



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Monday, 21st January, 2013
at 2.00 pm

MEMBERSHIP

Councillors

P Grahame	J Bentley	C Fox	J Elliott
N Taggart		R Wood	
T Hanley			
G Hussain			
T Murray			
E Taylor			
J Illingworth			

PLEASE NOTE: Before the meeting, at 1pm, a Risk and Performance Management Briefing will be presented to Members.

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 DISCLOSABLE PECUNIARY AND OTHER INTERESTS'</p> <p>To disclose or draw attention to any disclosable pecuniary interests for the purposes of Section 31 of the Localism Act 2011 and paragraphs 13-18 of the Members' Code of Conduct. Also to declare any other significant interests which the Member wishes to declare in the public interest, in accordance with paragraphs 19-20 of the Members' Code of Conduct.</p>	
5			<p>APOLOGIES FOR ABSENCE</p> <p>To receive any apologies for absence and notification of substitutes.</p>	
6			<p>MINUTES OF THE PREVIOUS MEETING - 9TH NOVEMBER 2012</p> <p>To confirm as a correct record, the minutes of the meeting held on 9th November 2012.</p>	1 - 6
7			<p>TRANSFORMING PROCUREMENT UPDATE</p> <p>To receive a report of the Chief Officer PPPU and Procurement inform members of the Committee of progress with respect to the Transforming Procurement Programme and invite comments on the contents of this report.</p>	7 - 22
8			<p>INTERNAL AUDIT REPORT OCTOBER - NOVEMBER 2012</p> <p>To receive a report of the Director of Resources providing a summary of Internal Audit activity for the period 1st October to 30th November 2012 and highlight the incidence of any significant control failings or weaknesses.</p>	23 - 46

Item No	Ward	Item Not Open		Page No
9			<p>LICENSING DECISION MAKING FRAMEWORK</p> <p>To receive a report of the Head of Licensing and Registration which details the decision making framework for licensing decisions.</p>	47 - 64
10			<p>KPMG CERTIFICATION OF GRANTS AND RETURNS 2011/12</p> <p>To receive a report of the Director of Resources informing Members on the result of the work KPMG have carried out on the certification of grant claims in respect of 2011/12.</p>	65 - 80
11			<p>ANNUAL AUDIT FEE 2012/13</p> <p>To receive a report of the Director of Resources informing Members of the cost of external audit work relating to the 2012/13 financial year.</p>	81 - 90
12			<p>WORK PROGRAMME</p> <p>To receive a report of the Director of Resources notifying and inviting comment from the Committee on the work programme.</p>	91 - 94
13			<hr/> <p>PLEASE NOTE: Before the meeting, at 1pm, a Risk and Performance Management Briefing will be presented to Members.</p> <p>DATE AND TIME OF NEXT MEETING</p> <p>2pm, Wednesday, 27th March 2012.</p>	

Agenda Item 6

Corporate Governance and Audit Committee

Friday, 9th November, 2012

PRESENT: Councillor T Murray in the Chair
Councillors P Grahame, N Taggart,
J Elliott, T Hanley, C Fox, G Hussain,
T Murray, R Wood, E Taylor, J Illingworth
and J Bentley

27 Appeals Against Refusal of Inspection of Documents

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

28 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

29 Late Items

There were no late items submitted to the agenda.

30 Declaration of Disclosable Pecuniary and Other Interests'

There were no declarations made.

31 Apologies For Absence

There were no apologies.

32 Minutes of the Previous Meeting

The minutes of the meeting held on 28th September 2012 were approved as a correct record.

33 Matters Arising

Minute No. 21 Decision Making Framework; Annual Assurance Report

In response to Member queries about the arrangements for Licensing Decisions taken by officers it was confirmed by the Chief Officer (Audit and Risk) that this issue had not been considered by the Committee. Members agreed that this would be a piece of work that they would like to look further into.

RESOLVED – The Committee resolved to request a paper that considers the arrangements in place for licensing decisions taken by officers.

Minute No. 24 Report to those Charged with Governance from KPMG

Members sought to understand the arrangements that are in place when assets are transferred by the authority that appropriate due diligence processes are in place to ensure that those ‘receiving’ an asset have appropriate governance, insurance and financial management arrangements in place.

RESOLVED – The Committee resolved to request a report outlining the due diligence processes in place in respect of asset transfers.

