.

The Authority is forecasting that over the period to 31 March 2012 the General Fund Balance will increase to £19million.

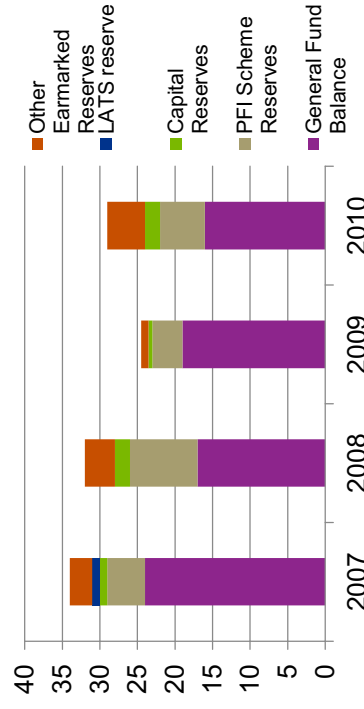
The Authority has a risk based reserves policy and has assessed that a General Fund Balance of between £16 million and £19 million is prudent and reflects the risks the Authority faces.

Useable Reserves as at 31 March 2010 as a percentage of Revenue Spending Power 2011/12 – comparison with Core Cities



Source: Ratio tool - Audit Commission website, LG Finance Settlement data

General fund balances and reserves 2007 to 2010/11(£m)



Source: Statements of Accounts, MTFP 2011-15

We have considered the specific VFM risks we first set out in our VFM approach report.

We have not identified any further risks and provide an update on our progress to date in forming our assessment.


Work completed

Our *VFM approach report* presented to you on 18 April 2011 included our initial assessment of the risks impacting on our VFM conclusion. For each risk, we consider the arrangements put in place by the Authority to mitigate the risk and the impact of the Authority's arrangements on individual KLoEs.


We have re-considered all risk areas as part of our planning work and consider that all if these are still relevant to our VFM conclusion under the new approach.

Key findings

The financial resilience section of this report covers our preliminary assessment of the 'managing with less' risk and below we set out our proposed actions in respect of the other two risks. We will report our final conclusions in our *ISA 260 Report 2010/11*.

Key VFM risk	Focus of work	Actions to take
 <p>Early Leavers Initiative</p>	<p>Following the recent budget cuts, the Authority by the end of 2011/12 will have lost over 1,500 jobs compared to the position at the start of the 2010/11 financial year.</p> <p>We will consider how the Authority has ensured that its decisions on cost reductions and service cuts reflect local priorities and will achieve long term sustainable savings.</p>	<p>To date we have had initial conversations with the Director of Resources to understand the processes that the Authority have undertaken to ensure that its decisions on cost reductions and service cuts reflect local priorities and will achieve long term sustainable savings.</p> <p>In the coming months we will review these processes to ensure that they are appropriate to deliver the Authority's priorities.</p>

We have considered the specific VFM risks we first set out in our VFM approach report.

Key VFM risk	Focus of work	Actions to take
	<p>As part of the vision for waste management in Leeds, the Authority are proposing to build a treatment facility to deal with waste that cannot be recycled.</p> <p>The Authority have narrowed the original eight bidders down to two and the successful bidder will be chosen in Summer 2011. Further public consultation will then commence later in 2011, with construction planned to commence in 2013.</p> <p>This project is an example of a large scale procurement exercise undertaken by the Authority and a review of the procedures followed for this may indicate further risks that could lead to additional VFM work being undertaken.</p> <p>This work is particularly relevant to the economy, efficiency and effectiveness criterion of the VFM conclusion.</p>	<p>During our final accounts visit we are proposing to involve our PFI & corporate finance and procurement specialists, who have a background in managing, reviewing and assessing waste contracts, to review the progress and process undertaken so far in the procurement process.</p> <p>We will use information from these reviews to assess how this large procurement process at the Authority has delivered economy, efficiency and effectiveness.</p>

Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year or earlier as indicated.

Priority rating for recommendations		
<p>Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
1	<p>● (two)</p>	<p>Overtime Payment Authorisation</p> <p>Internal Audit identified that there were 10 instances out of a sample of 30 where amendments to payroll data had not been appropriately authorised. All 10 of these instances related to overtime payments.</p> <p>Internal Audit have undertaken further testing on this to ascertain:</p> <p>a) if this is wider issue for the Authority; and</p> <p>b) if these payments were correct despite the controls operating ineffectively.</p> <p>The result of this testing found that the 10 instances mentioned above had been paid correctly.</p> <p>Further testing of an additional 25 instances found 1/25 where an overpayment was identified, this is now being reclaimed.</p> <p>The total amount of overtime paid in 2010-11 was less than our audit materiality</p>	<p>Whilst the processes for authorising overtime payments are generally sound, the following improvements are to be implemented in order to strengthen the arrangements:</p> <p>Business Support Centre to update and maintain authorisation lists prior to the introduction of the Self service facility.</p> <p>Authorising officers to be reminded that relevant documentation to support overtime payments should be retained in line with the Council's Financial Procedure Rules.</p> <p>Specific services to implement improvements to overtime authorisation and checking processes.</p> <p>In addition Internal audit are to undertake periodic sample checks within areas of high spend and overtime will continue to be an area scrutinised under budget monitoring arrangements.</p> <p>Responsible officers: Chief Officer financial management Due date: Oct 2011</p>

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
2	<p style="text-align: center;">● (three)</p>	<p>Benefits Overpayments Reconciliation – Council Tenants</p> <p>This reconciliation takes place to ensure that the debtor figure in the Councils accounts in respect of overpayments to benefits claimants is correct. Beneath this there is a further calculation which apportions the overpayments between different headings/benefit types.</p> <p>We re-performed the Benefits Overpayments reconciliation for quarter one and found:</p> <p>The figure for total benefit overpayments for Council Tenants on the reconciliation was £3,867,813.67. We found however, that this did not agree to the underlying Academy report. The total benefit overpayments for Council Tenants was £851,650.26. The figures for these overpayments had not been entered correctly into the reconciliation.</p> <p>These reconciliations work on a cumulative basis. This means that at quarter two and each of the following quarters, the reconciliation is performed again. As such any previous errors would be eradicated.</p> <p>We recommend that, in line with current procedures, the Authority thoroughly review this reconciliation at the year end to ensure the figures used are accurate and fully agree to the source systems.</p> <p>If the Authority feel it is inappropriate to verify benefit overpayments by type on a quarterly basis, consideration should be given to re-designing the control to undertake this detailed review at year end only.</p>	<p>This reconciliation has no impact on the Council's subsidy claim. The reconciliation forms part of the process for apportioning the benefit overpayment debtor over a number of classifications. Currently only the final published apportionment of the debtor, completed at the year end, is subject to a full and detailed calculation and review. Officers have now introduced a quarterly review of this apportionment to ensure accuracy throughout the year.</p> <p>Responsible officer: Senior Financial Manager (Central & Corporate) Due date: July 2011.</p>

Follow-up of prior year recommendations

The Authority has not implemented our recommendation from the *Interim Audit Report 2009/10*.

This appendix summarises the progress made to implement the recommendation identified in our Interim Audit Report 2009/10 and reiterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	1
Implemented in year or superseded	0
Remain outstanding.	1

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
1	● (two)	<p>Reconciliation of Council Tax Benefits per the Council Tax system to the Benefits System.</p> <p>Our review of Internal Audit's work identified one reconciliation which had not been fully reconciled in the month chosen for sampling. This has already been reported to you by Internal Audit and we will revisit the year end reconciliation as part of our final visit later in 2010.</p> <p>We have been informed that the difference on the reconciliation was due to a timing difference between the two system reports that has been present since Academy was introduced. At the current time we do not envisage that this will affect our work on the financial statements</p>	<p>The system providers have made a number of amendments in order to help minimize the timing differences in the reports. Throughout the year the largest timing issue recorded on the reconciliation has been £3,396, against a net benefit payment in that quarter of over £.49m. The final accounts and the benefit claim are adjusted to account for these minor introduced timing differences.</p>	<p>This issue remains and the Authority continue to work with the system providers to minimize the timing differences.</p>

Key issues and recommendations (IT)

IT systems' access for some staff that have left the Authority was not revoked in a timely manner.

We have recommended that the operation of the leaver's notification and access removal be improved for the relevant systems.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
<p>● Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>● Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>● Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
1	● (three)	<p>FMS and Orchard Leavers' Access Revocation</p> <p>When staff leave the Authority, their access to any of the IT systems should be removed in a timely manner to avoid such accounts being subsequently used by unauthorised individuals to view, alter or delete business critical data.</p> <p>However, we identified 30 active FMS user accounts and 14 active Orchard user accounts previously assigned to staff that have now left the Authority. These accounts had not been deactivated in line with the defined procedures.</p> <p>Where such accounts are left active, the risk is increased that they could be used incorrectly and this could lead to errors in financial reporting or incorrect management information being produced by the systems.</p> <p>We recommend that management should ensure that the established leavers process is consistently followed to ensure that all leavers' access to the systems is revoked in a timely manner.</p> <p>Adequate arrangements should be put in place for the notification of all leavers to the officers responsible for managing access to the systems so that the process can be effectively managed.</p>	<p>Agreed.</p> <p>Leavers for both FMS & Orchard now deleted.</p> <p>The current system of deleting leaver access only identifies those leavers who access FMS via a desktop icon. A new procedure is now being developed to compare the leavers identified from SAP (Payroll) and FMS user IDs (FMS access cannot be gained without a user ID).</p> <p>A similar system is also being developed for Orchard access.</p> <p>Responsible officers: Principle Accountant (Corporate Financial Management) & Housing Systems Strategic Manager.</p> <p>Due date: June 2011.</p>

Key issues and recommendations (IT)

No reviews are performed to verify that user access permissions on the Academy and Orchard systems are still valid. We have recommended that periodic reviews are performed over user access and unused accounts.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
2	<p>● (three)</p>	<p>Academy and Orchard User Access Monitoring</p> <p>Permissions granted to users, to access and change data within the IT applications, should be periodically reviewed to ensure that they are still valid and required for their job roles.</p> <p>There are currently no formal periodic reviews performed to validate that user access rights within the Orchard and Academy applications are appropriate. Also, no activities are performed to investigate unused accounts to determine whether they are still required.</p> <p>Where periodic access reviews are not performed, there is a risk that instances of inappropriate or unnecessary access rights for users on the systems are not identified and resolved. This could lead to users being able to access or make changes to data which they should not based on their current job roles.</p> <p>We recommend that periodic reviews of user access rights should be instituted for the Orchard and Academy applications, especially for users that can perform highly privileged system functions. These should involve the relevant authorising managers verifying that the list of active users within their teams and their corresponding access permissions granted are appropriate.</p> <p>In addition, the system administrators should periodically review the access details for users to identify accounts that have not been used for long periods. Such accounts should be investigated and deactivated if no longer required.</p>	<p>Agreed.</p> <p>A risk based assessment of key access rights is to be developed. Access to key risk areas will then be subject to periodic monitoring to ensure the rights are still applicable to current job roles. This follows the procedures established for FMS.</p> <p>Responsible officers: Housing Systems Strategic Manager & Academy Business Continuity Manager.</p> <p>Due date: Risk assessment June 2011 Implement monitoring arrangements Aug 2011.</p>

Follow-up of prior year recommendations (IT)

The Authority has made progress on all of the recommendations agreed in our *Interim Audit Report 2009/10*.

The majority of the proposed actions have now been implemented. There are two recommendations that have been partially implemented. We observed that work is ongoing to fully resolve them.

This appendix summarises the progress made to implement the recommendations identified in our Interim Audit Report 2009/10 and reiterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	10
Implemented in year or superseded	8
Remain outstanding (re-iterated below)	2

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
1	<p>● (one)</p>	<p>SAP Program Change Controls</p> <p>It is good practice that those responsible for the implementation of system changes to the SAP Payroll production environment (i.e. the SAP BASIS Implementation Team) are also responsible for verifying that user testing has been satisfactorily completed. However, at the Authority this task is completed by those responsible for developing changes (i.e. the Development Team).</p> <p>We also noted that some members of the Development Team have access to the group (e.g. ZLCC BASIS) used for implementing the system changes to the SAP Payroll production environment, thus reducing segregation between development and production responsibilities.</p> <p>We recommend that management review the current SAP change control process and ensure that the SAP BASIS team independently verify the user acceptance testing prior to migrating the changes to live.</p> <p>We also recommend that access to 'ZLCC BASIS' group is reviewed and where appropriate, limited to those who require such access.</p>	<p>Risk accepted and action taken</p> <p>UAT completion and sign-off now included as part of the validation by the implementation team prior to live migration of SAP changes into live. All evidence now sent through via a dedicated mailbox. Changes only made live when sufficient evidence has been received.</p> <p>Access rights to ZLCC_BASIS group have been reviewed and all unnecessary access has been removed as of 12th March 2010.</p>	<p>Complete.</p> <p>Our 2010-11 fieldwork has confirmed that this issue has now been resolved.</p>

Follow-up of prior year recommendations (IT)

No	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
2	<p>● (two)</p>	<p>Network password resets</p> <p>If a user requires their Novell Network password resetting which allows them access to a computer, they must contact the IT Helpdesk and answer a series of security questions.</p> <p>The questions relate to information that is easily accessible to any officer in the Authority.</p> <p>We recommend that the controls over network password resets are strengthened to avoid the use of easily obtainable information for security questions.</p>	<p>Risk accepted and no action proposed</p> <p>ICT believes that the risk of someone posing as another user in order to access their account is very low, and there is no recorded instance of this happening. Therefore ICT accept the risk and do not intend to change the process at this time.</p>	<p>Not applicable.</p> <p>The risk has been accepted and no action was proposed by the Authority.</p>
3	<p>● (two)</p>	<p>Application password resets</p> <p>If a user requires their application password resetting, they must contact the IT Helpdesk for Orchard (the Housing system) and SAP and the Academy Support Team for Academy.</p> <p>We noted that the process for validation of user authenticity is weak.</p> <p>We recommend that the controls over application password resets are strengthened.</p>	<p>Risk accepted and no action proposed</p> <p>Orchard and SAP:</p> <p>Both applications require the requestor to supply an application identity, and both ICT and the business believes that the risk of someone posing as another user in order to access their account is very low. In addition, there is no recorded instance of this happening. Therefore ICT accept the risk and do not intend to change the process at this time.</p> <p>Academy and FMS:</p> <p>This principle also applies with a specific application id required to be provided by the requestor. Again, there is no recorded instance of someone posing as another user to gain access to their account.</p>	<p>Not applicable.</p> <p>The risk has been accepted and no action was proposed by the Authority.</p>

Follow-up of prior year recommendations (IT)

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
4	<p>● (two)</p>	<p>Application access monitoring</p> <p>There are no centrally initiated reviews of user access for the in-scope applications (e.g. FMS, SAP, Academy, Orchard). The responsibility for monitoring application user access is with departments but no central co-ordination occurs to ensure the reviews are completed.</p> <p>For Academy, reviews of user access are completed every two years, however, we were unable to verify this because no evidence of the reviews is retained.</p> <p>We recommend that reviews of user access are centrally coordinated and monitored for compliance. The completion of the reviews should also be evidenced and retained.</p>	<p>Risk accepted and no action proposed</p> <p>Discussions between the officers who are responsible for the applications and ICT, have concluded that there are sufficient mitigating controls to significantly reduce any potential risk from inappropriate access. It is therefore the view of the officers involved that the administrative cost of a centralised procedure for monitoring user access across the applications cannot be justified based on the risks involved.</p>	<p>Not applicable.</p> <p>The risk has been accepted and no action was proposed by the Authority.</p>

Follow-up of prior year recommendations (IT)

No	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
5	<p>● (two)</p>	<p>Information Security Policy and User Awareness</p> <p>User awareness of the Authority information security policies has not been rolled out yet. However the Information Knowledge Management team are currently developing a strategy for information sharing and user awareness.</p> <p>User awareness will be increased via presentations as well as policies and procedures in line with the Government Connect and Information Risk Management policy requirements.</p> <p>We recommend that user awareness of Authority information security policies is rolled out as soon as is practicable.</p>	<p>Status – Agreed and Action Proposed</p> <p>The Information Assurance Maturity Model (IAMM) is being introduced to provide a framework to measure compliance and ongoing maturity in key areas of information assurance, such as Governance & Leadership; Training & Awareness; Information Risk Management; Through-Life Measures (technical); and, Information Sharing & Compliance.</p> <p>The IAMM will be used to produce an Information Assurance Strategy for the Authority. This will be underpinned by a number of key policies including protective marking, information risk management and information sharing. It will also require a review of existing policies including the Information Security Policy. An initial assessment has been undertaken and established that there are gaps in all areas, but particularly in respect of Information Assurance training and awareness. The Training & Awareness Strategy will encompass these requirements.</p> <p>It is anticipated that a draft Information Assurance Strategy will be ready by August 2010 and that the underpinning policies will be drafted by the end of 2010, though some are already under consultation. Furthermore, the Authority is looking at developing resource capacity across the organisation to ensure it can deliver the Information Assurance Strategy throughout the Directorates.</p> <p>Officer: Lee Hemsworth Due Date: Information Assurance Draft Strategy August 2010, All policies March 2011</p>	<p>Remains Outstanding.</p> <p>Our 2010-11 fieldwork has confirmed that a review is ongoing to update and consolidate the Information Security policies for the Authority.</p> <p>This would be followed by the development of formal user awareness training programmes for staff based on the updated policies.</p>

The Authority is currently reviewing the Information security policies.

This would form the basis for the development of formal security awareness programmes.