34 Internal Audit Report April to September 2012

The Head of Internal Audit presented a report of the Director of Resources. The report provided a summary of Internal Audit activity for the period 1st April to 20th September 2012 and highlighted the incidence of significant control failings or weaknesses.

The Head of HR (Resources) was also in attendance.

Members discussed the report in detail, particularly in respect of:

- arrangements to ensure that CRB checks are in place for Private Hire and Hackney carriage drivers. Members being of the view that such checks should be undertaken on an annual basis in order to provide reassurance to the public;
- The capital programme central controls – particularly the extent to which Chief Officer approval is given (and where relevant Call In processes having expired) prior to a contractual commitment being given;
- the Head of Internal Audit confirmed that 734 cards have been issued and undertook to provide the additional information concerning use to the committee by way of correspondence;
- Overtime payments made by the Council, where the Head of HR (Resources) confirmed the arrangements for the payment of overtime to staff over scale point 29 and outlined the issues that had been identified in respect of compliance with those arrangements by recent Internal Audit work. Members expressed concern with the shortcomings identified by the audit, commenting that;
 1. it was unacceptable that staff had received payments contrary to the council’s policies;
 2. the rules governing planned overtime were out of date as they do not reflect modern working practices
 3. that the guidelines for claiming overtime appeared to have been not well enough communicated to managers and other staff.

Members were informed about the outcome of a Scrutiny Board (Resources and Council Services) report on overtime and agency staff, considered at the meeting on 3rd September 2012. The inquiry resolved, among other things, to support the improvement measure to set clearer guidelines and protocols on the use of overtime and agency staffing. Members were assured that this would be followed up by the Scrutiny Board and that the findings of Internal Audit would be taken into consideration.

- The apparent under-use of Council owned buildings by the public for community benefit. Members requested that Internal Audit undertake a Value For Money review of buildings owned by the Council to explore the scope for greater access and use by the public and community groups.

RESOLVED – The Committee resolved:

- (a) To note the work undertaken by Internal Audit during the period covered by the report;
- (b) To inform the Chief Officer Democratic and Central Services of the views of this Committee with regards to taxi drivers obtaining an annual CRB check;
- (c) To note that Scrutiny Board Resources and Council Services will follow up their previous recommendation that HR set clear guidelines and protocols on the use of overtime and agency staff;
- (d) To request that HR liaise with Internal Audit to help ensure the revised guidelines and protocols address the control issues highlighted in the Internal Audit Report;
- (e) To note that the Head of Internal Audit will supply further details to Members with regards to which services are using purchasing cards; and
- (f) that Internal Audit conduct a VFM review of buildings owned by the Council.

35 KPMG report - Annual Audit Letter 2011/12

The Senior Financial Manager (Corporate) presented a report of the Director of Resources which provided a summary of the key external audit findings in respect of the 2011/12 financial year.

Heather Garrett from KPMG was in attendance to answer Member questions.

It was noted that the report provided assurance that the consolidation pack for the Whole of Government Accounts produced by the Council was consistent with the audited financial statements.

Members considered the report asking the KPMG representative what if anything the Council needed to be concerned about in relation to its financial management. It was confirmed to Members that KPMG undertake a risk

assessment before each audit to ensure that any areas considered a risk are reviewed to establish that the controls in place are effective and complied with. It was also noted that KPMG have identified two key value for money risk areas; plans for assuming responsibility for public health on 1/4/13 and savings plans to achieve a balanced budget.

RESOLVED – The Committee resolved to note the conclusions and recommendations arising from the 2011/12 audit process.

36 Treasury Management Governance Report

The Principal Finance Manager (Treasury Management) presented a report of the Director of Resources. The report outlined the governance framework for the management of the Council's Treasury Management function. The report also reviewed compliance with the revised Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on treasury management and guidance notes and a revised prudential code. These were issued in November 2009 and revised in 2011.

Members discussed the report asking specific questions about the treasury advisors used by the Council, how they are selected and how their performance is monitored. It was confirmed to Members that Sector (treasury advisors) were procured using a central procurement process which measured both value for money and the quality of service provided. Sector's performance is monitored on an ongoing basis through quarterly Treasury Strategy meetings.

Members also asked about the money that has been saved by Treasury Management and congratulated the service on its work which has resulted in significant savings for the Council.

Members were informed that implementation of the treasury strategy over recent years had resulted in savings for the Council of over £70 million which had been achieved through efficient debt management and investment.

RESOLVED – The Committee resolved to:

- (a) note the delegations in respect to treasury management as outlined in Appendix A to the report;
- (b) note the assurance provided by Treasury Management adopting and complying with the revised CIPFA Code of Practice and guidance notes and the Prudential Code; and
- (c) note that the Treasury Management Policy Statement has been updated.

37 Local Public Audit; an update

The Chief Officer (Audit and Risk) presented a report of the Director of Resources which provided the Committee with a progress report on the Local

Public Audit Bill, including provision in the Bill for independent audit appointment panels.

RESOLVED – The Committee resolved to note the update provided on the progress of the Local Audit Bill.

38 Work Programme

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

The Committee reviewed its forthcoming work programme. Members requested a further report on the arrangements in place to manage the City's traditional York paving stone assets.

RESOLVED – The Committee resolved to note the forthcoming reports to the committee and requested that Internal Audit review arrangements in place to manage the City's traditional York paving stone assets.

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Report of the Chief Officer PPPU and Procurement

Report to Corporate Governance and Audit Committee

Date: 21 January 2013

Subject: Transforming Procurement Update

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The council is seeking to reduce expenditure and to improve outcomes and value for money in the goods, works and services that it buys. This expenditure equates to approximately one-third of the council's revenue budget and almost its entire capital budget.
2. Following the transfer of the Corporate Procurement Unit to Resources Directorate, a 'Transforming Procurement Programme' was formed to review how the council undertakes procurement, with the aim of establishing sustainable economy, efficiency and effectiveness in the council's procurement activities, taking account also of the council's wider ambitions.
3. Work to deliver the programme is progressing well across all three of the principal workstreams – strategy, pilots, and business. A number of improvements have been made to the organisation and management of the council's corporate procurement function and the refresh of strategy, planning and delivery documents, including Contracts Procedure Rules, is on target for a March 2013 Executive Board report.

Recommendations

4. That members of the Corporate Governance and Audit Committee note and comment on the contents of this report.

1 Purpose of this report

- 1.1 To inform members of the Corporate Governance and Audit Committee of progress with respect to the Transforming Procurement Programme and invite comments on the contents of this report.

2 Background information

- 2.1 The council is seeking to reduce expenditure and to improve outcomes and value for money in the goods, works and services that it buys.
- 2.2 Each year the council spends approximately £600 million on a wide range of goods and services, including for example energy supplies, foster care, and support for homeless people. The council also spends approximately £300 million on works such as highways maintenance and school extensions.
- 2.3 These goods, works and services are purchased from over 5,000 organisations, from the public, private and third sectors, and are organised into over 2,500 separate contracts. Some contracts are short term single supplier contracts; others are longer term or include multiple suppliers in framework arrangements. The council undertakes over 400 individual procurements each year.
- 2.4 Each Directorate undertakes the procurements they need to deliver the services and outcomes that they are responsible for, including in some cases joint procurement with partners such as the health service. They prepare the specification and the evaluation criteria, and take the decisions on the proportion of the budget to be allocated to the contract and which organisation to award the contract to. They are then responsible for managing the contract.
- 2.5 The Corporate Procurement Unit provides support to Directorate colleagues undertaking procurements and provides advice on good practice in procurement and contract management, and on council policy and legislation relating to public procurement, summarised in the council's Contracts Procedure Rules.
- 2.6 Following the transfer of the Corporate Procurement Unit to Resources Directorate, a 'Transforming Procurement Programme' was formed to review how the council undertakes procurement, with the aim of establishing sustainable economy, efficiency and effectiveness, taking account also of the council's wider ambitions.
- 2.7 Work to deliver the programme is progressing well across all three of the principal workstreams – strategy, pilots, and business. A number of improvements have been made to the organisation and management of the council's corporate procurement function and the refresh of strategy, planning and delivery documents, including Contracts Procedure Rules, is on target for a March 2013 Executive Board report.
- 2.8 The programme team is seeking to capture and build upon expertise and examples of best practice which are available within the council and nationally, from the public, private and third sectors, and including the recommendations contained in scrutiny reports and internal audit reports relating to the council's

procurement practices. This information is being distilled into draft processes and documentation for Leeds, including guidance, templates and training materials.

3 Main issues

Strategy

3.1 The current draft ambition is for the council to “deliver the best commissioning, procurement and contracting in the country, where:

- We achieve value for money for the public;
- We support the delivery of quality outcomes for service users;
- We support the wider ambitions of the council and its partners;
- Providers from all sectors want to deliver for Leeds;
- Procurement professionals want to work for Leeds; and
- We are recognised nationally as a centre of excellence”.