Follow-up of prior year recommendations (IT)

No	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
6	<p>● (two)</p>	<p>Disaster Recovery (DR)</p> <p>We noted that the last DR test for SAP (the HR/Payroll system) was completed in July 2008 and was not successful. The DR test was unsuccessful because of a number of issues that were encountered in preparing and completing the test, which led to the recovery team running out of time.</p> <p>We noted that no further formal DR tests have been completed on SAP since the unsuccessful test in July 2008. However, it is acknowledged that a recovery from production to development test has since been completed and these were successful.</p> <p>We recommend that all key in-scope applications are subject to annual DR tests as a minimum.</p>	<p>Risk accepted and action proposed</p> <p>Several issues, which caused delays, were encountered during the test and these were documented as part of the trial. Though none of these issues were 'show stoppers', the time allocated for the trial was exhausted, and resources had to be reassigned to other work. The issues identified have since been addressed, and the documentation has now been revised and updated, to enable clearer recording of recommendations and status. Since the trial, several successful migrations of live data into the test/DR environment have taken place. Though not official DR trials, these recoveries have given high levels of confidence in ICTs ability to recover in a DR situation.</p> <p>A DR schedule is maintained for all key applications, detailing previous successful/unsuccessful trials and those planned for the coming year. Service reviews with the business owners include, as a standard agenda item, Disaster Recovery and the most recent SAP review undertaken on 18/11/2009 identified a need to schedule a DR trial. This resulted in a SAP DR trial being scheduled for 31/05/2010, and the time allocated has been increased to enable a successful trial to occur.</p> <p>Also, to increase visibility of the schedule, and to ensure trials are undertaken annually, a review of the DR schedule has now been included as a standard agenda item on the monthly Infrastructure Services Review meeting.</p> <p>DR failure investigation - complete DR testing - May 2010 DR schedule review - ongoing</p>	<p>Complete.</p> <p>Our 2010-11 fieldwork has confirmed that this issue has now been resolved.</p>

Follow-up of prior year recommendations (IT)

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
7	<p>● (two)</p>	<p>Academy User Access Administration</p> <p>Academy (the Revenues & Benefits system) system's password parameters do not meet the Authority's standards, in particular in relation to the enforcing of alphanumeric characters.</p> <p>We recommend that Academy password parameters are brought in line with Authority standards.</p> <p>We also noted that when a new Academy user is created, the account is set without a password and the user must create a password upon first log on. There are currently no controls operating to ensure the user logs in and creates a password on a timely basis.</p> <p>We noted the application owners are aware of the risk and are currently seeking to implement a solution that does not impact on service delivery.</p> <p>We recommend that a password is assigned to new Academy user accounts which are only known by the Academy Support Team. The user should then be instructed to log on and change the password on a timely basis.</p>	<p>Risk accepted and action proposed</p> <p>The Academy support team are to introduce a new process of creating users with a password being allocated at the time the user is created. As Academy is one of the applications that works with Single Sign on (Novell Secure Login) then initial testing will be required, along with amended procedure notes and the single sign on guidance notes for Academy users.</p> <p>Academy will not, as yet, prompt users to change their password on initial log in and whilst we can tell them the process to follow we cannot force a user to change their password although of course they will be prompted to do so after 40 days.</p> <p>An amendment to the system to force strong passwords (incl. the need to use an alpha numeric password) is currently being tested.</p> <p>Officer: Kathryn Glasby - Business Continuity Manager Revenues & Benefits Due Date: June 2010</p>	<p>Complete.</p> <p>Our 2010-11 fieldwork has confirmed that this issue has now been remediated.</p> <p>The recommendations were implemented as part of a recent upgrade of the Academy system in February 2011.</p>

Follow-up of prior year recommendations (IT)

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
8	<p>● (two)</p>	<p>FMS Program Change Controls</p> <p>We noted that reliance is placed on the Development Team to have verified that appropriate user acceptance testing has been completed prior to a change being implemented on the live FMS (the Finance system) environment. Good practice recommends that verification of user acceptance testing and other acceptance criteria for a change should be performed by those responsible for the implementation of the change to the live environment (in this case the FMS Implementation team).</p> <p>We noted that the Authorising Manager in the Development team does not verify that the user acceptance testing has been successful and signed off by the Finance department before signing the notification form for migration to live.</p> <p>We recommend that management review the current FMS change control process and ensure that independent verification of the user acceptance testing prior to migrating the changes to live occurs.</p>	<p>Risk accepted and action taken</p> <p>FMS program change controls processes have been amended to include the change record number, a plain English description of the change and UAT/testing sign-off needs to be attached to the request before the change is signed-off by management and passed to the implementation team. This updated process is already in place.</p>	<p>Complete.</p> <p>Our 2010-11 fieldwork has confirmed that this issue has now been resolved.</p>

Follow-up of prior year recommendations (IT)

The Authority is currently developing a definitive list of approvers for the Academy system for the user departments outstanding.

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
9	● (three)	<p>Academy Administration User Access</p> <p>An 'approvers list' identifying those staff who are able to approve a new user access request for Academy is not documented. As a result, reliance is placed on personal knowledge that the 'approver' is an appropriate member of staff.</p> <p>We recommend that a defined list of approvers for new user access requests is developed, reviewed periodically and where appropriate updated to reflect any changes.</p>	<p>Risk Accepted and Action Proposed</p> <p>Agreed - a defined list of approvers for new user access requests will be developed, reviewed periodically and where appropriate updated to reflect any changes.</p> <p>Officer: Kathryn Glasby - Business Continuity Manager Revenues & Benefits Due Date: June 2010</p>	<p>Remains Outstanding.</p> <p>Our 2010-11 fieldwork has confirmed that a defined list of approvers has been developed for the Revenues and Benefits, Customer Services and Leads Housing Options areas.</p> <p>Work is currently ongoing to develop similar approvers lists for the other areas within the Authority where the Academy system is used.</p>
10	● (three)	<p>Server room access monitoring</p> <p>Although a six monthly review of access lists for the server room is operated, there is no evidence retained that this list has been reviewed and signed as evidence of review.</p> <p>We recommend that the Network Management Centre (NMC) team who are responsible for managing server room access should ensure that evidence of the six monthly review of the access lists is produced and retained.</p>	<p>Risk accepted and action taken</p> <p>NMC staff have now introduced a six monthly review schedule and a checklist for this process. This checklist will be signed off when the six monthly review of access has taken place</p> <p>Action complete</p>	<p>Complete.</p> <p>Our 2010-11 fieldwork has confirmed that this issue has now been resolved.</p>



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Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 18th July 2011

Subject: The Statement of Accounts 2010/11

Electoral Wards Affected:

Ward Members consulted (referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

1. The Responsible Financial Officer has certified that the 2010/11 accounts for Leeds City Council are a true and fair view of the Council's financial position. The accounts are fully IFRS compliant as required by the Accounts & Audit regulations 2011.
2. Overall the Council's net worth has decreased by £127m, primarily due to the following factors:
 - A £733m improvement in the pensions deficit, due to the move to increasing pensions in line with the Consumer Price Index instead of the Retail Price Index previously used. This has effectively halved the Council's pension deficit as recognised in the accounts.
 - A £891m reduction in the value of the Council's assets (£133m depreciation and a £758m impairment charge). This is mainly due to a reduction in the social value of the Authority's Council houses as determined by the Government.
3. Whilst financial reporting under IFRS provides an important indication as to the financial health of the Council, the amounts actually chargeable to a local authority's council tax and its General Fund reserves are controlled by legislation, and include a number of statutory and accounting adjustments. After taking account of these statutory adjustments, the Council underspent its approved budget of £569m by £5.1m. Consequently the Council's General Fund reserve has increased to £21.2m.

Recommendations

4. Members are asked to note the 2010/11 Statement of Accounts as certified by the responsible financial officer.
5. Agree to release the accounts for public inspection.

1.0 Purpose of the Report

1.1 The purpose of this report is to present to the Committee the 2010/11 Statement of Accounts for Leeds City Council prior to them being made available for public inspection. The accounts are provisionally timetabled for public inspection on the 25th July 2011. The Statement of Accounts is included with the agenda as a separate booklet for members of the Committee and is published on the Council's intranet site. Anyone else wishing to obtain a copy of the Statement of Accounts should contact the committee clerk named on the front of the agenda.

1.2 This report provides a summary analysis of the accounts to aid members in their understanding of the main financial issues. The report is split into four areas:

- Background information as to the statutory requirements for the accounts
- A summary of both the Council's in year financial performance and the financial health of the Council as at 31st March 2011.
- An update on the accounting issues impacting on the financial statements.
- An update on the Council's response to external audit issues raised in 2009/10.

Members should note that the accounts include a foreword by the Director of Resources which provides further interpretation of the accounts.

2.0 Background Information

2.1 In line with the requirements of the Accounts and Audit Regulations 2011, the Council's annual accounts have been certified by the responsible financial officer as a true and fair view of the Council's financial position. Whilst it is no longer a legal requirement for members to formally approve these unaudited accounts before the 30th June, members agreed in April 2011 to receive the accounts prior to them being made available for public inspection. The terms of reference of the Corporate Governance and Audit Committee include dealing with matters relating to the accounts.

2.2 The Council's accounts are to be made available for public inspection for 20 working days commencing 25th July 2011. The external audit of the accounts is due to commence on the 25th July 2011 and upon completion, the auditors will submit their report to this Committee. The audited accounts and the external audit report will be presented to this Committee on the 30th September.

2.3 For the first time, Local Authority Accounts are compiled based on International financial reporting standards (IFRS). The main changes required under IFRS are explained in section 4.0 of this report. Whilst there are a number of new statements and disclosures, one of the main requirements of IFRSs is that the accounts are restated as if IFRSs had always been applied. Consequently all comparator data has been amended to reflect the new standards. Where this leads to a material change from previously reported figures under UK GAAP they separately disclosed in the accounts (see page 92 of the accounts).

3.0 A Summary of the Council's Financial Position

3.1 The Council's Overall Financial Performance during 2010/11

3.1.2 Financial performance for the year

3.1.2.1 The overall reported outturn to Executive Board on the 22nd June 2011, recognised an underspend of £5.1m against an approved budget of £569.3m. However, the 2010/11 Comprehensive Income and Expenditure Statement (CI&E a/c) shows a deficit for the year of £127.6m (£770.7m in 2009/10). This deficit represents the amount the Council's net worth has fallen over the year. This is shown on the Balance Sheet as a reduction in net assets less liabilities between 31st March 2010 and 31st March 2011. In addition to the in year underspend of £5.1m, there are four main factors which have contributed to this reduction in the net worth of the Council:

- i) Unlike in previous years, all changes to the pension deficit are now shown in the CI&E a/c. For 2010/11 the Council's pensions deficit has been significantly reduced, resulting in a £733m credit to the reported bottom line of the CI&E a/c. This mainly reflects the impact of the Government's decision to move to pension increases being in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The actuaries calculation of the Council's pension deficit assumes that the CPI rate is, on average, 0.5% less than the RPI rate resulting in a reduction to the predicted value of future pension liabilities. For consideration of how this much improved position compares with the latest actuarial review of the pension fund see para 3.2.1 below and for full details of the changes to the Council's pension deficit see appendix 1.
- ii) The CI&E a/c incurs a charge for the depreciation of its fixed assets. This charge is an indication as to the cost the Council will have to incur, through borrowing and repairs and maintenance budgets, in order to maintain the standard of our buildings and other assets. For 2010/11 this amounted to a cost of £133m.

The CI&E a/c also, receives an impairment charge if there is any indication that an asset is either being used up, or its value is falling, faster than currently recognised by the rate of depreciation. For 2010/11 this charge amounted to £758m. Normally such impairment charges reflect the reduction in the value of an asset from an incident such as a fire or demolition. However, in 2010/11 there has been a change in the way Council Houses are valued which has generated an impairment charge of £631m to the CI&E a/c. This impairment charge reflects the impact of the Government's decision to amend the prescribed calculation for assessing the social value of the Council's housing stock (from 47% of their market value to 31%). Any potential loss through impairment would only be realised if the assets were sold at their social value rather than the actual market value of the properties. The market value of our Council house stock is some £4.6bn compared to the new social value of £1.5bn. If the Council was to include the full market value of its Council Houses this would increase the Council's net worth by £3.1bn.

- iii) Under IFRS any grants for which any conditions imposed by the granting body have been met, or there is a reasonable expectation that the conditions will be met, then the grant must be recognised in the CI&E account. Previously all unspent grants would have been treated as receipts in advance and carried forward as a creditor on the balance sheet. For 2010/11 this amounted to

£107m (£102m capital and a net £5m revenue grants). These grants are carried forward on the balance sheet to meet planned expenditure in future years.

iv) The CI&E a/c also recognises and gains or losses on disposal of fixed assets. For 2010/11 this amounted to a loss of £86m, reflecting the fact that a number of schools are now either trusts or academies. The Council has no choice in whether to transfer these assets and does not receive any consideration for their transfer.

3.1.2.2 Whilst financial reporting under IFRS provides an important indication as to the financial health of the Council, the amounts actually chargeable to a local authority's council tax and its General Fund reserves are controlled by legislation, and include a number of statutory and accounting adjustments. Of the above factors the pension savings, the depreciation and impairment charges and the losses on disposal of fixed assets are reversed under statute. Any grants remaining unspent in the year are carried forward as either a capital or revenue earmarked reserves.

3.1.2.3 Whilst recognising that the CI&E a/c provides a number of important indicators as to the financial health of the Council, it is the £5.1m surplus which has the immediate impact on taxpayers and dictates the level of General fund reserves available to the Council. This £5.1m underspend for the year has not been easily achieved as the Council has had to deal with in- year pressures in excess of £45m. These have included demand pressures of £24.3m, and declining income especially within City Development. In addition, the new Government announced a £1.166bn in-year reduction in grants to Local Authorities as part of its accelerated deficit reduction plan; the impact of which was a £15.0m reduction in revenue grants to the Council. The scale of these grant reductions and the fact that they were notified part way through the year presented the Council with a significant difficulty in managing them. However, through careful financial management, the delivery of staffing, other savings in directorates and the corporate identification of savings, it has been possible to not only deliver a balanced position, but to also to make a contribution to reserves in anticipation of the budgeted utilisation of reserves planned for 2011/12.

3.1.2.4 The General Fund reserve now stands at £21.1m. After the use of £2m as agreed to support the 2011/12 budget, this would leave an estimated £19.2m at the 31st March 2012. This is broadly in line with the minimum reserves as determined by the Council's risk based reserves strategy.

3.2. Financial Health as at 31st March 2011

3.2.1 As identified in the CI&E a/c, the Council's assets net of liabilities has fallen by £127.6m and now stands at £710.5m. Whilst para. 3.1.2.1 above identifies the main reasons for this fall, the Council's balance sheet also contains other transactions, mainly relating to capital, which impact on the Council's financial standing. The following section analyses the main issues impacting on the Council's balance sheet as at 31st March 2011:

- The Council's overall share of the pension deficit on the fund has fallen to £740m and represents the difference between the value of the Authority's pension fund assets at 31st March 2011 and the estimated present value of the future pension payments to which it was committed at that date. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in their full actuarial

review of the Pension Fund, carried out as at 31st March 2010. Whilst this is done on a different basis to the determination of the deficit in the annual accounts, it does provide a good indication of the future standing of the pension fund based on the fund's current position. The actuarial review concluded that the Pension fund was 93% funded, with a predicted deficit for Leeds City Council of £97m. Based on the actuarial review, the Council has established appropriate employer contribution rates in order to move the fund towards a fully funded position over a 22 year recovery period. This position excludes any potential impact of the recently published Hutton report and the intention of the Government to increase employee contributions to public sector pension schemes on average by 3%. Employer contribution rates have been agreed on the basis that should employee contributions change prior to the next valuation, then employer contribution would be reviewed.

- Overall the value of the Council's long term assets have fallen by £741m. There are a number of factors affecting the value of our assets but as outlined in 3.1.2.1 above the largest impact in 2010/11 is due to the depreciation and impairment of the assets. Other factors impacting on the carrying value of our assets are:
 - Additional capital spend in year of £279m.
 - Disposals of £93m, of which £86m was recognised as a loss in the CI&E a/c as a number of schools were transferred to trusts or recognised as academies.

Whilst we have seen a drop in the operational value of the Council's long term assets, the overall market value of the Council's assets is considerably higher. In particular the market value of our Housing stock is around £4.6bn (current social value £1.5bn) and our infrastructure assets are currently only recognised at depreciated historic cost (£708m) when their market value would run into billions of pounds.

- Overall the Council's useable reserves have risen from £162m in 2009/10 to £191m in 2010/11, an increase of £29m. The majority of these £191m of useable reserves are ring fenced (£151m) and are not available to support general expenditure. The main ring fenced reserves as at 31st March 2011 are:
 - School based reserves £25m;
 - Revenue grants received in advance of planned expenditure £12m;
 - Capital grants received in advance of planned expenditure £94m (£87m as at 31st March 2010, plus a further £102m received in year, less the £96m applied to fund capital schemes);
 - Housing Revenue Account reserves £20m, statutorily ring fenced to the provision of local authority housing.

The remaining £40m of reserves is made up of the £21m General Fund Reserve and £19m of earmarked reserves. Of the £19m earmarked reserves, the majority, some £15m, is earmarked to support future PFI or capital liabilities.

- Overall debt stands at £1,504m (£1,459m in 2009/10) made up of long term borrowing £1,299m (£1,334m in 2009/10) and borrowing repayable on demand or within one year of £205m (£125m in 2009/10).

The level of overall debt has increased by £45m from 2009/10 reflecting £20m of new long term and a net £25m of new short term loans. In addition, whilst not

impacting on overall debt levels, some loans have now been reclassified as short term as they have less than a year to maturity.

Full details of the Council's Treasury Management activities for the year will be available in the Treasury Management report to Executive Board on the 27th July 2011.

- The amount owed by the Authority for the financial year but not yet paid (current creditors) decreased by £19m. The major reason for the decrease in creditors reflects a £10m reduction in the year end payments due to Education Leeds as the contract came to an end on the 31st March 2011, and a £2m reduction in the amount outstanding to HMRC due to a fall in the tax payable on the actual number of equal pay compensation payments made in year. In respect of creditor payments to individuals and business it is the Council's aim to pay such creditors within 30 days. For 2010/11 the Council paid 90% of its undisputed invoices within the 30 days, an increase in performance of 2% compared to 2009/10. Overall 94% of the authority's invoices were paid within 40 days and 100% of small suppliers were paid within 20 days.
- The amount owed to the Authority for the financial year but not yet received (current debtors) decreased by £20m. The main reason for this decrease in the value of debtors was a £11m reduction in outstanding grants due from Government departments following the cessation of some grants and the year end timing of when grants are actually paid. In addition there was a £7m reduction in the NNDR debtor due the timing and improved estimation used in the 2010/11 interim claim which reduced the value of the outstanding claim at year end and.
- Provisions have increased by £34m, mainly reflecting additional settlements due under the equal pay agreement.
- The Council recognises the amounts due under PFI and finance leases as deferred liabilities on the Balance Sheet. As at 31st March 2011 the Council's deferred liabilities have increased by £48m, mainly reflecting additional liabilities on new PFI schemes in 2010/11.

3.3 Ring Fenced Accounts:

3.3.1 Housing Revenue Account (HRA)

- 3.3.1.1 The HRA Income & Expenditure account shows a deficit for the year of £634.3m. This deficit is then adjusted to reflect any statutory overrides to accounting practice in order to produce a reported financial position which directly impacts on Council House rent payers. For 2010/11 the statutory overrides amounted to a credit to the HRA of £636.2m, resulting in a financial surplus for the HRA of £1.9m (compared to a deficit of £0.7m in 2009/10). The main statutory override impacting on the 2010/11 HRA is the reversal of a £631.4m impairment charge made in year, reflecting the Government decision to reduce the social value of Council Houses recognised on Local Authority balance sheets.
- 3.3.1.2 The surplus of £1.9m was transferred to earmarked reserves as approved by the Executive Board on the 22nd June 2011. In addition the Executive Board agreed to set aside £0.6m of the HRA general reserve as a further earmarked reserve to fund the replacement of Care ring equipment.
- 3.3.1.3 Overall the HRA reserves stand at £20.1m as at 31st March 2011 (£18.1m as at 31st March 2010). £4.0m of this sum represents the HRA general reserve; this is deemed to be a prudent level based on the Council's risk based reserves strategy. Of the £16.1m earmarked HRA reserves, £11.5m is being held to fund

the future costs of the Swarcliffe PFI scheme. Full details of the all the HRA reserves are shown in the Statement of Accounts.

3.3.2 Collection Fund

3.3.2.1 The Collection Fund for 2010/11 generated a deficit of £0.84m (£0.82m deficit 2009/10). This leaves the collection fund with negative reserves as at 31st March 2011 (there were no reserves carried forward as at 31st March 2010). There is no requirement to hold a balance on the Collection Fund reserve but any positive or negative balance must be taken into account when calculating the council tax for the following year.

3.4 Group

3.4.1 Arms Length Management Organisations (ALMOs)

3.4.1.1 Collectively the three ALMOs showed a surplus position for 2010/11 of £37.8m (£8.7m surplus in 2009/10). The detailed performance figures for each individual ALMO are available in the Statement of Accounts under the Group Accounts section.

3.4.1.2 The net assets held by the companies to fund the pensions deficit now stand at £46.3m (£31.8m in 2009/10). As at 31st March 2011, the net pension liability for the three ALMOs stood at £11.7m (£35.3m in 2009/10), producing net reserves for the companies of £34.6m (£3.5m negative reserves in 2009/10). As the ALMOs are members of the West Yorkshire Pension Fund, the reasons for this improvement in the pension deficits is the same as for the Council.

3.4.2 Education Leeds

3.4.2.1 Due to the cessation of the contract with Education Leeds at 31st March 2011, the contract was amended before the year-end in order to repay the accumulated operating surplus as at 31st March 2010 and the forecast in-year surplus for 2010/11. This amounted to a reduction in the Education Leeds contract of £3.2m. Consequently Education Leeds has a small in year operating deficit, before pension adjustments, of £0.8m for 2010/11 (£0.5m deficit in 2009/10).

3.4.2.2 The net assets (reserves) held by the company to fund the pensions deficit now stands at £1.8m (£2.6m net liabilities in 2009/10). As at 31st March 2011, the net pension liability for Education Leeds stood at £30.7m. (£65.1m in 2009/10), producing a net liabilities for the company of £28.9m (£62.5m in 2009/10). As Education Leeds was a member of the West Yorkshire Pension Fund, the reasons for this improvement in the pension deficits is the same as for the Council..

3.4.3 Other Group entities

3.4.3.1 The definition of group entities has changed under IFRS leading to an expansion in the number of entities now accounted for under the Council's Group accounts. The following entities are now included and their results consolidated into the group accounts:

Leeds Grand Theatre, Belle Isle Tenant Management Organisation, Leeds groundwork trust, Marketing Leeds Ltd, Green Leeds Ltd and the Craft Centre and Design Gallery Limited.

Collectively these entities broke even in year and have reserves of £1.6m as at 31st March 2011.

3.4.4 Impact of the Group entities on the overall financial position

- 3.4.4.1 Whilst it should be recognised that the Group entities do not represent a major part of the Council's activities, the Group Accounts do show that they hold a significant level of reserves (£52m). The major reason behind these levels of reserves is to contribute to the pension deficits of £43m.
- 3.4.4.2 It should be noted that whilst the Group Accounts do show the full scale of the Council's financial activities, those that are the most financially significant are in fact limited companies and as such the Council would only be required to contribute a nominal sum if any of them are wound up.

4.0 Accounting Issues Impacting on the Financial Statements:

4.1 Changes to Accounting Practice

- 4.1.1 The accounting practice governing Local Authority accounts has undergone significant changes over the last few years with the 2010/11 accounts required to move to full compliance with International Financial Reporting Standards (IFRSs). Members of this Committee have been updated on the main issues and progress towards IFRS compliance in a number of up-date reports over the last few years. Some of the IFRS based changes were introduced in 2009/10 i.e. IFRS based accounting practice for PFI transactions.

The main changes are:

- 4.1.2 The adoption of IFRS based accounting practice requires the accounts to be amended to reflect the position as if IFRS accounting had always been applied. Consequently all comparator figures have been amended in line with the new requirements of IFRS.
- 4.1.3 The new Comprehensive Income & Expenditure account (CI&E a/c) recognises the change in the Council's overall net worth. Previously, under UK (GAAP) any unrealised gains and losses were not recognised in the Income & Expenditure account but shown in a separate Statement of Total recognised Gains and Losses. Unrealised gains and losses such as the revaluation of assets, are now charged directly to the CI&E a/c.
- 4.1.4 The new Statement of movement in reserves identifies all the movement in reserves for the year, analysed between useable and unuseable reserves. Unuseable reserves are those based on statutory adjustments to ensure certain accounting requirements do not impact disproportionately on current tax payers.
- 4.1.5 All the Council's leases have been reviewed to determine whether they are operating or finance leases under IFRS based accounts. Assets funded under finance leases are recognised on the balance sheet along with any associated deferred liabilities.
- 4.1.6 Under IFRS, any grants for which any conditions imposed by the granting body have been met, or there is a reasonable expectation that the conditions will be met, then the grant must be recognised in the CI&E account. Any unused grants are then carried forward as either a useable capital reserve or a revenue earmarked reserve. Previously capital grants would have been applied directly to appropriate capital schemes and any unspent grant carried forward as a receipt in advance.
- 4.1.7 Any short term employee benefits such as paid annual leave or paid sick pay must be accounted for in the year in which the employee worked for the Council. Consequently any outstanding benefits must be accrued to the CI&E a/c. A statutory override allows Local Authorities to carry forward such accruals in an

unuseable statutory revenue reserve. For 2010/11 this accrual amounted to £11m, the bulk of which related to teachers due to the timing difference between the school year and that of the financial year end.

- 4.1.8 Under IFRS the definition of what constitutes the Council's control and influence over entities has changed. This has led to an increase in the number of subsidiary and associate companies now consolidated into the Group accounts.

5.0 External Audit Issues

- 5.1 In September 2010, KPMG reported back to this Committee its main audit findings in respect of the 2009/10 accounts. In this report, KPMG informed members of just two areas of concern, namely, the need to review all items in the Fixed Asset Register to ensure all assets are still owned by the Authority and to ensure that all valuations are included in the Fixed Asset Register.

- 5.2 The review of the Fixed Asset Register has been undertaken and the findings of which was reported to this Committee on the 15th June 2011. The resulting amendments have now been incorporated in the Fixed Asset Register. Controls have also been tightened to ensure all valuations have been updated into the register.

- 5.3 As stated in paragraph 2.2 above, any relevant matters arising from the audit of the 2010/11 accounts are reported back to this Committee in September.

6.0 Implications for Council Policy and Governance

- 6.1 The Statement of Accounts is an audited publication which provides all stakeholders with the confidence that public money has been properly accounted for and that the financial standing of the Council is on a secure basis.

- 6.2 As required by the Accounts and Audit Regulations 2011, the accounts are to be made available for public inspection for twenty working days. Local electors and taxpayers have the right to look through the accounts and supporting documentation. They also have the right to object to the accounts and question the auditors.

7.0 Legal and Resource Implications

- 7.1 The Accounts are required to be certified as a true and fair view of the Council's financial position by the Responsible Financial Officer before the end of June. This is a factual report of the Director of Resources on the financial accounts of the Council for 2010/11. There are no additional legal or financial implications.

8.0 Recommendations

- 8.1 Members are asked to note the 2010/11 Statement of Accounts as certified by the responsible financial officer.

- 8.2 Agree to release the accounts for public inspection.

Background Documents

2010/11 Statement of Accounts (separately distributed to members at the Corporate Governance and Audit Committee on the 18th July 2011).

KPMG ISA 260 Report 2009/10

The Code of Practice on Local Authority Accounting in the United Kingdom 2010

Corporate Governance and Audit Reports on International Financial Reporting Standards (23rd April 2008, 17th March 2010 & 14th February 2011)

Executive Board report (22nd June 2011): Financial Performance – Outturn 2010/11

Executive Board report (27th July 2011): Treasury Management report 2010/11

Appendix 1.

Factors impacting on the Pension deficit in 2010/11

For 2010/11 one of the most significant areas which has impacted on the Council's balance sheet has been in respect of pension liabilities. As at the 31st March 2011 the net pensions liability under IAS 19 stood at £740m, a decrease in the net liability of £734m from last year. The main factors which have contributed to this decrease are:

- The future pension liabilities held on the balance sheet are discounted back to current prices. Every year these pension liabilities become one year closer to being paid and the accounts therefore reflect the unravelling of one more year of this discount. Consequently the level of pension liabilities rises each year and for 2010/11 this increase amounted to £162m.
- For 2010/11 there have been a number of changes to the actuarial assumptions, by far the biggest of which was the Government's decision to move to pension increases being in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The actuaries have assumed that the CPI rate is, on average, 0.5% less than the RPI rate. This and other minor changes to assumptions has led to a £668m reduction in the expected liabilities of the fund.
- The value of the council's pension fund assets has risen by £240m mainly due to the steady performance of the stock markets over the last year.

The main differences between the pensions deficit as calculated in the accounts and that calculated in the actuarial review.

Under the accounting standard (IAS 19) the Council must determine the future cost of the pension liability earned to date by its employees. In order to do this, the Council's actuaries estimate the how long they expect the officers in the scheme are expected to live and their anticipated rise in salary (pay awards, increments etc.). The level of future pensions is then inflated (now based on CPI) to calculate the likely future liabilities the Council faces under the scheme. This is broadly the same approach as followed in the actuarial review. The only real difference will be slight changes to some of the assumptions used due to the timing of the assessments.

In order to include this projected future pensions liability in the accounts it needs to be discounted back to current prices. The discount rate used is determined by the accounting standard. This is currently the yield on corporate and government bonds as at the reporting year end. In theory this discount rate is expected to be stable over the long term and represents the time value of money. Due to the exceptional economic situation over the last few years there has been some fluctuations in this discount rate but it is expected to be relatively stable over the long term. The actuarial review also discounts future pension liabilities but for this calculation the actuaries are not restricted to the yield on bond rates but instead choose a rate which they believe is more applicable for bodies in the West Yorkshire Pension Scheme. They therefore apply a higher discount rate based on expected returns on the pension fund's assets and the long term financial standing of the Councils in the scheme. Accordingly, the actuarial review produces a lower level of future pension liabilities (at current prices) than that used in the accounts.

In respect of the fund's assets to pay for these liabilities, accounting practice only allows the Council's accounts to include them at their current value. Any expected future growth in these assets remains uncertain and the prudent approach in accounting practice is that organisations can only include gains on investments when the gains are certain. Consequently the accounts are always likely to show the pension fund in deficit as the viability of a scheme will always depend on asset growth. In comparison the actuarial review assesses the long term viability of the fund and therefore assumes that the assets will grow in order to meet future liabilities. Consequently the value of the fund's assets in the actuarial review are much greater than those in the accounts. It is therefore the actuarial review which helps determine the employer contribution rates required to meet any projected deficit.

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Report of the Director of Resources

Report to Corporate Governance and Audit Committee

Date: 18 July 2011

Subject: Annual Risk Management Report

Electoral Wards Affected: <input type="checkbox"/> Ward Members consulted (referred to in report)	Specific Implications For: Equality and Diversity <input type="checkbox"/> Community Cohesion <input type="checkbox"/> Narrowing the Gap <input type="checkbox"/>
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Executive Summary

Under the Council's Risk Management Policy and the Committee's own Terms of Reference, Corporate Governance and Audit Committee is responsible for reviewing the 'adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management)'. This annual report helps provide assurance on the strength of these risk management arrangements and is therefore an important source of evidence for the authority's Annual Governance Statement.

Since the previous report presented to the Committee on 12 May 2010, the authority's Risk Management Unit (RMU) has worked with officers and members to enhance the rigour of the corporate risk register, facilitated a number of successful risk management workshops and training sessions and conducted risk management reviews of such key areas as the 11/12 budget and workforce planning. The processes for maintaining and reporting on corporate, directorate and budget risk registers as well as risks within our performance indicators are now well-established as are the role and functions of the Corporate Risk Management Group. In these areas, the RMU can therefore give assurance to this Committee that the arrangements are adequate.

When considering the adequacy of our risk management arrangements, the Committee is also able to place reliance on other update and assurance reports produced in such areas as financial risk management, the internal control environment and performance management as well as specific reports on the management of corporate risks (for example, safeguarding children, burglary and community engagement) drawn up by officers, internal and external audit and independent assessment bodies such as Ofsted and the Care Quality Commission.

1.0 Purpose of this Report

- 1.1 This report provides Corporate Governance & Audit Committee with an overview of the risk management work conducted by the Risk Management Unit (RMU) in the last year in support of the Council's Risk Management Framework. It also reports on the corporate risk register and highlights future areas of work to enhance our risk management arrangements. The report helps provide assurance to the Committee on the strength of these risk management arrangements and thus, when taken in conjunction with other assurance reports on specific risk areas, provides an important source of evidence for the Annual Governance Statement.

2.0 Main Issues

Corporate Risk Register

- 2.1 The corporate risk register continues to be updated quarterly by directorates (including Education Leeds) and the 3 housing ALMOs, reviewed and moderated by the Corporate Risk Management Group (CRMG) and approved by the Corporate Leadership Team (CLT). During 2010/11, the RMU made several changes to the corporate risk register to enhance the contents and reduce duplication and bureaucracy for officers who update the individual risk records. This included the incorporation of a 'RAG' assessment for all the Council's programmes and major projects as this provides useful data on emerging potential corporate risks. A target risk rating for all risks is now assigned to help indicate where further risk management attention and resources can and should be targeted.
- 2.2 The corporate register is supported by a range of other risk registers at directorate, service, budget and project levels from which the most significant risks are escalated to the corporate level. Executive Board members now review and provide input to the corporate risk register on a regular basis. The RMU extended this review to this Committee in January 2011 and intends hereafter to offer such review sessions to Corporate Governance & Audit Committee members each year. Along with the RMU's own horizon scanning exercises (for example, through review of external assessment reports and of the media), these processes should provide the Committee with a significant source of assurance on the rigour of the Council's corporate risk register and that it accurately reflects both members' and officers' concerns.
- 2.3 The corporate risk register is a live document with risks moving up and down over the year, thereby evidencing the maturity of our review and challenge processes. The register was last reviewed in May and contains 31 risks of which 10 have been given the highest 'red' rating. This rating is a combination of the probability of the risk materialising and its impact if it did and so a number of risks are rated as 'red' as a consequence of their impact score rather than there being a high likelihood of the risk actually arising. The corporate risk register provides assurance to the citizens of Leeds, Council staff and elected members that we are aware of our biggest risks and that we have taken steps, as far as we can, to manage them. This means they are both less likely to occur and also have less of an impact if they did.
- 2.4 The 10 corporate risks currently rated as 'red' are: School Places, Medium-Term Budget, Universal Credit, City Flooding, Children's Services' Budget, Adult Social Care Budget, Streetscenes' Improvements, Equal Pay, Safeguarding Children and Emergency and Business Continuity Management. Work is underway to analyse and re-assess the corporate risks on NEET (the number of 16-18 year-olds Not in Education, Employment or Training) and industrial action as well as new risks on the

Council's changes to the workplace culture and Customer Access Strategy and so the ratings for these are not yet known. 'RAG' assessments have been provided for 158 Council programmes and major projects with 10 flagged as 'red'. A high-level version of the corporate risk map has been provided at Appendix 1. Where we are awaiting the latest risk evaluations (i.e. NEET and industrial action), the previous quarter's assessments have been used.

Financial Risk Management

- 2.5 At the request of the Chair of this Committee, the RMU undertook a review of the robustness of the Council's 2011/12 budget risk assessments included in the *Revenue Budget and Council Tax 2011/12* report presented by the Director of Resources to Executive Board on 11 February 2011 and subsequently approved by Full Council on 23 February. We reported our findings to the Committee on 15 June and concluded that throughout the Council there is an excellent understanding of the key budget risks. Whilst there is a sound risk management framework in place for financial management and this puts us in as good a position as possible to deliver the 2011/12 budget, there remain significant risks due to the challenging targets and assumptions we have had to set and make and continued increases in demand-led services.

Programme and Project Risk Management

- 2.6 Under the Council's Risk Management Policy, all programmes and projects should incorporate formal and proportionate risk management arrangements. Although there is no longer capacity to independently assure projects, there are in place arrangements for the incorporation of a RAG assessment of all programmes and major projects within the corporate risk register. Also, all programmes and major projects are sponsored by senior managers and should have in place Programme/Project Boards which are responsible for the management of risks. Officers are provided with guidance and templates on applying scaleable risk management to their projects through the RMU's risk management sections of the Council's Delivering Successful Change (DSC) project management methodology for which training is available through the Council's external training provider. Finally, in the case of programmes and projects for which the RMU has facilitated risk management workshops, a full range of risks has been properly identified and draft risk registers established.

RMU Workshops and Training

- 2.7 During 2010/11, the RMU facilitated 4 risk management workshops: one for Aire Valley Homes Leeds to help establish a new corporate risk register and three for major projects – Eastgate & Harewood Redevelopment; Community Homecare Framework Procurement and the Leeds City Region. In addition, the Unit has worked with officers to undertake risk assessments for the Changing the Workplace Programme and workforce planning and also reviewed the 2011/12 budget risk assessments detailed in section 2.6 above. It has provided risk management training for this Committee and for new (from 2010) Executive members. Feedback from all 4 workshops has been very positive with 100% of respondents finding them worthwhile and beneficial.

Risk Management Policy and Supporting Documentation

- 2.8 Last year, the RMU carried out a review to identify whether the Council's Risk Management Framework (Policy, Strategy and Toolkit) remained fit-for-purpose. This review included holding 1-2-1 meetings with key internal stakeholders and benchmarking the Framework against those of external organisations and the

International and British Standards on Risk Management. A revised Policy is currently being drawn up and it is proposed that the Risk Management Strategy is revised in 2011/12.

2011/12 Priorities

- 2.9 The biggest single improvement to the quality, consistency and ease of maintaining and reporting on risk registers will be the implementation of the Council's risk management software system which will be rolled out this year. We had intended to roll this out in 2010/11 but, due to lack of staffing resources and other priorities, this was not possible and so it will now be one of the top 2011/12 priorities. Alongside this, work is being undertaken with colleagues in Performance Management to develop joint corporate reporting arrangements to CLT to help better align our risk and performance information. As reported to the Committee in February, the revised performance management framework incorporates a corporate performance dashboard that brings together a broad range of performance and risk data and informs senior managers' one-to-one meetings and appraisals. This enable emerging potential risks and issues to be identified quickly, thereby acting as an early warning system. This feeds into another area of work for the RMU in which it will review and propose changes as needed to the corporate and directorate risk registers in light of the new Council, City and Directorate priorities.
- 2.10 The Unit will also be working with Corporate Financial Management colleagues to review the budget risk assessments and registers. The RMU will revise the Council's Risk Management Strategy and Toolkit, facilitate as many risk management workshops as possible, extend risk management training to Area Committees, update the Partnership Risk Management documentation and finalise a Programme Risk Management guide.

3.0 Implications for Council Policy and Governance

- 3.1 Under Principle 4 of the Council's Code of Corporate Governance, the authority should take 'informed and transparent decisions which are subject to effective scrutiny and risk management' and the risk management framework that supports this should ensure that members are actively involved in the risk management process. The terms of reference of this Committee require it to review the adequacy of the Council's risk management arrangements. This annual report helps provide assurance to the Committee on the strength of these arrangements and is an important source of evidence for the Annual Governance Statement.

4.0 Legal and Resource Implications

- 4.1 As in other areas, the resources of the RMU have to be prioritised with 2010/11 seeing us focusing on strengthening the corporate risk register, undertaking risk assessments only in high priority areas and maintaining strong quarterly risk reporting arrangements. 2011/12 will see us continue to assess our work priorities as outlined above in paragraphs 2.9-10 in line with the Unit's staffing capacity.

5.0 Conclusions

- 5.1 Whilst we can never be complacent in the area of risk management, the RMU has identified no issues in the Council's risk management arrangements that need to be drawn to the Board's attention. Throughout 2010/11, the RMU has worked with officers and members to enhance the rigour of the corporate risk register, facilitated a number of successful risk management workshops and training sessions and conducted risk management reviews of such key areas as the 2011/12 budget and workforce planning. The processes for maintaining and reporting on corporate, directorate and budget risk registers as well as risks within our performance indicators are now well-established as are the role and functions of the Corporate

Risk Management Group. In these areas, the RMU can therefore give assurance to this Board that the arrangements are effective.