3.2 The current draft strategy includes the principles that the council's procurement activities should:

- Work to common principles and rules, but allow tailoring to take account of different categories of purchase;
- Reflect a whole lifecycle approach to procurement, from identification of service need, through procurement, to contract management and then exit;
- Build on expertise within directorates and provide appropriate central support;
- Develop the procurement skills and capacity of our people, and improve our systems and information;
- Ensure appropriate governance, ownership, assurance, and check and challenge, incorporating openness and transparency.

3.3 The strategy is centred on a category management approach to procurement. Category management is a widely adopted method of procurement, which groups together related purchasing, to optimise quality and maximise savings. In addition to the benefits of "bulk buying", it can facilitate better intelligence of buying needs and of what providers have to offer. It can also assist in improving accountability and outcomes.

3.4 The strategy set out in paragraphs 3.1 to 3.3 above was considered by Corporate Governance and Audit Committee at its meeting on 27 February 2012. Since then, officers have been testing this approach through pilots and developing the draft planning and delivery documents outlined below.

Contracts Procedure Rules

- 3.5 Contracts Procedure Rules are being refreshed to reflect the strategy and a supporting manual is being developed for officers, which will provide practical tools to support assurance and compliance.
- 3.6 Work is also being undertaken to define clear roles and accountabilities for officers in the central procurement function and in directorates with respect to each stage of the procurement lifecycle, and will ensure a clear alignment with the council's corporate governance framework.

Planning Documents

- 3.7 In order to support improved value for money and better outcomes from procurements it is important to assess and plan in advance. A suite of template documents has been developed to assist colleagues to undertake this planning in a structured and robust manner.
- 3.8 Each of the plans will include management of risk, benefits and lessons, have clear accountabilities and governance, and will include consultation with relevant elected members and identified stakeholders appropriate to the category.
- 3.9 Each category will have a 'Category Plan' setting out current arrangements, constraints and opportunities, desired outcomes and an action plan.
- 3.10 Each procurement will have a 'Procurement Plan' setting out the desired outcomes, procurement approach, resourcing and timetable.
- 3.11 Each contract will have a 'Contract Management Plan' setting out key contract information such as milestone dates, contract value, and performance management arrangements.
- 3.12 Each contract will have an 'Exit Plan' setting out the key activities and responsibilities required at the end of the contract period.

Delivery Documents

- 3.13 In order to support improved value for money and better outcomes from procurements it is important to ensure that tender and evaluation documents are clear, proportionate and in accordance with legislative requirements. A suite of template documents has been developed to assist colleagues to draft these in a structured and robust manner.
- 3.14 A full review of the council's standard contract terms and conditions is being undertaken to ensure they reflect current best practice and national advice.
- 3.15 In addition, template tender documents are being refreshed and developed to give clearer and more specific guidance on tender instructions, financial matters and specification writing, and on evaluation criteria and methodologies.
- 3.16 'Workshop packs' are being developed to assist colleagues in considering relevant council policies and good practice. The draft workshop packs are currently grouped into:

- Social responsibility – employment and skills, community benefits, environment, ethical and fair-trade, regeneration, equality
- Provider types – small businesses, third sector, social enterprises, internal service providers
- Stakeholders – elected members, service users, staff, providers, locality working
- Management – risk, lessons, benefits.

Pilots

- 3.17 The programme has been twin-tracking strategy and process development with live pilot projects to speed up the implementation of change, whilst also ensuring lessons learned are fed back in a timely manner.
- 3.18 Pilots have now been established for each area of the council's expenditure: Children's, Adults and Health, Construction and Housing, Facilities Management and Transport, Environmental, and Business and Professional. Each pilot is being resourced through pooled teams of staff from PPPU and Procurement Unit, who work with commissioning colleagues in directorates. Each category team reviews service needs and pressures, and current expenditure and procurements, in the category. Opportunities, issues and risks are identified, forward plans are resourced and prioritised, and action is taken to address identified priorities.
- 3.19 The Children's Category Team was the first pilot to start. Working with colleagues in Children's Services the team has mapped current contracts and known future procurements, agreeing priorities and resourcing. Working in this way the team, together with directorate colleagues, has secured a number of 'quick wins', reducing in-year expenditure and procuring new contracts which aim to secure better outcomes for looked after children at reduced cost. The newest teams (Environmental and Business and Professional) are currently at the initial mapping and planning stage.