5.2 This assessment is supported by the last Use of Resources assessment carried out by KPMG in February 2010 in which the indicative score showed we were on track to achieve a '3' for risk management ('Exceeds minimum requirements – performs well'). When considering the adequacy of our risk management arrangements, the Committee is also able to place reliance on other update and assurance reports produced on the management of specific corporate risks and projects drawn up by officers, internal and external audit and independent assessment bodies such as Ofsted and the Care Quality Commission.

5.3 Having effective risk management arrangements in place provides assurance that we are aware of our biggest risks and that we have taken steps, as far as we can, to manage them. It also means that our projects and decision-making are more likely to deliver the outcomes and benefits they set out to do and that resources are used more effectively. The RMU will continue to work with members and officers to enhance our risk management arrangements. This will include extending these arrangements to key partners with whom the Council shares responsibility for delivering the new City Priorities.

6.0 Recommendations

6.1 Corporate Governance & Audit Committee is asked to receive the RMU's annual report on the Council's risk management arrangements and note the assurances given on our corporate risk management (notably the enhancements to the contents and greater involvement of elected members), financial risk management (for example increased monitoring and reporting), project risk management and integration of risk into performance management. These assurances are supported by other assurances given by officers and external assessors on the management of specific corporate risks.

7.0 Background Papers

7.1 Background papers referred to in this report are as follows:

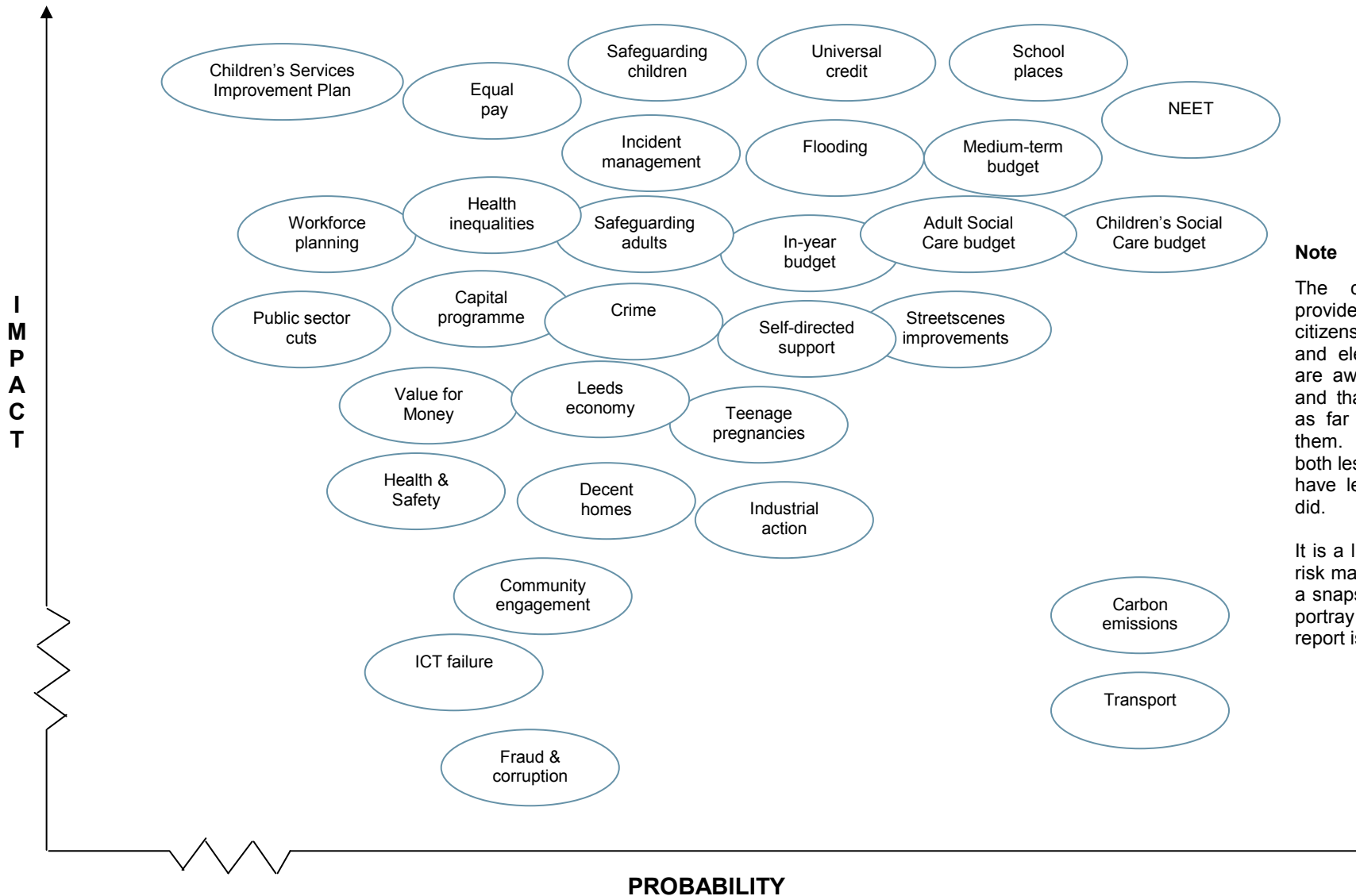
- Leeds City Council Risk Management Policy
- Leeds City Council Code of Corporate Governance
- Audit Commission 2009 Comprehensive Area Assessment – Leeds City Council
- Report of the Director of Resources to Executive Board, '*Revenue Budget & Council Tax 2011/12*', (11 February 2011)
- Report of the Assistant Chief Executive (Planning, Policy & Improvement) to Corporate Governance & Audit Committee, '*Corporate Performance Management Arrangements*', (14 February 2011)

Appendix 1: Corporate Risk Map

Risk Management Unit



Leeds City Council's Corporate Risks as at 24 May 2011



Note

The corporate risk register provides assurance to the citizens of Leeds, Council staff and elected members that we are aware of our biggest risks and that we have taken steps, as far as we can, to manage them. This means that they both less likely to occur and also have less of an impact if they did.

It is a live document and so the risk map shown here represents a snapshot in time and may not portray the risks at the time the report is presented.



Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 18th July 2011

Subject: Decision Making Framework; Annual Assurance Report

Electoral Wards Affected:

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

1.0 Purpose of the Report

- 1.1 This report provides an annual report to the committee, in respect of the the Council's decision making arrangements. The report does not consider delegated planning decisions (which were considered as part of the Chief Planning Officers report to the committee in June), nor does it address delegated Licensing decisions.
- 1.2 The report also provides details of the results of a follow up audit undertaken by Internal Audit in 2010/11 with regard to decision making.
- 1.3 The report concludes with an opinion from the Head of Governance Services with regard to overall compliance with the Council's decision making arrangements.

2.0 Background Information

- 2.1 This report forms one of a series of annual reports to the committee that provide the basis for the committee to agree the Annual Governance Statement (scheduled for consideration by the committee in September 2011).

In previous years the committee has received a year end position with respect to;

- Key Decisions Taken under Special Urgency provisions
- The Forward Plan of Key Decisions
- Key and Major decisions which have been designated as exempt from the Call-in process

- 2.2 This year the annual report has been expanded in scope and coverage.

3.0 The Decision Making Arrangements at Leeds City Council.

- 3.1 The decision making framework at Leeds comprises the systems and processes through which decision making is directed and controlled. The arrangements are comprised primarily of **Constitutional** provisions, namely;

Articles of the Constitution:

Article 1 (describing the powers and purpose of the Council and the purpose of the constitution), Article 3 describing the rights of Citizens (for example rights to attend meetings, rights in respect of the forward plan, access to information regarding decisions), Article 4 – the budget and policy framework of the Authority, Article 6 the role of function of Scrutiny Boards, Article 7 the role, form and composition of the Executive, Articles 8-10 describing the role, function and membership requirements of committees and Article 13 (which describes requirements relating to decision making);

Responsibility for Functions

Arrangements whereby the responsibility for various Council, Local Choice and Executive functions are delegated to committees and officers. In addition there are arrangements to further document how these functions are discharged within directorates by way of a sub-delegation scheme.

Procedure Rules

Arrangements to govern the processes of decision making; specifically those relating to;

- Full Council
- The Executive
- Scrutiny
- Area Committees
- Access to Information

Codes and Protocols

- Specifically, codes of conduct for members and officers (specifically arrangements for members and officers to register and declare relevant interests) and protocols describing the respective roles of members and officers in decision making.

- 3.2 To support these arrangements training and advice is provided by the Governance Services staff. Specifically this includes;

- Training to officers regarding the decision making process;
- Advice to officers regarding reports to committees and which support delegated decisions

- 3.3 In addition the Head of Governance Services uses a number of mechanisms to review the effectiveness of the decision making process, particularly the extent to which the council has been able to demonstrate (as per Article 1 of the Constitution), clear, accountable and efficient decision making processes. These include;

- Delegation and Sub delegation arrangements;
- Call In;
- The Forward Plan;
- The Use of Special Urgency Provisions;
- Financial commitments;

- Publication of agendas (and reports), delegated decisions and committee minutes;
- Publication of delegated decisions;
- Training provision and attendance;
- Opinion of Internal Audit.

4.0 Review of the Effectiveness of the Decision Making Arrangements

Annual Review of the Constitution

- 4.1 On an annual basis the various provisions of the constitution are reviewed. As a result of this the Annual Council meeting approved amendments to committee terms of reference (specifically around scrutiny boards) and to Scrutiny Board Procedure Rules, specifically in relation to the arrangements whereby decisions can be called in, widening the facility for members to call in matters of concern. In addition the Council Function delegation scheme for council officers was agreed.
- 4.2 The Leader of Council has also reviewed the executive arrangements in year, specifically, following Executive Board agreement, further delegations have been made to Area Committees. Amendments to the Executive arrangements were reported to full Council in accordance with our constitutional arrangements.

Sub Delegation Arrangements

- 4.3 Those officers with direct delegations from Full Council and the Leader have in place sub delegation schemes which document the scope of decision making authority of officers within directorates. These have been reviewed on an annual basis following the Annual Council meeting and at other times during the year as the director (or relevant chief officer) feels appropriate.

Call In

- 4.4 Key and Major decisions made by officers and decisions taken by the Executive Board are subject to Call-In by Scrutiny Boards and cannot be implemented until either the Call-In period has expired or, in the case of a decision that has been called in, the relevant Scrutiny Board has considered the decision, and where relevant the Scrutiny Board's recommendations have been considered.
- 4.5 The extent to which Key and Major decisions are available for Call In provides a proxy measure for the openness and transparency of decision making within the Council, particularly in respect of democratic accountability. The higher the percentage of decisions available the greater the breadth of challenge which can be exercised by Members through the scrutiny process.
- 4.6 Whilst Directors can identify a decision as being exempt from Call-In, this is only in cases where a Director considers that the decision is urgent and any delay in implementing the decision would seriously prejudice the Council's or public interest. These reasons are included in reports and, where necessary, accompanying delegated decision notices.
- 4.7 The authority has achieved its target of 95% of eligible decisions been available for Call-in for the year ending 31 March 2011 and more details are shown at appendix 1 with additional commentary.

- 4.8 The Head of Scrutiny and Member Development has reported that the Call In facility was used on 10 separate occasions during 2010/11, seven of which related to Executive Board decisions. Scrutiny of these 10 decisions led to six of them being referred back to the decision maker for reconsideration, primarily due to concerns raised around insufficient consultation and/or a lack of sufficient information on which the original decisions had been based.
- 4.9 Following the Call In process, all six of the decisions were reaffirmed by the decision maker following consideration of additional supporting information and, where appropriate, improvements made to consultations.
- 4.10 This perceived weakness in the control environment will be addressed during the forthcoming year specifically through specific cross council targets within the Council Business Plan and also through changes to the report writing template.

Forward Plan

- 4.11 The Forward Plan of Key Decisions¹, detailing those Key decisions which are to be taken by the Executive Board and by Officers (under delegated powers), over a four month period is produced on a monthly basis. The purpose being that pre-notification of Key decisions is given, thus allowing representations to be received and pre-scrutiny of proposals to take place.
- 4.12 Monitoring the proportion of Key decisions which are pre notified provides a proxy measure of the openness and transparency of the council's decision making. In particular this is because notification of decisions on the Forward Plan allows for representations to be made to decision makers in advance of decisions being taken.
- 4.13 The authority has a target of no more than 11% of Key Decisions being taken by the Council which have not been notified on the Forward Plan of Key Decisions. For the year ending 31 March 2011, this target has not been achieved with some 16% of key decisions being taken with no prior notification on the Forward Plan. Again more details are shown at appendix 1 along with additional commentary.
- 4.14 Governance Services provides data for Corporate Performance Management purposes in respect of both Call in and the Forward Plan. This information is considered by Corporate Leadership Team on a quarterly basis. From quarter two this year, more detailed performance information, by directorate will be possible. This will enable, where necessary and on an exception basis, further challenge to take place as part of regular appraisal and accountability meetings.

Key Decisions Taken Under Special Urgency Provisions

- 4.15 Paragraph 15 of the Access to Information Procedure Rules allows for 'Special Urgency' and states: "If by virtue of the date by which a decision must be taken Rule 14 (general exception) cannot be followed, then the decision can only be taken if the decision taker (if an individual) or the chair of the body making the decision, obtains the agreement of the chair of a relevant Scrutiny Board that the taking of the decision cannot be reasonably deferred and the decision is urgent. If there is no chair of a relevant Scrutiny Board, or if the chair of the relevant Scrutiny Board is unable to act, then the agreement of the Lord Mayor of the Council, or in his/her absence the Deputy Lord Mayor will suffice".

¹ See Glossary at the end of this report.

- 4.16 Regular use of these provisions would negate a number of the decision making controls outlined in section 3 of this report. However in the period under review there were no decisions taken under the 'Special Urgency' provisions.

Financial Commitments

- 4.17 A review of financial commitments over £100,000 for 2009/10 and 2010/11 was recently undertaken. This threshold has been chosen as it equates to a Major Decision and therefore has relevance in terms of the Council's existing controls. The review identified a number of commitments which could not readily be referenced to a decision.
- 4.18 As an outcome of this, further work is ongoing with the Chief Officer (Financial Management) to establish whether it might be proportionate to introduce an additional control into financial management processes to ensure that financial commitments over £100,000 can evidence an appropriate prior decision.

Publication of agendas and committee minutes

- 4.19 The Head of Governance Services considers monthly performance information in respect of the publication of committee agendas and committee minutes. The performance information relating to the publication of agendas provides a measure of the extent to which the Council is providing advance notice of matters to be considered by committees (and thereby complying with Access to Information requirements of the Local Government Act 1972). Whilst provisions exist for meetings to be called by way of special urgency, such arrangements should not be the norm and so the Head of Governance Services has established a target of 99% of agendas being issued and published within the 5 day statutory deadline.
- 4.20 Of 314 meetings taking place in the 2010/11 Municipal Year 12 meeting agenda's were published late – 96% (not published in the Democratic Services information system) of which 5 meetings were called at short notice – 98% overall.
- 4.21 Although not meeting the target of 99% this represents a slight improvement in respect to performance in 2009/10, which was 95%, and in the opinion of the Head of Governance Services, does not indicate a concern in respect of the control environment.
- 4.22 Whilst there is no statutory requirement in respect of the timeliness of minute publication, the Head of Governance Services also measure the timeliness of committee decisions being reported and put in the public domain. The measures for this are twofold, firstly publishing a record of executive decisions taken by Executive Board and Area Committees in the public domain within 48 hours of the meeting. This is done to enable the various Call In processes to commence as soon after a meeting takes place as possible. All but one set of decisions (that relating to an Area Committee) were notified within this timescale.
- 4.23 Secondly the timeliness of minutes being published across all committees is measured. The Head of Governance Services has established a target of 100% of minutes being published within ten working days. Of the 314 meetings taking place in the 2010/11 Municipal Year 302 sets were published within this timescale, equating to 96%. Of those:

3 related to Licensing Sub Committees
3 related to Scrutiny Boards

3 related to Plans Panels
2 related to Development Plans Panels
1 related to an Area Committee

- 4.24 Although not meeting the target of 100% this represents consistent performance when compared to in 2009/10, which was 96%, and in the opinion of the Head of Governance Services, does not indicate a concern in respect of the control environment. However the Head of Governance Services is in the process of reinforcing the importance of prompt publication via appraisal and one-to-one meetings.

Publication of Delegated Decisions

- 4.25 Governance Services publishes on the Council's all delegated Key, Major, Significant Operational and Council decisions which are notified to them. As an integral part of the administration of these decisions Governance Services;

- Check that delegated/sub delegated authority exists for the decision taker;
- Ensure relevant public interest test arguments are contained in reports which contain exempt information;
- Advise on compliance issues regarding publication and notice requirements and Call In;
- Inform members of all notified Key and Major decisions taken for the purposes of Call in
- Inform members on a monthly basis of all notified significant operation decisions on

- 4.26 During 2010/11 the following number of delegated decisions were notified to Governance Services;

Key Decisions – 263
Major Decisions – 288
Significant Operational Decisions – 1424
Council Decisions - 89

- 4.27 The number of decisions being notified indicates that a large volume of decisions are taken in a clear and accountable way. However anecdotally, there appears to be concerns as to the efficiency of some aspects of the decision making process. In this respect there may well be scope for the decision making process to be reviewed, particularly to consider the extent to which decision making framework is aligned with financial and contracts procedure rules and the existing thresholds for Key and Major decisions and reporting requirements for Significant Operational decisions.

Internal Audit Opinion

- 4.28 Internal Audit undertook a follow up audit in respect of delegated decision making in early 2011 and issued their findings in May 2011. The Internal Audit opinion was that;

'**Good assurance** has been provided for the **Control Environment** as Governance Services has substantially implemented the recommendations made in the audit of 2008/09.

The **Organisational Impact** has been assessed as **Minor** as the weakness identified during the review have left the council open to low risk.'

4.29 The Internal Audit report, and recommended areas for improvement, is attached to at Appendix 2.

Training Provision and Attendance

4.30 To help embed the decision making framework the Head of Governance Services has provided a training programme and supporting guidance. The sessions were primarily targeted at those officers having delegated or sub delegated authority for decision taking.

4.31 The training session comprises 4 parts;

- the need for and benefit of a Decision Making Framework,
- the differentiation between Council and Executive Functions and the various decision making routes which apply to each type,
- the controls which apply to decision making (largely in relation to executive decision making, but with some reference to Council decisions), and
- practical application of those controls to case studies.

Each session is supported by a pack of materials, all of which are available on the 'decision making – corporate governance' intranet site. Delegates are signposted to this site and invited to share the contents with their colleagues.

4.32 However given the scale of demand 11 sessions have been delivered reaching 218 delegates. response to the course was very good in terms of feed back received on the day, there is a need to measure the benefit accrued from the course. The first real measurement will be in terms of the decisions which are made by officers complying with the decision making framework. This should be reflected in the Performance Indicators, for example around key decisions being made which are not on the Forward Plan. Secondly a set of Decision Making Skills Criteria has been prepared and forwarded to all course delegates in order that they can identify and feed back any gaps in their knowledge and practice. These criteria have also been included on the intranet page for more general use by officers and their managers to identify future training needs.

4.33 There remain a number of officers on the waiting list who asked for but were not able to attend the first round of training and a number of people have come forward following circulation of the Decision Making Skills Criteria. It is also known that a number of recruitment processes and restructures are underway which will result in the appointment of people who are new to Leeds City Council or new to decision making responsibility, all of whom could benefit from the training. It is therefore intended that a further series of sessions will be scheduled, followed by the periodic delivery of this training.

Summary of Areas for Improvement

4.34 The following areas will be progressed during the forthcoming year;

- A review of the extent to which decision making framework is aligned with financial and contracts procedure rules;
- Changes to the corporate report writing template to require incorporation of consultation planned or undertaken; equalities considerations; and other corporate considerations such as value for money.
- A review of the existing thresholds for Key and Major decisions and reporting requirements for Significant Operational decisions;

- A review to establish whether it might be proportionate to introduce an additional control into financial management processes to ensure that financial commitments over £100,000 can evidence an appropriate prior decision.
- Further training sessions specifically targeted at addressing gaps identified from the review of delegation and sub delegation schemes and those that have not attended decision making training.

5.0 Implications For Council Policy And Governance

- 5.1 The Council's Constitution sets out the framework for decision making within the Council; Directors and Chief Officers have established sub delegation schemes through which authority to take decisions is further sub delegated to officers of relevant seniority and experience.
- 5.2 To underpin these constitutional requirements, the Head of Governance Services has established processes through which decisions, notified to him, are challenged, for compliance with Constitutional requirements and then subsequently documented on the Council's record system.
- 5.3 On the basis of the review of the effectiveness described in section 4 the Head of Governance Services is satisfied that the systems are operating soundly and there have been no fundamental control weaknesses during the year.

6.0 Recommendations

- 6.1 Members of the Committee are asked to consider the issues explored in this report and the assurances provided by the Head of Governance Services and note the areas for further improvement.

Background Documents

Leeds City Council Constitution

Democratic Services Performance Reports

Reports to Corporate Governance and Audit Committee

Glossary

Key Decision

A Key Decision as defined in the Constitution is a decision relating to an executive function which is likely to:

- result in the Authority incurring expenditure or making savings over £250,000 per annum, or
- have a significant effect on communities living or working in an area comprising 2 or more wards

Major Decision

A Major Decision as defined in the Constitution is a decision relating to an executive function which is likely to:

- result in the Authority incurring expenditure or making savings over £100,000 per annum, or

- have a significant effect on communities living or working in an area (including one ward)

Forward Plan

The Forward Plan is prepared on a monthly basis and contains details of the Key Decisions to be made for the four month period following its publication. This document provides details of what key decisions are to be taken, when they are to be taken, who will take the decision, what consultation has been/will be undertaken and to whom representations can be made.

The Forward Plan is published at least 14 days before the start of the period covered and once a year a notice is published in at least one newspaper circulating in the area setting out publication dates for the year.

Significant Operational Decision

those decisions which:

- (a) do not fall within the definition of Administrative Decisions as set out in paragraph 4.6;
- (b) require an application to be made for planning permission, listed building, ancient monument or conservation area consent;
- (c) comprise or include the making, approval or publication of a draft or final scheme which may require, either directly or in the event of objection, the approval of the Secretary of State or of a Minister of the Crown;
- (d) require the passage of local legislation or the adoption by the Council of national legislation;
- (e) propose the payment of an ex-gratia payment of a sum in local settlement of a complaint, in excess of £1,000 or where that payment is not agreed with the Director of Resources;
- (f) propose a response on behalf of the Council to consultation by the Secretary of State or a Minister of the Crown;
- (g) propose an alteration in the standard charges which the Council makes for any of its services²;
- (h) gives rise to the need to appoint additional staff, redeploy or change the normal place of existing staff, materially change the terms of appointment of existing staff or result in any staff being redundant;
- (i) require the acquisition or disposal of any land or interest in land;
- (j) require a virement of funding within approved virement powers of officers;
- (k) approve a care plan which specifies residential or nursing care which the council has a duty to provide under Section 21 or Section 29(4) National Assistance Act 1948, Section 117 Mental Health Act 1983, Section 17 or 20 Children Act 1989 or Section 2 Local Government Act 2000, where the expenditure is likely to be over £100,000;
- (l) purchase energy under the terms of an energy supply contract which has been awarded following the appropriate procurement process;

² This paragraph refers only to those charges made in respect of executive functions.

- (m) make, pay or borrow a loan in accordance with Treasury Management Procedures;
- (n) approve or change an officer sub-delegation scheme; or
- (o) are of such significance to the locality, the Council or services which it provides that the officer is of the opinion that it should be treated as a Significant Operational Decision.

Appendix1

Indicator: Percentage of eligible decisions available for Call-In

Target: 95%

	Q1	Q2	Q3	Q4	Annual
2008/09	98%	98%	99%	98%	98%
2009/10	98%	99%	99%	98%	99%
2010/11	98%	98%	99%	97%	98%

Comments: This internal Democratic Services indicator is measured on a monthly basis, the Head of Governance Services regularly monitors this indicator and raises any issues of concern with the relevant Director.

In all cases reports accompanying decisions (whether they be by Executive Board or by an officer under delegated authority), have presented reasons for decisions to be exempted from call in. These are considered with the decision to exempt being a matter for the decision taker.

In general terms decisions to exempt from call in have been due to:

- Potential financial liabilities should a decision be delayed by call in
- Safeguarding issues
- Urgent matters relating to contract/service delivery difficulties
- Potential loss of income

No issues have been raised in year with the Monitoring Officer or the Head of Governance Services regarding the Call In process

The target was met for 2010/11 and will continue to be monitored throughout 2011/12.

Appendix1

Indicator: Percentage of Key Decisions which did not appear in the Forward Plan

Target: 2008/09 - 15% Target: 2009/10 – 13% Target: 2010/11 – 11%

	Q1	Q2	Q3	Q4	Annual
2008/09	27%	17%	14%	11%	15.6%
2009/10	11%	16%	11%	8%	11.5%
2010/11	14%	21%	12%	18%	15.9%

Comments: This indicator is a Corporate Indicator and features in the Council Business Plan. The data is taken from both Delegated Decisions and Committee Decisions.

This indicator is measured on a monthly basis and the Head of Governance Services has introduced a detailed Decision Monitoring arrangement which feeds Governance data which is supplied to the Corporate Leadership Team.

In all cases reports accompanying decisions (whether they be by Executive Board or by an officer under delegated authority), have presented reasons for decisions needing to be taken in advance of the publication of the next Forward Plan entry. These are considered with the decision to exempt being a matter for the decision taker.

In general terms the reasons for decisions not being on the Forward Plan have been due to:

- Urgency (financial and contractual)
- Oversight/lack of awareness
- Slippage from previously notified Forward Plan entry

The target was not met for 2010/11 and further training has been undertaken within Directorates in order that the requirements in respect of Key decisions are understood and cascaded to decision takers.

This indicator will continue to be monitored throughout 2011/12 with additional escalation processes being introduced via the Director of Resources



Confidential Internal Audit Report

**Office of the Chief Executive
Key and Major Decisions Follow Up Audit 2010/11**

Issued to	Alan Gay, Director of Resources	
Copies to	Andy Hodson, Head of Governance Services Tim Pouncey, Chief Officer (Audit & Risk)	
Date	May 2011	
Report Status	Final	
Principal Audit Manager	Katherine Johnson	
Internal Audit Opinion (see reverse for details)	Control Environment	GOOD ASSURANCE
	Organisational Impact	MINOR



Definitions of Audit Assurance

Control Environment Assurance		
Level		Definitions
1	SUBSTANTIAL	There are minimal control weaknesses that present very low risk to the control environment.
2	GOOD	There are minor control weaknesses that present low risk to the control environment.
3	ACCEPTABLE	There are some control weaknesses that present a medium risk to the control environment.
4	LIMITED ASSURANCE	There are significant control weaknesses that present a high risk to the control environment.
5	NO ASSURANCE	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Organisational Impact		
Level		Definitions
1	MAJOR	The weaknesses identified during the review have left the council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
2	MODERATE	The weaknesses identified during the review have left the council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
3	MINOR	The weaknesses identified during the review have left the council open to low risk. This could have a minor impact on the organisation as a whole.

INTERNAL AUDIT REPORTS

Freedom of Information Rider

STATUS OF THIS REPORT

Whilst this report is directed primarily to the recipients named in the report, Audit Reports are subject to the provisions of the Freedom of Information Act and, as such, may be required to be made publicly available upon request.

However, there are several Freedom of Information Act exemptions to which parts, or all, of this report may be subject. Primarily, but not exclusively these are :

personal information whose release would contravene the data protection legislation

information held for the purpose of criminal investigations or proceedings

information whose disclosure would be likely to prejudice the enforcement of the law

information whose release is certified by the Monitoring Officer as likely to prejudice the conduct of public affairs

information which is subject to a legal duty of confidentiality

information whose disclosure would prejudice the commercial interests of the Council or some other person.

Before responding to any request to make this report publicly available, or otherwise making it publicly available, you should consult the Senior Audit Manager named in the report.

Similarly, this Audit Report, or extracts from it, should not be included in, or appended to, any City Council Committee Report, nor should it be quoted as a background paper to any City Council Committee Report without firstly consulting the Senior Audit Manager.

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- 1 Introduction
- 2 Risks and Audit Objectives
- 3 Scope and Work Completed
- 4 Key Findings and Recommendations
- 5 Internal Audit Opinion

Appendix A: Follow up Action Plan

1. Introduction

- 1.1 Leeds City Council's Constitution provides the framework within which the Council conducts its business and makes decisions. It describes who is responsible for the various functions of the Authority and how decisions are taken.
- 1.2 Governance Services provide guidance and support to directorates in relation to decision making. They also perform a role in monitoring decisions to ensure that decisions are compliant with the requirements detailed within the Constitution.
- 1.3 Internal Audit completed a review of Key and Major decisions taken by officers under delegated or sub-delegated authority in 2008/09. The audit also included a review of the central monitoring processes and the governance arrangements in place to ensure that decision makers are aware of current constitutional requirements and that there is compliance with the constitution in relation to decision making. Internal Audit made a number of key recommendations at the time and these were reported to the Corporate Governance and Audit Committee.

2. Risks and Audit Objectives

2.1 Key Risks

- 2.1.1 Decision making is not explicitly referenced within the Corporate Risk Register. However, the risk is identified in the service level risk register and compliance with the Constitution is necessary to avoid the following key risks:
 - Judicial review proceedings
 - Findings of maladministration by the local government ombudsman
 - Reputation damage
 - Absence of democratic oversight of decision making
 - Ineffective decision making

2.2 Audit Objectives

- 2.2.1 The objective of the audit is to provide assurance that the recommendations made in the Key and Major decisions taken by officers under delegated or sub-delegated authority audit report of 2008/09 have been implemented in relation to the Central Governance Function.
- 2.2.2 The audit report of 2008/09 made recommendations in the following areas:
 - Communication and training of key staff;
 - Monitoring of compliance;
 - Raising of concerns in relation to non-compliance with the Constitution; and
 - Monitoring the effectiveness of the controls within the Constitution.

3 Scope and Work Completed

3.1 This follow up audit has been completed by:

- discussions with key members of staff; and
- reviewing documentation to support discussions and observations.

3.2 It is anticipated that Internal Audit will undertake compliance audits of Key and Major decisions taken by officers under delegated or sub-delegated authority during 2011/12. This should identify whether the revised controls put in place since the 2008/09 audit have been effective.

4 Key Findings

4.1 Internal Audit has confirmed that Governance Services has substantially implemented the recommendations made in the audit of 2008/09. Appendix A provides details of the progress made for each of the recommendations. The key points are summarised below:

Communication and Training

4.2 The audit report of 2008/09 highlighted that awareness of the requirements of the Constitution was inconsistent across the Authority which led to a number of non-compliances. This issue was addressed by Governance Services by;

- Developing a brief guide to decision making which was made available to all staff via the intranet; and
- Developing and delivering training sessions targeted at key staff.

4.3 A review of the documentation to support these actions highlighted that whilst a record of training attendance is retained by Governance Services, which details those individuals that have been trained, no assessment has been made of those individuals that still require training.

4.4 The audit report of 2008/09 made the recommendation that a designated officer should be appropriately trained to coordinate the process. Initially the Chief Officers Resources and Strategy had been identified as the designated officers to co-ordinate the nomination process within each directorate. The Head of Governance Services advised that this has not been successful. For this to be effective, an officer should be nominated by the directorate.

4.5 Whilst it is acknowledged that Governance Services is not responsible for ensuring the attendance of key staff at training sessions, the Head of Governance Services advised that there is an opportunity to link training attendance against the sub delegation schemes which operate in each directorate. By undertaking this gap analysis Governance Services will be able to feed back to directors where training needs may still exist which can be addressed as part of the appraisal process.

- 4.6 This information could be taken into account by the Head of Governance Services in reaching an assurance opinion on the council's decision making arrangements.

Key Recommendation 1

Existing controls would be enhanced by:

- Undertaking a gap analysis in respect of officers that have sub delegated authority to take decisions and whether or not those officers have been trained.
- Providing feedback to directors on the extent to which relevant officers have received appropriate training.
- Guidance/support and training should be provided to the nominated officers in the directorates.

The implementation of these recommendations should increase compliance with the Constitution by ensuring that training is appropriately targeted and effective.

Monitoring of Compliance and Escalation

- 4.7 The 2008/09 audit found that some good procedures for challenging notified decisions existed within Governance Services but there was no central monitoring undertaken to ensure that all decisions were correctly defined within directorates and subsequently taken in accordance with the Council's Constitution. Following the audit, Governance Services has implemented monitoring and performance management processes, the results of which have been reported to the Corporate Governance and Audit Committee (CGAC).
- 4.8 Governance Services has introduced quality checks to provide assurance on the completeness of the decision reports that are received from Directorates. Internal Audit was advised by the Assistant Corporate Governance Officer that the reports are returned by email to the sender with a covering note when errors are identified.
- 4.9 In the report to CGAC entitled Monitoring of Key and Major Decisions, dated February 2010, the Head of Governance Services provided an updated position on the progress made against the Internal Audit recommendations and the exercises being undertaken for monitoring purposes.
- 4.10 The Head of Governance Services advised that:
- From May 2009 escalation processes have been introduced (on a monthly basis) to Directors:

- Serious or consistent non-compliance will be referred to the Monitoring Officer;
- Performance on decision making will be reported as part of corporate performance management arrangements.

- 4.11 The Governance Services review identified some issues which were reported to CGAC, in particular a key issue was that a review be undertaken in respect of existing controls and where opportunities might exist for those controls to be better aligned. A key exercise undertaken by Governance Services was a review of all financial commitments over £100,000 in 2008/09 to provide assurance that decisions have been appropriately notified. However, this work has not been completed for 2009/10. The absence of such exercises or a lack of control in this area increases the risk that financial commitments in excess of £100k will be made without going through the appropriate process and this will not be detected.
- 4.12 This was discussed with the Head of Governance Services who suggested that it may be proportionate to introduce a simple additional control into financial management processes. The Head of Governance Services also suggested that his team could monitor the extent to which these arrangements are followed as well as the relevance of the supporting decision to the expenditure being made.

Key Recommendation 2

The Head of Governance Services should liaise with the Chief Officer (Financial Management) to assess the practicalities of establishing a process, for all financial commitments equating to a Key or Major decision, to gain assurance that those commitments have been subject to the appropriate decision making process

The implementation of this recommendation should ensure that non compliances are identified and addressed, leading to improvements in the transparency and effectiveness of the decision making process.

Driving Improvement

- 4.13 The 2008/09 audit report highlighted areas where existing processes could be enhanced and areas where clearer guidance from Governance Services would be useful to decision makers and other stakeholders. In response to these recommendations, Governance Services has drafted report writing guidance for those responsible for writing reports which underpin delegated decisions and reports to Council committees. At the time of the audit, the Head of Governance Services advised that whilst there was no communication plan in place, this was being developed to ensure all relevant staff were aware of changes and key messages.

5 Internal Audit Opinion

INTERNAL AUDIT OPINION

Good assurance has been provided for the **Control Environment** as Governance Services has substantially implemented the recommendations made in the audit of 2008/09. The control environment could be further improved by:

- Improving monitoring controls by embedding the proactive exercises as standard practice which are undertaken on a regular basis; and
- Ensuring that the training is delivered to key individuals and pitched at the right level.

The **Organisational Impact** has been assessed as **Minor** as the weaknesses identified during the review have left the council open to low risk.

It is anticipated that Internal Audit will undertake compliance audits of Key and Major decisions taken by officers under delegated or sub-delegated authority during 2011/12. This should identify whether the revised controls put in place since the 2008/09 audit have been effective.

Appendix A: Follow up Action Plan

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Office of the Chief Executive / Key and Major Decisions / Follow Up Action Plan 2010/11

Ref	Internal Audit Recommendation (from 2008/09 report)	Action Taken (assessed during Follow Up Review)	Recommendation 2010/11	Management Comments
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Ref	Internal Audit Recommendation (from 2008/09 report)	Action Taken (assessed during Follow Up Review)	Recommendation 2010/11	Management Comments
Core Principle: Communication and Training of those charged with decision making itself and those charged with monitoring compliance.				
1.1	<p>Completion of the sub-delegation review should be prioritised and communicated to all stakeholders. This is necessary to ensure officers are aware of the extent of their decision making responsibilities and that decisions are appropriately challenged and approved. This will also result in a comprehensive and current central list of all decision makers across the organisation that can be used to target training resources.</p>	<p>The Senior Corporate Governance Officer informed Internal Audit that all sub delegation schemes are in place for each function that requires one and these are available on the Intranet. A tracker spreadsheet is in place to indicate the status of all schemes.</p> <p>Internal Audit selected a sample of two schemes. For both, there was evidence that the status of the sub-delegation scheme had been accurately recorded and follow up action had been taken by Governance Services where appropriate.</p>	No action required.	
1.2	<p>A programme of formal training and refresher sessions for all officers involved in the decision making process should be developed and progress against delivery monitored and reported to the Corporate Governance Board. This will ensure that individual responsibilities are understood and the requirements of the Constitution are complied with. Feedback from these sessions will be useful in ensuring the Constitution is clearly written and readily understood by all appropriate stakeholders.</p>	<p>Training has been delivered by the Principal Corporate Governance Officer during November and December 2010. Initially it was envisaged that the Chief Officer Resources and Strategy (CORS) would be trained in order to cascade this information within their Directorate, however, it was found that this was not always practical. The training was aimed at Chief Officers and Officers who have delegated authority to make key / major decisions as specified in the sub delegation scheme.</p> <p>Feedback from the training sessions had been requested by Governance Services. Internal Audit was advised that the feedback has been and used to inform and improve future training sessions delivered by Governance Services.</p> <p>A review of the documentation to support these actions highlighted that whilst a record of training attendance is retained by Governance Services, which details those individuals that have been trained, no assessment has</p>	<p>A gap analysis should be undertaken in respect of officers that have sub delegated authority to take decisions and whether or not those officers have been trained.</p>	Agreed.