Regional

- 3.20 Opportunities are being taken to share best practice and lessons learned with procurement colleagues from across the region. In addition to regular monthly meetings hosted in Leeds, opportunities for collaborative procurement continue to be explored and implemented where this is found to improve value for money. Highlights include the 'Public Service Network' IT project and combined procurements for children's social care including fostering and residential care. These opportunities are delivering benefits for Leeds and the wider region, and have been welcomed by the organisations tendering for the work.

Business Management

- 3.21 The Chief Officer Public Private Partnerships Unit is undertaking the strategic roles of the Chief Procurement Officer and now holds a single, joint management

team meeting. Staff communications have been combined, administrative support has been pooled, and control of the Procurement Unit budget has improved.

- 3.22 A training strategy for staff is currently in development, with initial implementation planned to commence from January 2013.

Management Information

- 3.23 In order to support improved value for money it is important to ensure that there is accessible and up-to-date information about the council's procurement activity. A suite of management information reports is being developed and 'data cleansing' has been undertaken to ensure that the council has an accessible and accurate view of its procurement activity.
- 3.24 A procurement calendar has been developed, which identifies all known future procurements. This is being combined with a newly developed resource planning tool, which will allow procurement managers and staff to have clear forward work programmes and will assist in identifying resourcing pressures and opportunities.
- 3.25 A tool to track off-contract spend has been developed, and is now circulated monthly to category teams for action. To assist directorate colleagues to identify the most appropriate contract to place orders against, alerts and additional helpdesk support have been implemented. These actions have led to a significant reduction in off-contract spend across the council. A supplier information database is in development which will improve the efficiency of this support and will facilitate greater 'self-help' for colleagues across the council.
- 3.26 Work has been undertaken to analyse the council's expenditure with third parties, and options for automating this analysis for the future are currently in development. This work is being undertaken jointly with colleagues in corporate finance and the council's central payments team.
- 3.26.1 Tools to capture and track procurement savings have been developed and from January 2013 will be circulated monthly to category teams for action. As noted above, the delivery of procurements, and in turn procurement savings, are a result of cross-functional working with directorates. The category teams work closely with directorate colleagues to seek to secure procurement and contract efficiencies, and to ensure that off-contract and non-contract spend is reduced. Agreeing and 'capturing' procurement savings, in discussion with directorates, enables budget holders to make informed choices and where possible translate identified saving opportunities into 'cashable' savings
- 3.26.2 The current procurement related saving opportunities for 2012/13 total £6.3m and an additional £2.8m has been secured for 2013/14. The forecast savings for procurements not yet undertaken indicate a further £1.6m for 2013/14, taking the overall identified saving opportunities to a total of £4.4m in 2013/14.
- 3.26.3 In addition the teams are seeking to secure cost avoidances or 'non cashable savings' for example where a price increase has been avoided or where the re-procurement of a contract has resulted in more for less. It is difficult to quantify these savings and by definition they are not usually 'cashable' from a budget

perspective. Nevertheless they do demonstrate the value added by effective procurement intervention and improve value for money.

- 3.27 The electronic tender system that the council uses has been re-tendered and a new supplier identified. The new system came into use at the beginning of January. 'YORtender' is a regional facility shared with all local authorities in the Yorkshire and Humber region. Work to migrate to the new system is now complete, including a training and registration day for suppliers. Further training and fine tuning is currently being undertaken.
- 3.28 Work is also being undertaken to review and refresh the approaches to information publishing and data protection with respect to procurement.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.4 Consultation is being undertaken to identify examples of best practice and lessons learned, and to better understand stakeholder aspirations and the barriers they face within the procurement and contracting process.
- 4.1.5 This includes engaging with commissioning and procurement staff across the council and others in related roles such as audit, finance and human resources.
- 4.1.6 The team is also engaging with representatives from the private sector and the third sector, to ensure their views are considered within the programme.
- 4.1.7 The draft strategy was presented to Corporate Governance and Audit Committee in February 2012, specific elements have been considered at Sustainable Economy and Culture Scrutiny Board, and briefings have been held with the Executive Member for Neighbourhoods, Planning and Support Services.
- 4.1.8 In consultation with the council's performance teams and other specialists, the programme team is reviewing and refreshing the guidance and support available to staff that seek to ensure all procurements include appropriate communication, consultation and engagement.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 In consultation with the council's Equality Team, the programme team is reviewing and refreshing the guidance and support available to staff that seek to ensure all procurements appropriately address these issues.

4.3 Council policies and City Priorities

- 4.3.1 The programme directly supports the council value of 'spending money wisely'.
- 4.3.2 In consultation with the council's performance teams and other specialists, the programme team is reviewing and refreshing the guidance and support available to staff that seek to ensure all procurements appropriately address and reflect council policies and city priorities.

4.4 Resources and value for money

- 4.4.1 The costs of delivering the programme are internal staffing costs, predominantly staff in Procurement Unit and the PPPU, but also staff in other directorates that are contributing to the development of the strategy and engaging in the pilots.
- 4.4.2 The programme team is developing systems and documentation that seek to ensure that value for money is considered at all stages in the procurement lifecycle, and that savings opportunities are clearly identified.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The programme team is developing systems and documentation that seek to ensure that legal implications, access to information and call-in are considered at all stages in the procurement lifecycle.
- 4.5.2 The programme will result in recommendations for change to the council's Contracts Procedure Rules. Some recommendations for change to the council's sub-delegation scheme are also anticipated.

4.6 Risk Management

- 4.6.1 The programme operates in compliance with the council's risk management policy. A programme risk register captures risks identified at a programme level and is informed by risk registers owned and maintained by the separate workstreams.
- 4.6.2 The programme team is developing systems and documentation that seek to ensure that risks are identified and managed at all stages in the procurement lifecycle.

5 Conclusions

- 5.1 The council is seeking to reduce expenditure and to improve outcomes and value for money in the goods, works and services that it buys.
- 5.2 A Transforming Procurement Programme has been formed to drive strategic and systematic change to our procurement activities to deliver economy, efficiency and effectiveness which is sustainable for the long term.
- 5.3 A framework strategy has been developed and supporting documentation drafted.
- 5.4 Pilots of the new approach are underway. They are assisting in refining the strategy and associated documents, and are now beginning to directly deliver benefits of additional savings and improved control.
- 5.5 Processes and tools to better manage procurement resources are in place, and systems have been developed to better understand and track our procurement activity, which in turn is improving our ability to manage the council's contracts and expenditure.

5.6 Consultation and engagement both within and external to the council is indicating support for the proposed new approach to procurement.

6 Recommendations

6.1 That members of the Corporate Governance and Audit Committee note and comment on the contents of this report.

7 Background documents¹

7.1 There are no background documents however the report identifies that a number of documents (Appendix 1 - 3) are being developed to support the implementation of the proposed strategy. These draft documents are still under discussion and may change.