Office of the Chief Executive / Key and Major Decisions / Follow Up Action Plan 2010/11

Ref	Internal Audit Recommendation (from 2008/09 report)	Action Taken (assessed during Follow Up Review)	Recommendation 2010/11	Management Comments
		<p>been made of those individuals that still require training.</p> <p>Governance Services has developed a brief guide to decision making which was made available to all staff via the intranet.</p>		
<p>Core Principle: Monitoring and compliance within each directorate as part of their governance arrangements and centrally as an independent assurance function.</p>				
2.1	<p>Directorate understanding of and compliance with the Constitution would be enhanced by identifying and appropriately training a designated officer to co-ordinate the process. This officer would ensure that, for example, messages are disseminated promptly to relevant officers, training is delivered where necessary and the requirements of the Constitution are being applied. This officer would be able to drive improvements with the decision making process within his/her directorate and give the Director the necessary assurances.</p>	<p>Initially the Chief Officers Resources and Strategy had been identified as the designated officers to co-ordinate the nomination process within each directorate. The Head of Governance Services advised that this has not been successful. For this to be effective, an officer should be nominated by the directorate.</p>	<p>Guidance/support and training should be provided to the nominated officers in the directorates.</p> <p>Feedback should be provided to directors on the extent to which relevant officers have received appropriate training.</p>	<p>Agreed.</p>
2.2	<p>The Head of Governance Services should also be satisfied that Directorate arrangements are appropriate and draw an independent opinion as to the compliance with the Constitution in practice across the organisation. These evidence based assurances should underpin the Annual Governance Statement.</p>	<p>Following the 2008/09 audit, Governance Services has implemented monitoring and performance management processes, the results of which have been reported to the Corporate Governance and Audit Committee (CGAC) and Corporate Leadership Team (CLT). Activities include:</p> <ul style="list-style-type: none"> • Reviewing the reasons for classifying decisions as exempt from the call-in process; • Reviewing the Forward Plans to ensure that all relevant decisions are appropriately recorded; 	<p>Consideration should be given to obtaining assurances in respect of directorates on the adequacy of arrangements in place and compliance with constitutional requirements.</p>	<p>Agreed.</p> <p>Given the limited resources available to the Council, it is considered that the various corporate controls, amongst which assurances are provided by the Head of Governance Services, are</p>

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Ref	Internal Audit Recommendation (from 2008/09 report)	Action Taken (assessed during Follow Up Review)	Recommendation 2010/11	Management Comments
		<ul style="list-style-type: none"> Performing checks to ensure that the decision maker has the necessary constitutional authority. <p>The monitoring activities undertaken by Governance Services allow the Head of Governance Services to draw an independent opinion as to the compliance with the Constitution in practice across the organisation.</p> <p>Currently, Governance Services do not receive assurances from directorates on the adequacy of arrangements in place and compliance with constitutional requirements.</p>		proportionate to the apparent risks.
2.3	<p>Processes should be implemented to ensure that:</p> <ul style="list-style-type: none"> All details included within constitutional decision reports are factually correct and contain sufficient information prior to submitting the report to the decision maker; Confidential information is correctly classified; All related decisions are included as background papers within supporting reports; Legal advice has been sought to support all relevant decisions and evidence retained; 	<p>The training and report writing guidance provided by Governance Services emphasises that reports should contain accurate and sufficient information.</p> <p>Following the 2008/09 audit, Governance Services has introduced quality checks to provide assurance on the completeness of the decision reports that are received from Directorates. For a sample of two decision reports, Internal Audit confirmed that the Assistant Corporate Governance Officer had reviewed the completeness of the Delegated Decision Notice (DDN) and supporting reports by ensuring that:</p> <ul style="list-style-type: none"> the report has a title, a decision type is indicated, all fields within the report are completed, any supporting documentation is attached, and; recommendations are made within the report. <p>The Assistant Corporate Governance Officer advised that that the DDN would be returned to the report originator if there were issues with any of the above and/or:</p>	No action required.	

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Ref	Internal Audit Recommendation (from 2008/09 report)	Action Taken (assessed during Follow Up Review)	Recommendation 2010/11	Management Comments
	<ul style="list-style-type: none"> All Council Policy and Governance implications have been included within the reports on which decisions are based. Where awareness gaps are identified, relevant training will be provided by the relevant Chief Officer (Resources and Strategy) and systems updated to ensure continued compliance with the Constitution. 	<ul style="list-style-type: none"> there is no indication on the report that legal advice had been sought as appropriate; financial, governance and other implications are not included; information is incorrectly classified as exempt or confidential. Internal Audit confirmed for a sample of 2 reports where information had been classified as exempt or confidential that appropriate checks had been undertaken by Governance Services to ensure compliance with the Access to Information Procedure Rules. <p>Internal Audit was advised by the Assistant Corporate Governance Officer that the reports are returned by email to the sender with a covering note when errors are identified.</p> <p>The Assistant Corporate Governance Officer maintains a spreadsheet detailing all decisions that have been published. This spreadsheet was created in October 2010 and at the time of the audit showed 238 entries of which 48 have been queried. This lists the type of decisions queried and shows which Directorate they belong to. This information is not currently used to identify training gaps, however Internal Audit was advised that this detail would be used to inform future training issues within Directorates.</p>		
2.4	<p>Reports supporting the decision should detail the challenge processes that have been undertaken and include all necessary information upon which is to be based.</p>	<p>The Head of Governance Services is currently reviewing the guidance for decision making report writing. The revised guidance was presented to the Corporate Governance Board for comments.</p> <p>The draft guidance reviewed by Internal Audit explicitly</p>	<p>Consideration should be given to including within the report writing guidance or report template the requirement to detail the challenge processes that have been undertaken in</p>	<p>Consideration has been given and it is felt that statutory and other requirements detailed in the guidance are</p>

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Ref	Internal Audit Recommendation (from 2008/09 report)	Action Taken (assessed during Follow Up Review)	Recommendation 2010/11	Management Comments
2.5	<p>To support the Annual Governance Statement, in addition to directorate assurances, the Head of Governance Services should centrally monitor the extent of compliance with the Constitution. For example, activities could include:</p> <ul style="list-style-type: none"> • Undertaking periodic data-matching exercises to provide assurance that all relevant decisions have been approved through the appropriate process i.e capital programme schemes could be matched to the database of registered decisions. • Collating data on the Key and Major decisions registered per directorate / service area to provide assurance that the number of decisions registered appears reasonable. • Centrally reviewing agenda items for Executive Board to ensure that all relevant proposed decisions are appropriately recorded in the Forward Plan 	<p>states that it is of crucial importance that decision makers are given all the relevant information so that they may make an informed judgement and reasoned decision. However, it does not include the requirement to detail the challenge processes that have been undertaken.</p> <p>The Governance Services review identified some issues which were reported to CGAC, in particular a key issue was that a review be undertaken in respect of existing controls and where opportunities might exist for those controls to be better aligned. A key exercise undertaken by Governance Services was a review of all financial commitments over £100,000 in 2008/09 to provide assurance that decisions have been appropriately notified. However, this work has not been completed for 2009/10. The absence of such exercises or a lack of control in this area increases the risk that financial commitments in excess of £100k will be made without going through the appropriate process and this will not be detected.</p> <p>Data is collated on key and major decisions. The Head of Governance Services advised that this data will be provided to Directors each quarter so that an assessment can be made on the reasonableness of the number of decisions notified.</p> <p>Internal Audit evidenced that the Assistant Corporate Governance Officer emails Directorate contact staff to ensure that any decisions that have been taken or delayed or which can now be removed are reflected accurately within the Forward Plan. Regular reminders are sent via email during the month to staff that have not responded. Copies are retained by the Governance Team.</p>	<p>respect of the decision.</p> <p>The Head of Governance Services should liaise with the Chief Officer (Financial Management) to assess the practicalities of establishing a process, for all financial commitments equating to a Key or Major decision, to gain assurance that those commitments have been subject to the appropriate decision making process.</p>	<p>sufficient to help mitigate any potential risk of judicial review.</p> <p>Agreed. In addition, the Head of Governance will look to introduce a quarterly review of commitments and evidenced decisions.</p> <p>It may be proportionate to introduce a simple additional control into financial management processes. Such a control might require, as part of providing the authority to spend, evidence to be provided of relevant delegated officer or committee decision which supports the expenditure to be made.</p> <p>Governance Services could then</p>

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		<p>The Assistant Governance Officer advised that there is liaison with the Governance Officer on a regular basis by reviewing agenda items for the Exec Board meeting to identify whether the item should have been notified on the Forward Plan. If an item is identified, then the relevant officer would be contacted to ensure the item is included in the Forward Plan so that the decision can be monitored.</p>		<p>monitor the extent to which these arrangements are followed as well as the relevance of the supporting decision to the expenditure being made.</p>
	<p>Core Principle: Raising of concerns in relation to non-compliance with the Constitution and action including training being taken where appropriate.</p>			
3.1	<p>The Head of Governance Services should be empowered with appropriate escalation procedures in the case of serious or consistent non-compliance within the organisation. Obviously, the initial response would be to improve communication and deliver targeted training, but should these proactive measures fail, more formal action must be taken.</p>	<p>The Head of Governance Services advised that:</p> <ul style="list-style-type: none"> • From May 2009 escalation processes have been introduced (on a monthly basis) to Directors: • Serious or consistent non-compliance will be referred to the Monitoring Officer. • Performance on decision making will be reported as part of the Directors appraisal scheme. 	<p>No action required.</p>	
	<p>Core Principle: Critically reviewing the outcomes from the controls dictated by the Constitution against the objectives and anticipated benefits of those controls. Feeding efficiency and effectiveness improvements into the Constitution as part of the iterative review process.</p>			
4.1	<p>The outcomes from the controls dictated by the Constitution should be regularly reviewed against the objectives of those controls and anticipated benefits. Efficiency and effectiveness improvements should be</p>	<p>The Head of Governance Services has reported progress against the recommendations made in the Internal Audit report of 2008/09 to CGAC and collates decision making information for monitoring purposes.</p>	<p>No action required.</p>	

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4.2	<p>incorporated within the Constitution as part of the iterative review process.</p> <p>The current reporting template should be reviewed and updated and contained as an appendix in the Constitution. Areas where clearer advice would be useful include:</p> <ul style="list-style-type: none"> ➤ Guidance for the author in terms of the amount and quality of information presented, for example, pop up boxes which provide examples or guidance when interpretation of the Constitution is necessary. ➤ Encourage the author to include those challenge and assurance processes within the report. This would enable the decision maker to place reliance on previous challenge and debate, avoid duplication of effort and highlight any decisions that may require additional scrutiny if they have not been subject to earlier challenge and review. ➤ A requirement that the report clearly details whether any expenditure resulting from the decision is discretionary or statutory. This would be particularly useful for the decision maker where the financial climate is difficult. <p>Explicit reference to any future approval that may be required in order to progress the</p>	<p>Performance indicators in respect of decision making have been introduced which will provide an indication of the effectiveness of the controls in place moving forward.</p> <p>The draft guidance was considered by the Corporate Governance Board on the 9th December 2010. The new guidance and template was considered by the CGAC in April 2011.</p> <p>The Head of Governance Services advised that all regular report writing authors will be invited to half hour briefing sessions in May to be briefed on the new report format and guidance.</p> <p>At the time of the audit, the Head of Governance Services advised that whilst there was no communication plan in place, this was being developed to ensure all relevant staff were aware of changes and key messages.</p>	<p>No action required.</p>	

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	<p>decision. For example, the delegated decision process may currently be used to obtain approval to award contracts only and may not in themselves have any financial approval implications for the Authority.</p>			



Originator: Andy Hodson

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Report of the City Solicitor

Corporate Governance and Audit Committee

Date: 18th July 2011

Subject: Localism Bill – Outcome of initial consultation

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

1. The purpose of this report is to provide an update on the proposals in the Localism Bill about ethical governance issues, and to outline the results of the first round of consultation with various stakeholders on the future of the ethical framework in Leeds.
2. No final decisions can be made at this stage, as the provisions of the Localism Bill are subject to change until the Bill receives Royal Assent (which is expected to be in November or December 2011). These results are therefore only being presented for information in advance of further dialogue with each Political Group.
3. Corporate Governance and Audit Committee is asked to note;
 - and comment upon the outcome of the initial consultation exercise;
 - the timetable for further consultation contained in Appendix 2.

1.0 Purpose of this Report

- 1.1 The purpose of this report is to provide an update on the proposals in the Localism Bill about ethical governance issues, and to outline the results of the first round of consultation with various stakeholders on the future of the ethical framework in Leeds.
- 1.2 No final decisions can be made at this stage, as the provisions of the Localism Bill are subject to change until the Bill receives Royal Assent (which is expected to be in November or December 2011). These results are therefore only being presented for information in advance of further dialogue with each Political Group.

2.0 Background Information

- 2.1 The Localism Bill proposes to abolish the 'Standards Board regime' in its entirety. The Government has made clear in the Bill that under the new arrangements Councils will be free to adopt their own voluntary Code of Conduct and set up a standards committee to consider complaints under this code. Whilst unlikely, amendments considered during the passage of the Bill, and currently under consideration in the House of Lords, may also result in Local Authorities being compelled to adopt a code, possible one drafted nationally.
- 2.2 In the event of the Bill remaining unchanged, i.e. with each local authority having discretion whether to adopt a local code of conduct, consultation took place prior to the local elections to establish whether there was any appetite to adopt a voluntary code of conduct in Leeds. The consultation focussed upon the views of the Leaders of each political group, the Group Whips, Corporate Governance and Audit Committee, and the Standards Committee. Each consultee was asked for their opinion on the five questions listed in Appendix 1. These same questions were also asked of the other West Yorkshire authorities in order to establish whether there was any possibility of introducing regional arrangements. The results of this consultation are summarised in this report, along with a series of options to be explored.
- 2.3 In January 2011, Communities and Local Government published a series of Impact Assessments on different aspects of the Localism Bill including on the subject of "The abolition of the Standards Board regime, clarification of the law on predetermination and the requirement to register and declare interests".

3.0 Main Issues

Consultation response within Leeds City Council

- 3.1 The general consensus at both the Standards Committee and Group Whips meetings was that it was too early to determine exactly what arrangements the Council might adopt as the Bill had not yet received Royal Assent. However there was broad acceptance of a need to continue to explore the potential implications of the Bill for Leeds, and particularly that this process should be Member led.
- 3.2 This report provides feedback to previous consultees on the views expressed during the initial consultation phase and proposes a method and timetable for further dialogue on the possible arrangements which Leeds City Council might adopt.

Option 1 – To withdraw the existing code of conduct without replacing it.

- 3.3 Whilst none of the respondents to the consultation completely favoured this option a number of individual members (individual Whips and Standards Committee members) did favour this approach.
- 3.4 Despite allowing for this possibility in the Localism Bill, the impact assessment published by the Department for Communities and Local Government (DCLG) has assumed authorities will retain at least some aspect of the local standards framework. This being because authorities will need to demonstrate and assure themselves that the new duty proposed by the Localism Bill to “promote and maintain high standards of conduct by members and co-opted members of the authority” is being complied with.
- 3.5 DCLG has also identified that there may be a risk of standards of conduct amongst councillors worsening in those local authorities that decide not to adopt a code of conduct for their Councillors. DCLG suggest that this may occur due to Councillors knowing that their conduct will not be investigated by the authority and therefore acting without fear of sanction.

Possible mitigation of these risks

Existing statutory framework

- 3.6 It is argued that the above risks are mitigated, at least in part, by the existing statutory framework. In the Impact Assessment the Government outlines that the most common breaches of the Code since May 2008 have related to failure to treat others with respect (30%), followed by breaches related to the register of interests and using the position of Councillor for personal gain (28%), and acting in a manner which could bring their office or authority into disrepute (20%). The Government believes that the risks of this behaviour continuing unchecked is mitigated in part where the cases are serious enough to involve slander or libel, by the laws of defamation enforced by the civil courts. Those related to misuse of position and interests will be mitigated by the new regulations and the creation of a criminal offence.
- 3.7 The Government believes that existing legal frameworks already provide remedies for the most serious types of misconduct. In summary, the existing legal framework covers the following issues:
- **The fiduciary duty of Councillors** – a Councillor is treated as a trustee of the Council’s assets, with a fiduciary duty to apply those assets in the public interest, and therefore when a Councillor abuses that trust they can be held personally liable for the resulting loss.
 - **Libel and slander** – an individual could claim that they have been libelled or defamed by a Councillor, but the Council itself cannot be libelled.
 - **Misfeasance in public office** – a Councillor can be accused of having misused or abused their power either through ‘targeted malice’ or ‘untargeted malice’. Targeted malice will occur when a Councillor intentionally abuses their position with the motive of inflicting damage on the claimant. Untargeted malice would occur when a Councillor acts knowing that they have no power to undertake the act complained of.
 - **Equalities and Discrimination law** – this would prevent Councillors from treating anyone less favourably than others on grounds that include sex, race, religion, sexual orientation, age and disability.

- **Criminal offences** – a Councillor who is sentenced to a term of imprisonment of not less than 3 months is disqualified from office by virtue of section 80 of the Local Government Act 1972. The Government has also stated that section 80 may be revised in future to cover other aspects of misconduct. The Fraud Act 2006 would ensure that a Councillor could not use their position to support or influence a planning application that they have a financial interest in or otherwise use their position for self financial gain. The Bribery Act 2010 prevents the offering, promising or giving of an advantage, or requesting, agreeing to receive or accepting an advantage in a public office. Both offences under the Fraud Act or the Bribery Act could result in a penalty of 10 years imprisonment or an unlimited fine, or both. The Malicious Communications Act 1998 covers the sending of letters or other communications (including electronic communications) which are grossly offensive or threatening and which are sent for the purpose of causing distress or anxiety. Such an offence could result in imprisonment for no longer than 6 months or a fine of up to £5,000, or both.
- **Electoral offences** – under the various acts governing the conduct of elections, Councillors are prevented from exerting (or intending to exert) undue influence on voters, using bribery, treating, personation, and providing false information in nomination papers or in relation to the registration of electors. Under the Electoral Administration Act 2006 Councillors are also prevented from supplying false information to the electoral registration officer and making fraudulent applications for a postal vote. The majority of electoral offences carry a maximum penalty of 1 or 2 years imprisonment or an unlimited fine.
- **Maladministration** – the Local Government Ombudsman has responsibility for investigating maladministration causing injustice. This includes things that have gone wrong in the way a service has been given or the way a decision has been made, and individual or collective actions or failings of Councillors may amount to maladministration.
- **Bias and predetermination** – the Localism Bill proposes to clarify the rules surrounding bias and predetermination. These rules provide that a Councillor cannot take part in the decision making process where they have a closed mind on the matter. This would make the decision itself unsafe, but would have no implications for the individual Councillor.

3.8 There are also legal remedies available to anybody who is subject to intimidation or harassment, whether or not they are an employee. The Protection from Harassment Act 1997 makes it an offence for a person to pursue a course of conduct which “amounts to harassment” or “which he knows or ought to know amounts to harassment”. This Act gives people who are subject to harassment a right to go to the civil courts to obtain an injunction and damages. A council, as an employer, could consider undertaking proceedings to support an employee under the Act, if it felt that it was an extreme case.

New requirements relating to the registration and declaration of interests

3.9 The Government intends to create a new criminal offence of a Councillor deliberately failing to comply with the Regulations regarding the registration and declaration of interests. Complaints will be made either to the Monitoring Officer of the relevant authority or directly to the police. However, the Government has assumed that the complaints which are made directly to the police would initially pass back to the Monitoring Officer to investigate and potentially resolve without having to launch a formal investigation.