Appendix 1 Draft context diagram including the procurement lifecycle

Appendix 2 Draft whole council category map

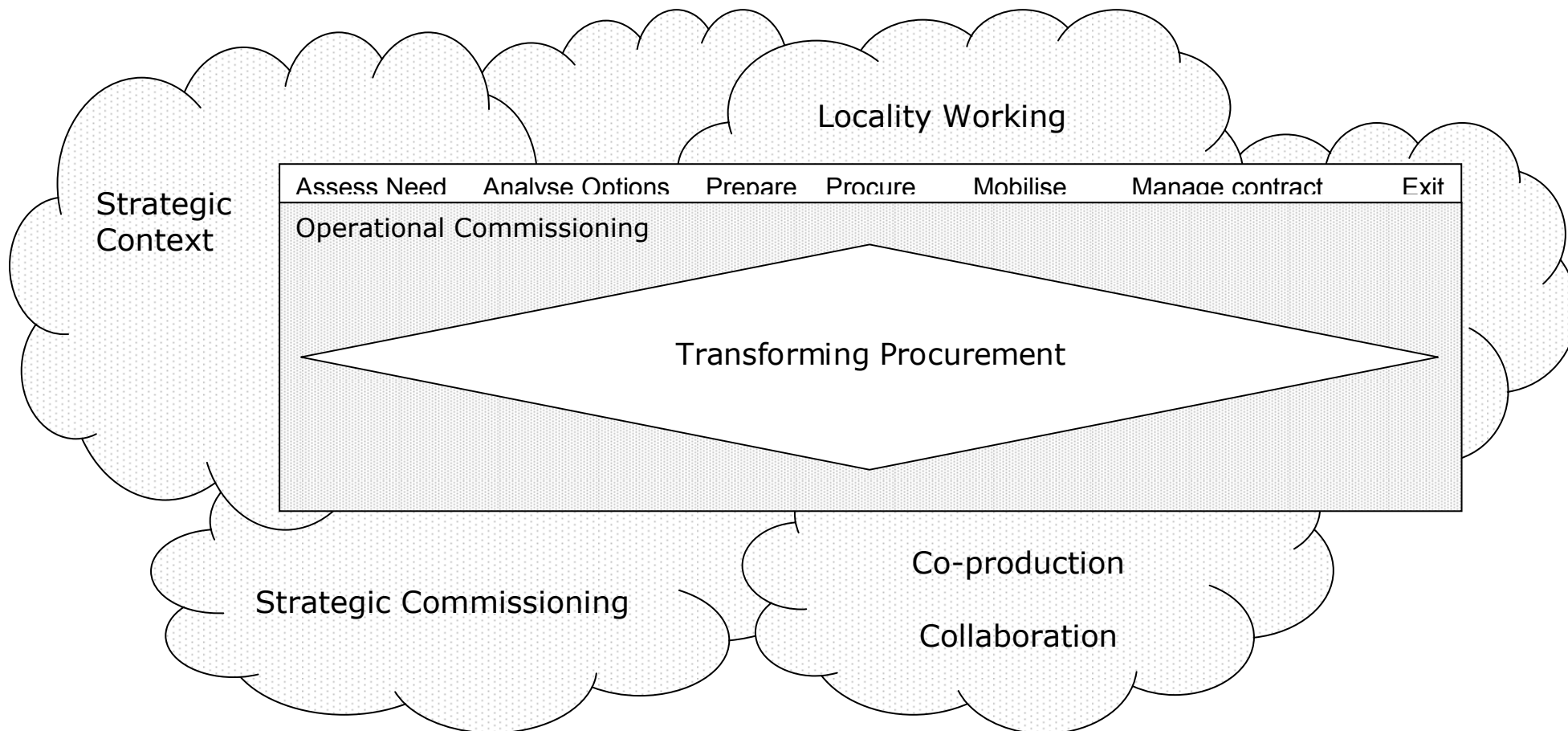
Appendix 3 Draft category plan contents list.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

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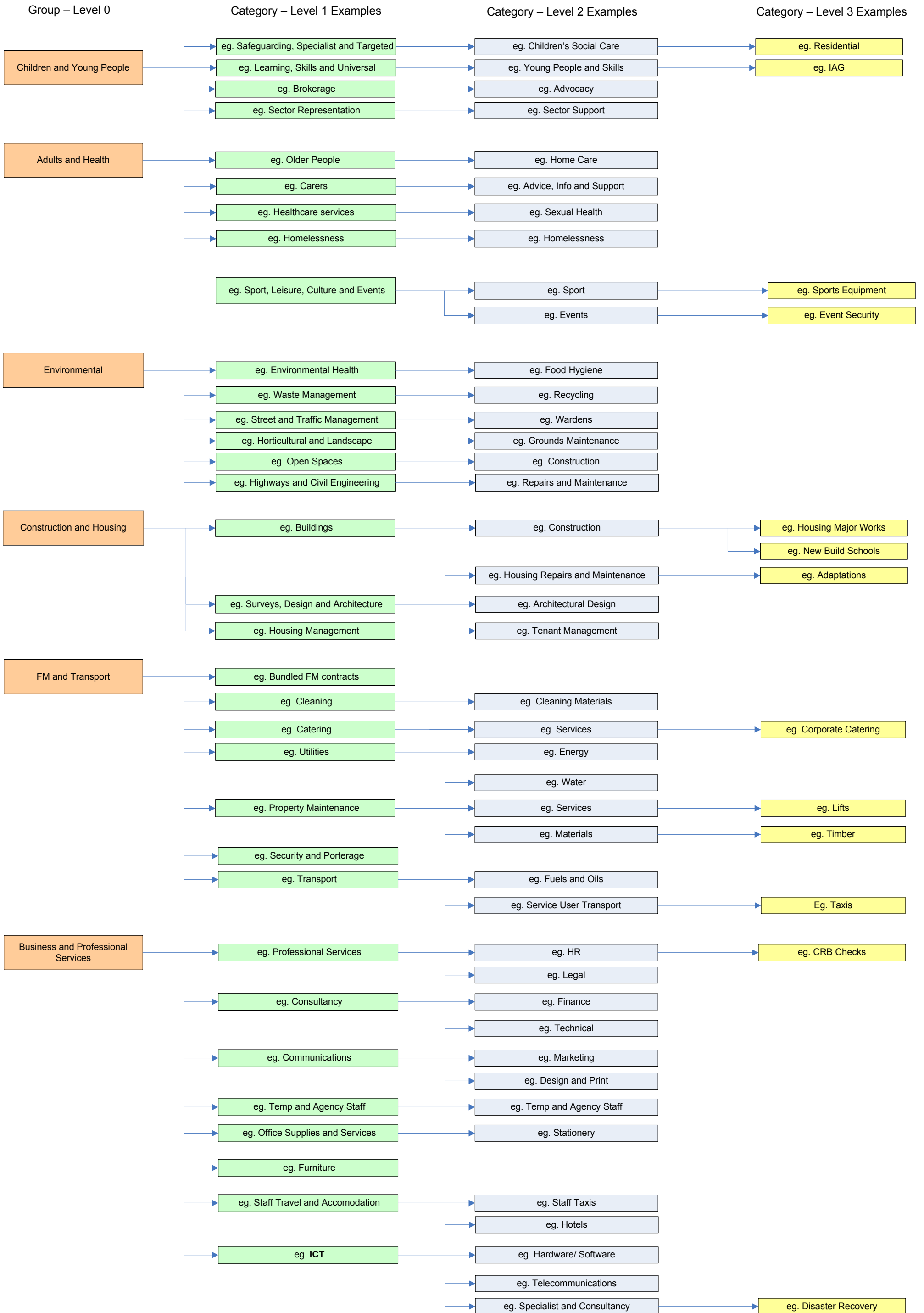
A pictorial representation of Transforming Procurement within a broader commissioning context