- 3.10 The Monitoring Officer will therefore be treated as the first port of call for all complaints relating to the failure of Councillors to register or declare personal interests. The Government has estimated that nationally there would be 750 complaints of this nature per year.
- 3.11 It has also been assumed that around 50% of such complaints will be dismissed by the Monitoring Officer without further action. It is further assumed that around 30% will be resolved locally without police involvement, for example, the requirement could be satisfied if the Councillor agrees that in light of the complaint they do have an interest and agrees to register it immediately. Indeed the Government is relying on local authorities to resolve as many complaints as possible in order to minimise the impact on the criminal justice system. The Government anticipates that the remaining 20% will be passed on to the police (nationally between 100 and 300 complaints per year).
- 3.12 Such complaints will have to be received regardless of whether the Council chooses to adopt a code of conduct or not.

Other remedies

- 3.13 The Government believes that the risks arising from breaches related to bullying others or disclosing confidential information could be mitigated by local authorities putting procedures in place to minimise these risks, such as having a protocol for Member / officer relations and through training. Similarly, possible breaches involving the misuse of Council resources could be dealt with by the temporary withdrawal of those resources or removing a Councillor as a member of a particular committee.
- 3.14 Finally, Councillors are ultimately accountable to their electorate through local elections every four years. However, the Public Bill Committee felt that elections are not an effective remedy for the public if their local authority decide not to adopt a code. In particular, committee members felt that the ballot box was no guaranteed remedy for the public against misconduct if there was strong support for a particular party within an electoral area.

Further considerations in relation to this option

- 3.15 Whilst not adopting a code of conduct may be perceived as not providing sufficiently robust arrangements for codifying the expected conduct of councillors, the legal framework does provide a mechanism within which concerns can be addressed.
- 3.16 In addition any complaints about the actions or inactions of a councillor could still be capable of being received within the Council's Corporate complaints processes and referred to the relevant group for consideration and a response. Additionally, should an officer wish to complain about the way a Member has treated them they could use the grievance procedure provided through Human Resources.

Option 2 – To revise the Code of Conduct or to replace the Code of Conduct with a new one

- 3.17 Both the Leaders of the political groups and the Corporate Governance and Audit Committee expressed the view that some form of code was needed in order to set out the standards expected of Councillors. There were varying opinions as to whether the Council should choose to adopt something drafted by a national organisation (in particular the Local Government Association), whether the existing Code of Conduct should be revised, or whether the Code should be replaced with some form of guidance note produced locally.

- 3.18 Since the consultation took place the Chief Executive of the Local Government Association has written to all Chief Executives of local authorities in February to outline that “local government is generally supportive of the abolition of the current regime, seeing it as over-bureaucratic, burdensome and too prescriptive”, and that the meeting of the LGA Leadership Board had agreed not to seek to establish a replacement framework within which Councillors should operate. Therefore the Council would need to adopt a code produced locally, or a code produced by a different organisation (such as the Association for Council Secretaries and Solicitors).
- 3.19 An pragmatic way forward for Leeds, emerging from discussions with Leader Management Team, may be for Leeds to simply adopt the Nolan Principles of Conduct in Public Life as a framework of conduct and behaviour which could be equally applied to officers and members. This approach will be further considered by members in the coming months.

Complaints process

- 3.20 The respondents to the consultation also generally agreed that the system for dealing with complaints would need to have a more rigorous filtering process so that more complaints could be resolved without having to be formally investigated, and would not need to be considered by a committee of Members unless it was potentially serious.
- 3.21 There were also varied opinions as to whether the same process should be used for all complaints against Members, or whether there should be different procedures for dealing with complaints from other Councillors, officers, or members of the public.
- 3.22 Again there appears scope for the Council’s corporate complaints system to be utilised for complaints against Members from members of the public. Initial consideration and response to complaints would not need the involvement of a separate committee or sub committee as logically complaints would be referred to political groups to responded to, only escalating further, say to a Standards Committee, should a complainant wish to appeal or if say, the allegation related to the new provisions regarding registration and declaration of interests.

Benefits of this proposal

- 3.23 The Government has identified one key benefit of their proposed changes to the standards regime, which is that by making Councillors accountable for their conduct at a local level (rather than a national level), standards of conduct will more closely reflect the expectations of local citizens. Adopting the Nolan Principles would also allow the Council to demonstrate that it will be fulfilling its new duty to promote and maintain high standards of conduct amongst its Members.
- 3.24 Additionally there would remain the new requirement and sanction proposed in the Bill for registration and declaration of interests by members, paragraphs 3.9 - 3.11 of this report refer.

Further considerations relating to this option

- 3.25 The consultees were asked various supplementary questions regarding this proposal, such as who should consider any complaints against Members and, if this was to be a Council committee, what form the committee should take.

Standards Committee

- 3.26 Under the Localism Bill proposals a standards committee (or other committee or body with the similar functions) would not have the same powers to sanction Members as are currently available. Instead powers would be restricted to taking administrative measures to ensure that it could continue to discharge its functions effectively.¹ This may include barring a Councillor from particular resources or offices and from direct contact with certain officers. It may also include censure, training, or removing Councillors from particular positions within the Council. These powers are not punishments and cannot be exercised in a manner which prevents a Councillor from acting as a Councillor.
- 3.27 The Leaders of the political groups and the Corporate Governance and Audit Committee generally agreed that there may continue to be a legitimate role for a standards committee to consider complaints in some circumstances.
- 3.28 The same respondents felt that independent members (co-opted members of the public) could continue to provide a valuable input to a standards committee and that one of these members could also perform the role of Chair. However, since the consultation took place officers have looked into this suggestion further and can confirm that any co-opted member on such a committee would not be able to vote on any matter (this includes the use of a casting vote), unless the new standards committee was an advisory committee only.²

Declaration of acceptance

- 3.29 Under the current regime Members must agree to abide by the Code of Conduct in place at the Council through their acceptance of office. If the Council were to put local arrangements in place these declarations would no longer apply, and Councillors would need to indicate their acceptance of any local code. Leaders commented that it would be advantageous to link the acceptance of office declaration to a declaration indicating an agreement to abide by any local code of conduct.

Option 3 – To enter into regional arrangements with other West Yorkshire authorities

- 3.30 Consultees were asked whether they would wish to pursue regional standards arrangements with other West Yorkshire authorities which could include a standards committee, a code of conduct and administrative support. Some Leaders of the political groups in Leeds recognised that there may be some economies of scale in operating a regional system, however, generally speaking there has not been much support, particularly from the other West Yorkshire authorities.
- 3.31 All West Yorkshire authorities have been carrying out their own consultations on the questions posed in Appendix 1. As a result, the general consensus in each authority is as follows:
- **Kirklees** – Members would like a simpler code of conduct than the current code. There is no appetite for having a separate standards committee. Complaints will first be presented to an all party group advised by the Monitoring Officer, and if considered serious enough, will be forwarded to the Corporate Governance and Audit Committee for action. There will be no involvement from co-opted

¹ These powers were confirmed by the Court of Appeal in *R v Broadland District Council ex p Lashley (2000)*.

² According to Section 13 of the Local Government and Housing Act 1989.

members of the public on the Corporate Governance and Audit Committee and Members do not wish to involve Parish Councils in their arrangements.

- **Wakefield** – Members would like to adopt a code of conduct, but the complaints procedure needs to be streamlined, in particular the time taken to assess complaints and carry out investigations.
- **Bradford** – Members do want to have local standards arrangements which involve co-opted members of the public. However, they do not wish to involve Parish Councils in those arrangements. Members did have some interest in the potential for a regional appeals sub-committee to consider appeals against local standards committee decisions.
- **Calderdale** – No comments.

Involvement of Parish and Town Councils

- 3.32 Under the provisions of the Localism Bill, Parish Councils will be required to make their own arrangements for adopting a code of conduct and receiving and considering complaints against Members. Previously Leeds City Council has had responsibility for all the Parish and Town Councils in its area.
- 3.33 The Corporate Governance and Audit Committee and some of the Group Leaders felt that Parish and Town Councils should be offered the opportunity to 'buy in' to any arrangements Leeds City Council chooses to set up, if any. This might include providing them with a model code of conduct to adopt and allowing any complaints against their Members to be processed using Leeds City Council's system. Some Leaders expressed the view that any delegation of functions to Parish and Town Council's which the Council might contemplate should be conditional on that parish or town council adopting the local code of conduct arrangements of the City Council.

Timescales for further consultation and final decision

- 3.34 The Localism Bill has now entered the Committee Stage in the House of Lords, and after this will progress to the report stage and third reading. Currently it is anticipated that Royal Assent might be gained in November or December 2011. The present conduct regime will continue to function in a normal manner, considering, investigating and determining allegations of misconduct, until a fixed date ("the appointed day"), probably two months after the Bill receives Royal Assent.
- 3.35 This means that until the appointed day, an allegation of misconduct can be made; after the appointed day, no further allegations of misconduct can be made under the present regime. It also means that at the appointed day, allegations may be in the process of investigation and that appeals against sanctions will be pending. The Government intends to introduce transitional measures to address this.

The Government's Proposed transitional measures

- 3.36 Any cases in the system at the appointed day will make their way through a transitional regime. The Government propose that any investigations being undertaken by Standards for England transfer, on the appointed day, to the local authority that referred the investigation. It will be for that local authority to arrange for the conclusion of the investigation. The local authority's standards committee will remain established until the last complaint it is considering, referred either internally or from Standards for England, has been dealt with.

- 3.37 Any cases with which the First-tier Tribunal (Local Government Standards in England) is dealing on the appointed day will be concluded by that tribunal. It will not receive any appeals against standards committee rulings after that date. The right of appeal will not exist for those cases standards committees deal with as they work their way through the transitional system. The Government considers that the risk of protracted proceedings justifies this approach. The sanctions available to standards committees are significantly less severe than the sanctions available to the First-tier Tribunal (Local Government Standards in England).
- 3.38 Further, the Government propose that the suspension sanction is removed from standards committees for the transitional period. Hence the most a standards committee could do is, for instance, to issue a Councillor with a censure or a request that they undergo training.

Timescales in Leeds

- 3.39 In order for a final decision on any future standards arrangements to be made before the Localism Bill comes into force, a decision will need to be made by full Council in either January or early February 2012. Prior to this the proposals will need to be considered by General Purposes Committee for the purposes of making a recommendation to full Council. These arrangements will be agreed to come into force once any transitional period ends i.e. once the last complaint has been concluded.
- 3.40 A timetable showing a further round of consultation and timescales for the implementation of the Bill is attached as Appendix 2 to this report.

4.0 Implications For Council Policy And Governance

- 4.1 One of the principles in the Council's Code of Corporate Governance is good conduct and behaviour. Members need to consider how good conduct can be ensured once the Localism Bill comes into force, and removes the current standards regime.
- 4.2 It is also important that Members consider how the new duty for the Council to promote and maintain high standards of conduct by its Members can be fulfilled after the current standards regime ends.

5.0 Legal And Resource Implications

- 5.1 The legal and resource implications are clearly set out in the main issues section of this report.

6.0 Recommendations

- 6.1 Corporate Governance and Audit Committee is asked to note;
- and comment upon the outcome of the initial consultation exercise;
 - the timetable for further consultation contained in Appendix 2.

7.0 Background Documents

- Report of the Assistant Chief Executive (Corporate Governance) to the Corporate Governance and Audit Committee, “Implications of the Localism Bill for the ethical framework in Leeds”, 14th February 2011
- Minutes of the Corporate Governance and Audit Committee, 14th February 2011
- Report of the Assistant Chief Executive (Corporate Governance) to the Standards Committee, “Implications of the Localism Bill for the ethical framework in Leeds”, 16th February 2011
- Minutes of the Standards Committee, 16th February 2011
- Localism Bill 2010-2011
- “Localism Bill: the abolition of the Standards Board regime, clarification of the law on predetermination and the requirement to register and declare interests – Impact Assessment”, by Communities and Local Government
- Letter from Bob Neill MP (Parliamentary Under Secretary of State) to Dr. Robert Chilton (Chair of Standards for England) on “Conduct of Local Authority Members”, 15th October 2010
- Public Bill Committee Debate: Localism Bill – Session 2010-11, Thursday 3rd February 2011 (morning session)

The Localism Bill and the future of the standards regime

Consultation questions

In order to help facilitate discussions around what local arrangements, if any, Members may wish to establish in Leeds, the following questions are posed to Members:

1. Should Leeds City Council adopt a voluntary code of conduct?
 - a. If yes, should the Council:
 - revise the existing code of conduct¹; or
 - adopt a completely new code of conduct to be drafted locally?
 - b. If the Council wishes to adopt a completely new code of conduct, what types of behaviour / situations should this cover?
2. If a code is to be introduced, should there be different processes for dealing with differing types of complaints, namely:
 - Member against Member;
 - officer against Member; and
 - member of the public against Member?
 - a. If yes, how should these processes differ?
3. Should the Council have a separate 'Standards Committee' (or another name) to carry out any of the above functions, or instead give the function to an existing committee exercising Council functions?
 - a. If an existing committee is preferred, which committee would be the most appropriate?
 - b. Alternatively, would the Council prefer to delegate some of these functions to an officer?
4. Would there be value in retaining the facility to have a co-opted independent member(s)² on any committee dealing with complaints of member misconduct and if so, might that co-opted members have a role in chairing consideration of complaints against Members under any of the options shown in Question 2 above?
5. Is there an appetite for having a regional Standards Committee?

¹ At the least the Council would need to remove the reference to the General Principles which will be revoked, and the requirements regarding the registration and declaration of interests as these will be covered in separate Regulations.

² The position of Independent Member as it currently stands will be abolished, but the Council could choose to co-opt someone onto the committee to fulfil a similar function.

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**Timeline for Leeds City Council
Consultation and decision on the Localism Bill**

Appendix 2

Event / meeting	Date	Purpose
July 2011 – September 2011		
Standards Committee	6 th July 2011	To receive feedback following consultation process and to outline further consultation and drafting timetable.
Whips	12 th July 2011	To receive feedback following consultation process and to outline further consultation and drafting timetable.
Corporate Governance and Audit Committee	18 th July 2011	To receive feedback following consultation process and to outline further consultation and drafting timetable.
Group consultation process	July 2011 – Mid September 2011	For further consultation on proposals
October 2011		
Leader Management Team	6 th October 2011 (tbc)	To receive feedback from Group Consultation process and confirm preferred arrangements for review by Committees
November / December 2011		
Standards Committee	1 st November 2011	For final consultation on preferred arrangements
Corporate Governance and Audit Committee	9 th November 2011	For final consultation on preferred arrangements
Whips	15 th November 2011 (tbc)	For final consultation on preferred arrangements
Localism Bill receives Royal Assent	November / December 2011	n/a
Leader Management Team	Mid December 2011 (tbc)	To consider final arrangements for recommendation to General Purposes Committee.
January 2012		
General Purposes Committee to recommend local arrangements to full Council	5 th January 2012	Final recommendations for approval
Full Council to approve local arrangements (to come into force on the Appointed Day)	18 th January 2012	Final approval of local arrangements
tbc	Mid January to February 2012	Agreement of administrative arrangements to support any locally

**Timeline for Leeds City Council
Consultation and decision on the Localism Bill**

Appendix 2

Event / meeting	Date	Purpose
		agreed arrangements
February 2012		
Appointed Day (when the Act comes into force)	February 2012	Local arrangements take effect from this date onwards (or transitional arrangements begin if complaints are in the system)
April 2012		
Supplementary legislation and Regulations expected to come into force	April 2012	Will provide details of the requirements for Members to register and declare interests



Originator: Simeon Perry

Tel: x50503

Report of the Chief Officer for Statutory Housing

Corporate Governance and Audit Committee

Date: 18 July 2011

Subject: Council Housing Assurance Framework

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

EXECUTIVE SUMMARY

The Council's relationship with the three Arms Length Management Organisation (ALMOs) and Belle Isle Management Organisation (BITMO) is one of partnership developed through a close working relationship and underpinned by a Performance Management Framework in which key performance indicators are monitored as well as a programme of audits undertaken to deliver assurance that services delegated to ALMOs/ BITMO are being appropriately managed.

In 2010/11 to enhance the Councils' Performance Management Framework for both the ALMOs and BITMO the Housing Partnerships team developed a process known as the Assurance Framework. The Framework sets out a number of controls within which the housing management service is delivered, whilst at the same time providing assurance to all stakeholders that this is achieved within minimum risk. The housing management objectives identified are governance, asset management, partnerships, lettings and tenancy enforcement, service improvement plans and customer /tenant satisfaction. Internal Audit have undertaken audits on 11 services in each ALMO/ BITMO last year, whilst Housing Partnerships team undertook 5 reviews into services. Internal audit provided at least an acceptable, or good control environment opinion in 20 of the 21 issued audits where controls were tested. For audits where compliance was tested, acceptable or good compliance was found in 26 of the 32 issued audits. No major organisational impacts were found in any of the audits.

1. Purpose Of This Report

- 1.1 In September 2010 Corporate Governance and Audit Committee requested annual assurance that the delegated housing management services to the ALMOs and BITMO are appropriately managed. This report provides the assurance through informing Corporate Governance and Audit Committee of the outturn of the Assurance Framework for Council housing management in 2010/11.

2.0 Background Information

- 2.1 The Council's relationship with the three Arms Length Management Organisations (ALMOs) and Belle Isle Management Organisation (BITMO) is one of partnership in the delivery of excellent housing management services for tenants of the council. This partnership is underpinned through:
- a close working relationship. This relationship operates at a number of levels throughout all organisations, from regular meeting between the Executive member and the ALMO chairs, to meeting between officers at a range of levels. The recent creation of the Strategic Governance Board in February 2011 will provide increased joint working to deliver common approaches to the regeneration of communities and neighborhoods.
 - A Performance management framework. This is an annex of the Management Agreement and has two parts: Performance monitoring and the Assurance Framework. Performance on key indicators, such as income generation, meeting the decent homes standard are reported by the council monthly, as well as financial monitoring. Secondly, a programme of Internal Audits is developed annually in partnership with ALMOs/ BITMO to provide assurance that the risks of the delegation of housing management to ALMOs/ BITMO are being appropriately managed.
- 2.2 The Assurance Framework was implemented in 2010/11 to set out a control environment within which the housing management service is delivered whilst at the same time providing assurance to all stakeholders that this is achieved with minimum risk.
- 2.3 The spirit of the Framework is co-regulation. The Framework will provide assurance that the ALMOs and BITMO have mitigated the risk areas through their own policy and procedures. These will be objectively assessed by Internal Audit resulting in the development of the annual Assurance Framework audit programme.
- 2.4 The greater the level of assurance that the ALMOs and BITMO provide through the annual assurance report, the smaller the audit plan for the subsequent year. In 2010/11 many audits were undertaken to ascertain a baseline. In 2011/12 a reduced number of audits will be undertaken focusing on the areas of high risk.
- 2.5 The Assurance Framework sets out the key objectives for the council in its delegation of the housing management functions to the ALMOs and BITMO. These objectives are:
- Governance
 - Asset management
 - Partnerships
 - Lettings and Tenancy Enforcement
 - Service Improvement Plans
 - Customer Tenant Satisfaction

2.6 Housing Partnerships team commissioned Internal Audit to undertake audits to provide objective assurance. Internal Audit undertook audits in 11 services. This included 4 audits on the Strategic Landlord. In total 56 audits have been undertaken¹. Two services were audited twice within the year: Procurement and Lettings. Housing Partnerships team undertake a lot of the assurance through their day to day work, such as Performance target setting, Capital programme monitoring, quarterly financial monitoring. In addition, officers from Housing Partnerships team undertook a number of reviews to gain assurance. These included reviews on Fire Safety Assessments on multi story blocks, Customer Complaints, Areas Panels and Service Improvement Plans.

3.0 Main Issues

3.1 Internal audit provided at least an acceptable, or good control environment opinion for 20 of the 21 control audits undertaken. In the 9 subjects where ALMOs and BITMO compliance was tested 26 (81%) audits were considered to have an acceptable or good compliance in place. No audits were considered as having any major organisational impacts. The key areas of weakness identified were Procurement, Lettings and Gas Servicing. Procurement and Lettings had follow up audits in the second half of the year. For both these services, improvements were identified and acceptable or good assurance has been reported in all 3 ALMOs and BITMO. ENE will have a follow up Gas Servicing audit in 2011/12 to ensure that the recommendations are been undertaken as it had a limited audit opinion.

3.2 One of the most in depth audits was the Corporate Governance Audit for each ALMO and BITMO. This audit was an in depth assessment to ensure that each organisation had good direction and control of the organisation. Three audits have been published to-date, of these two organisations received good assurance and one acceptable. The common findings of this audit were:

- Minutes of Board meetings should be placed on their website
- Publish a statement on the internal control arrangement annually
- A list of Partnerships should be identified and there should be monitoring procedures to ensure that outputs can be measured and linked to the ALMO objectives and priorities.
- Undertake an annual declaration of interest for the Board, and staff
- Business Continuity plans should be more regularly updated

3.3 Housing Partnerships team has undertaken the following reviews: Area Panels, Service Improvement Plans, Customer complaints, Fire safety in Multi Storey blocks, Asset management Service. These reviews did not give 'grades' just recommendations, which Officers from Housing Partnerships team will follow up 6 months after the review.

3.4 The key findings of each review are:

- Area panels: Key common recommendations across the ALMOs were

¹ Note 4 reports have yet to be issued

- to ensure that there was greater consistency in adhering to the Memorandum and Articles
- greater promotion of the Area Panel through the ALMO websites and customer literature
- closer connection to the ALMO Board is made so that Area Panels can have a greater influence the ALMO Board
- Area Panels have a greater understanding about how Board decisions may affect their localities
- a training and development strategy is adopted for Panel members.
- Service Improvement Plans: Recommendations differed for each ALMO. Key recommendations were that
 - Service Improvement Plans should reflect a manageable number of key priorities
 - clear simple reports should be presented to the ALMO Board
 - priority given to actions that have a high level of risk to the organisation.
- Customer Complaints: Common recommendations made included
 - More use made of lessons learnt to improve processes as a result of complaints
 - More initial contact with customers to address service requests before formal complaints are made
- Fire Safety in Multi Storey blocks: This assessment included visits to a number of multi storey blocks to check. Recommendations were that
 - all breaks in construction are sealed with a suitable fire resistant material
 - that there is full and appropriate fire signage
 - increased post inspection of all refurbishment works
 - an increased programme of spot checks by senior ALMO staff
 - that improvements are made to caretaker training programmes and there is closer supervision to ensure that they undertake greater fire safety measures
 - that support is made to vulnerable residents to remove rubbish where they can't do so themselves.

As a result of this review each ALMO has developed a detailed action plan. Implementation is being supported by Officers from Housing Partnerships.

- Asset management service: A review was undertaken of how ALMOs managed the asset related contracts. The conclusion was that within the ALMOs there was limited overall capacity, skills, knowledge and different approaches. As a result, through the

development of the ALMO Business Centre, the ALMOs are considering centralising the contract management functions.

4.0 Implications For Council Policy And Governance

4.1 The Assurance Framework provides the council with assurance that the key risks for the delegation of housing management are being appropriately managed by the ALMOs and BITMO.

5.0 Legal And Resource Implications

5.1 The 2010-11 Assurance Framework in part replaced the previous Internal Audit programme for Strategic Landlord and some of the ALMO commissioned programmes. The evidence gathered by both Internal Audit and through the reviews undertaken by the Housing Partnerships team will provide evidence for the Annual Governance Statement that the risk for delegating housing management through the ALMOs and BITMO are appropriately managed.

6.0 Conclusions

6.1 The Council though its performance management framework can provide assurance that the ALMOs and BITMO are appropriately managing the risks derived from delegating the housing management functions to them.

6.2 The audits and reviews undertaken in 2010/11 provide the Council with assurance against the risks of delegating housing management to the ALMOs and BITMO.

6.3 The Audit reports demonstrate for the services inspected assurance is generally of an acceptable or good standard. Where Limited assurance has been found, then follow up audits have been undertaken. For Procurement and Lettings, these have seen improvements in service delivery. Gas Servicing will be undertaken for ENE in 2011/12.

6.4 All Audit reports are reviewed by the Audit committee's of each ALMO Board which meet quarterly and they review implementation of each recommendation made focusing on the high risk recommendations. At BITMO the Audit reports are currently reviewed by the Board pending the establishment of an Audit Committee shortly in 2011/12.

6.5 The 2010/11 programme creates a baseline from which to develop future years audit programme. In 2011/12 the audit programme will be reduced by half, from 600 to 310 days. Greater focus will be placed on ALMO self assurance, whilst audits will focus on the risk areas identified this year

7.0 Recommendations

7.1 That Corporate Audit and Governance Committee receive assurance that the management of council housing in the city is being monitored by the Housing Partnerships team based within Housing Services.

Background Documents

15 June 2011 - Annual Internal Audit report to corporate Governance and Audit committee. The outturn of the audits undertaken in ALMOs/ BITMO are included in this report.

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Originator: M. J. Foster

Tel: 24 74091

Report of the Chief Procurement Officer

Corporate Governance and Audit Committee

Date: 18 July 2011

Subject: Procurement & Commissioning Efficiency Savings

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

This report outlines the requirements of the council to achieve the procurement and commissioning savings of £23.5m which contributes towards the council's overall requirements to achieve savings. The report explains that there are several strands of work taking place including the negotiation of reduced contract prices, amending the council's financial management system and changing the way the council places orders with its suppliers. Further work is taking place on standardisation and control of demand management by challenging the need to spend. Examples of areas where savings have been made are given and the report outlines the "open book" reviews being conducted by internal audit. Governance arrangements are in place to ensure that the contract price reductions will be reconciled with the council's budget and to ensure that procurement and commissioning is carried out in a consistent manner across the council. The report refers to the responsibility of managers to carry out monthly predictions of annual spend and to manage the expenditure to meet the budget. Further progress reports will be brought back to the committee starting in September 2011.

1.0 Purpose Of This Report

1.1 This report is to inform Members of the actions and measures in place within the Council to achieve the required budget savings during 2011/12.

1.2 The report specifically relates to procurement and commissioning efficiency savings.

2.0 Background Information

2.1 The Council was given a comprehensive spending review settlement that resulted in a requirement to reduce the Council's budget. The revised budget was approved by Council in February 2011 and Directorates were given the task of preparing plans to ensure that the reductions were put into effect. The procurement and commissioning functions were charged with facilitating reductions of £23.5m.

2.1.1 Procurement and Commissioning will have some involvement, through the use of contracts, for several areas of efficiency, e.g. premises - building and highway maintenance; transport – vehicle hire & maintenance, and schemes within the capital programme. However, this report concentrates on the procurement and commissioning element of £23.5m.

2.1.2 Procurement and commissioning targets were set as part of the approved budget across all directorates and were as follows:

General – supplies, works & services	£10m	All directorates
External placements/providers	£10m	£7.3m Adults, £2.7m Children's
Home Care	£2m	Adults
Grants to outside organisations	£1.5m	Mainly Environment & Neighbourhoods
TOTAL	£23.5M	

2.2 The report now details the actions which are taking place to achieve the target savings.

3.0 Main Issues

3.1 To achieve these savings there have been several strands of work set up. A presumption that the council's contract prices could be reduced by 10% was made and showed that the general target of £10m would be achieved. However, this was a significant assumption based on the history of efficiency savings already made during the "Gershon" efficiency years (2004-2007) and the comprehensive spending review of 2007 (to cover 2008/9-2010/11). In effect, the council had been making year on year reductions in contract prices of about 3-4% since 2004 so a presumption of 10% in one year would be a challenge.

3.2 This challenge has resulted in procurement staff undertaking training on negotiation techniques and preparing and organising post contract negotiation meetings. The

training has been funded by the regional improvement and efficiency programme and taken up by all the West Yorkshire authorities. Initially, the council wrote to 1000+ suppliers to inform them that we would be arranging meetings to discuss existing contracts and to see how they could help the council achieve the necessary reductions.

- 3.3 Most contractors have been supportive of the council's objectives. 121 negotiation meetings have taken place so far and resulted in 65% accepting a reduced price and 50% accepting 10% or more reduction. Some of these agreements have been based on contracts being extended rather than renewal. Agreement on an interim waste management contract (prior to PFI) resulted in over £1m per annum saving. The supply of frozen foods is now £250,000 per annum less and we have saved money by negotiating non-branded goods into our contracts for catering and maintenance of vehicles. Negotiation meetings are continuing to take place.
- 3.4 At the same time as the negotiation action is taking place, the council is also reviewing the way it places orders with the suppliers. Substantial developments of the council's financial management system, FMS (Leeds), are being carried out to assist the orderers in making the correct purchase. The system is not being fundamentally changed but is being redesigned to give category and contract information to the orderers and to steer them into using the council's contracts. It is anticipated that savings will be made by reducing the amount of "off contract" spend that takes place and informing the procurement unit where there is a need for additional contracts. The revised system will provide better procurement management information for the unit to determine category and contract strategies that will benefit the council. The revised system is due to take effect on 1 August 2011.
- 3.5 A review of the council's orderers and authorisers has taken place and numbers have been reduced to a minimum. Ordering hubs are being established where the orderers place orders on behalf of the directorates. This allows for more focused training and development of expertise and knowledge of the appropriate contracts. Additionally, the ordering experts will become accustomed to challenging the need for some orders and assist the council in its demand management. For example, by challenging rail ticket requests for 7 journeys, an officer from the ordering hub was able to reduce costs from £1,295 to £741.70, saving £533.30. On a basket of stationery goods, by searching for better deals with the contracted supplier, and in some cases, contacting her supplier representative, an officer from the ordering hub was able to negotiate a better deal for the authority, thereby reducing costs from £2,600.67 to £982.06, saving a total of £1618.61.
- 3.6 All contracts are being reviewed with the intention of standardising the council's requirements where it is possible to do so. This has been completed in areas like paper, stationery, travel and furniture and will be expanded out in as many areas as possible. The council will look to specify and purchase "industry standard" items rather than "custom made" for the council. "Off the shelf" purchases are often more competitive, less costly to make and result in a reduced price to the council.
- 3.7 The success of the negotiation meetings has resulted in reduced contract costs. The total procurement contracts spend reductions registered so far suggested we are broadly on target to make the procurement savings. However, the calculation is based on **contract value** which will not relate directly back to the budget. Some areas of spend within the budget will be made up of many contracts whereas some expenditure will be from contracts arranged in previous years where the estimate

does not correlate to the budget. To convert the procurement reductions into budget savings requires the directorate finance officers to review each budget vote and determine the impact on that vote. This area of work has just commenced and is being overseen at monthly meetings of the financial leadership team (FLT). Reconciliation will be completed in August 2011 and reviewed monthly from then on. Additionally, the FMS (Leeds) system requires managers to review their expenditure monthly and to make forecasts of end of year expenditure. Budget holders are responsible for ensuring that predicted overspends is managed down throughout the year.

- 3.8 The development of work practices for procurement and commissioning is being overseen by the corporate commissioning group which meets monthly and has attendees from each directorate. This group is responsible for ensuring that procurement and commissioning is carried out in an efficient and consistent manner across the council. A new procurement strategy is being prepared. Overall governance regarding the achievement of procurement efficiency savings is being undertaken by the Executive Board at member level and by the CORS (Chief Officer Resources & Strategy) group at officer level. Additional challenges will come from the various scrutiny boards.
- 3.9 Improvements to category management have been made and discussions are being held to take this further organisationally. A comprehensive spending analysis for 2010/11 has been completed by financial management and directorates are now using the results to analyse vote codes and review spending practices.
- 3.10 Internal audit is working alongside adults social care to work with external residential care providers to understand the costs associated with providing the service. This could enable reduced fees to be negotiated without undermining the financial stability of the provider. The role of internal audit is to undertake an open book analysis of the costs of the contract to support the introduction of reduced fees that are proposed, where invited to do so by the supplier. Internal Audit is also undertaking a piece of work to review contract monitoring procedures throughout the Authority. This review will aim to risk assess the major contracts that the council has in place to ensure that there are appropriate contract monitoring arrangements and undertake open book reviews as appropriate. This will aim to identify any overcharging that has occurred on the contracts and drive improvements in contract monitoring and identify opportunities to improve value for money.
- 3.11 Internal Audit undertook a review of External Room hire during 2010/2011. The audit found that although general guidance on the use of External Providers was issued to Chief Officers in 2009, there is no policy in place relating to the use of external room hire/venues. In recognition of this, Internal Audit is currently producing a recommended Policy Statement on the use of External Room hire. This will look to limit the usage of external room hire through optimizing the use of internal facilities.

4.0 Implications For Council Policy And Governance

- 4.1 In order to achieve the procurement and commissioning related savings already taken from budgets, robust governance arrangements need to be in place. The savings are challenging and require the coordination of various roles and functions across the authority e.g. budget holders, managers, order-placers, procurement, finance, FMS administration, etc. This report identifies the actions being taken to achieve the savings and the governance arrangements being implemented around those actions.

5.0 Legal and Resource Implications

- 5.1 There is a risk that the calculated contract reductions will not reduce the expenditure level to the budget requirements. This is being managed by having monthly reports to the financial leadership team. This has only recently been set up and results of the first quarter will not be known until around August 2011 and monthly from then on. The monthly reports may result in revised target figures assessed against the rate of achievement.

6.0 Conclusions

- 6.1 There are several areas where actions are being taken to help the council buy more efficiently and effectively. These actions will contribute towards achieving the procurement and commissioning savings target of £23.5m. Current progress is good but until the reductions in contract price have been reconciled with the council's budget, the actual budget savings is not known. This exercise will be completed in August 2011.

7.0 Recommendations

- 7.1 Members are asked to note the actions in place to create and measure the procurement and commissioning efficiency savings.
- 7.2 Members are asked to note the governance arrangements in place to give assurance that the procurement efficiency savings will be monitored, recorded and achieved.
- 7.3 Members are asked to agree to further progress reports commencing in September 2011.

Background Papers

None Used

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Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 18th July 2011

Subject: Work Programme

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

1.0 Purpose Of This Report

1.1 The purpose of this report is to notify members of the Committee of the draft work. The draft work programme is attached at Appendix 1 to this report.

2.0 Background Information

2.1 The work programme provides information about future items for the Corporate Governance and Audit Committee agenda, when items will be presented and which officer will be responsible for the item.

3.0 Main Issues

3.1 The draft work programme is attached at Appendix 1.

3.3 Members are requested to consider whether they wish to add any items to the work programme.

4.0 Implications for Council Policy And Governance

4.1 There are no implications for Council Policy and Governance.

5.0 Legal And Resource Implications

5.1 There are no legal or resource implications.

6.0 Recommendations

6.1 Members are asked to note the draft work programme and advise officers of any additional items they wish to add.

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**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
September 30th – 2011		
Annual Governance Statement	To receive the Annual Governance Statement.	Director of Resources Alan Gay
Small Claims Made Against the Council	To receive a report detailing the amount and type of small claims and the actions taken to reduce them. (requested at the meeting held on 14 th February 2011)	Insurance Manager Frank Morrison
KPMG Audit Report on 2010/11 Statement of Accounts	To receive KPMG's Audit report of the findings in respect of the 2010/11 Statement of Accounts, value for money conclusion and whole of government accounts conclusion. (part of the Committee's Annual work programme)	Chief Officer (Financial Management) Doug Meeson
Approval of audited Statement of Accounts 2010/11 including an update on the audit fee	To receive a report detailing the statement of accounts for 2010/11.	Chief Officer (Financial Management) Doug Meeson
Local Government Ombudsman's Annual Letter	To receive the annual letter from the Local Government Ombudsman. (This report is on the agenda as part of the Committee's Annual work programme)	Corporate Customer Relations Manager Wendy Allinson
Council IT Systems	To receive a report detailing the extent of intruder attack on Council It systems; outlining progress made in agreeing and implementing policies which are still in development; explaining the arrangements that are in place for access to Members emails; and describing the assurance Members can gain from the Council's arrangements for information security. (This report was requested by the Committee on the 21 st March 2011)	Chief Officer (Business Transformation) Lee Hemsworth

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Internal Audit Report	To receive a report presenting the Internal Audit report on current issues. (This is a report brought to the Committee on bi-monthly basis)	Chief Officer (Audit and Risk) Tim Pouncey
Bribery Act	To receive a report detailing the implications of the Bribery Act	Chief Officer (Audit and Risk) Tim Pouncey
November 9th - 2011		
6 Monthly Update Report on risk Management	To receive a report updating members on the Council's risk management arrangements. (This report is part of the Committee's annual work programme)	Chief Officer (Audit and Risk) Tim Pouncey
Leeds Initiative and City Planning	To receive a report updating the Committee on progress made with the review of the Leeds Initiative and Partnership Arrangements and the associated planning and performance arrangements in the City (This report was requested by the Committee on 18 th April 2011)	Chief Officer (Leeds Initiative and Partnerships) Kathy Kudelnitzky
Local Enterprise Partnerships	To receive a report on the governance arrangements for the new Local Enterprise Partnership specifically exploring governance issues contained within the partnership governance toolkit. (requested at the 14 th December 2010 meeting following a discussion on the Leeds City Region)	Chief Officer (Leeds Initiatives and Partnerships) Kathy Kudelnitzkey
Localism Bill	To receive a report updating the Committee on the Localism Bill	Head of Governance Services Andy Hodson
December 13th - 2011 - No items currently scheduled		
January 23rd - 2012		

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
KPMG Financial Statements Audit Plan and VFM Audit plan	To receive a report detailing the financial statements audit plan. Value for Money Audit Plan and Financial Statement Audit Plan.	Chief Officer (Financial Management) Doug Meeson
February 27th - 2012 - No items currently scheduled		
March 28th - 2012		
External Audit Planning	To receive a report from the appointed External Auditor in respect of the audit fee for 2011/12	Chief Officer (Financial Management) Doug Meeson
Information Security Annual Report	To receive a report on the Council's Information Security arrangements.	Chief Officer (Business Transformation) Lee Hemsworth
April 23rd - 2012		
Annual Report on Community Engagement	To receive a report presenting the annual report on Community Engagement.	Assistant Chief Executive (Planning, Policy and Improvement) James Rogers
Annual Monitoring of Key and Major Decisions	To receive a report presenting the outcome of the monitoring process relating to Key and Major decisions.	Head of Governance Services Andy Hodson

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
ALMO Annual Assurance Report	To receive the Annual Assurance report from Strategic Landlord based on the assurances received from the ALMOs. (This report is part of the committee's annual work programme)	Strategic Landlord Liz Cooke
Annual Report on Risk Management	To receive a report regarding the Council's risk management arrangements. (Part of the Committee's annual work programme)	Chief Officer (Audit and Risk) Tim Pouncey
Un-scheduled items for 2011/12		