To optimise value for money and achieve best outcomes, the procurement function needs to be alert to the wider strategic context, to ensure that its engagement, support and added value align with the bigger picture:



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V0.08 DRAFT Whole Council Category Structure



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Category Plan Contents List (v1.1)

1. Executive Summary and Direction of Travel

- 1.1 OBA of the primary outcome for the category
- 1.2 Other key outcomes for the category

2. Current Arrangements

- 2.1 Category overview
- 2.2 Scope
- 2.3 Category value
- 2.4 Current contractual relationships (external)
- 2.5 Current partnership arrangements
- 2.6 Current in-house arrangements
- 2.7 Current other known provision
- 2.8 Current interfaces
- 2.9 Current stakeholders

3. Analysis

- 3.1 Needs Analysis
- 3.2 Legal or policy constraints relating to this category
- 3.3 Demand Analysis
- 3.4 Lessons Learned
- 3.5 Financial analysis
- 3.6 Benchmarking
- 3.7 Understanding costs
- 3.8 Product/ service analysis
- 3.9 Market Analysis
- 3.10 Supplier and / or market development
- 3.11 Soft market testing
- 3.12 City Priorities
- 3.13 Social Value
- 3.14 Impact assessments

4. Outcomes to be delivered

- 4.1 Our vision for the category
- 4.2 What service outcomes do we want?
- 4.3 What city priorities will we contribute to?
- 4.4 What social value outcomes will we contribute to?
- 4.5 What savings and efficiencies do we want to achieve?
- 4.6 What level of customer satisfaction do we want to achieve?
- 4.7 What added value do we want to achieve from our delivery arrangements?

4.8 What statutory and council requirements do we want to meet?

5. Options

6. Strategy and Actions

- 6.1 Who will deliver our services
- 6.2 Who we will collaborate with and how we will do this
- 6.3 What we will change
- 6.4 How we will manage contracts to ensure performance standards
- 6.5 How we will manage contracts to ensure efficiency savings
- 6.6 Payment
- 6.7 How we will manage demand
- 6.8 How we will manage our relationships with suppliers
- 6.9 How we will undertake supplier and / or market development activities
- 6.10 How we will meet statutory and council requirements and responsibilities
- 6.11 Communication and engagement
- 6.12 Category action plan

7. Governance

- 7.1 Who is responsible and who is the decision maker?
- 7.2 RACIS (Responsible, Accountable, Consulted, Informed, Support)

8. Risk

9. Monitoring, Review and Refresh

- 9.1 How and when we will review our performance measures
- 9.2 How and when we will review and refresh this category plan

10. Appendix 1 Category Finance and Procurement Classification Codes

11. Appendix 2 Current Contractual Relationships

12. Appendix 3 Commissioning approaches for securing outcomes

13. Appendix 4 Financial Analysis

14. Appendix 5 Market Analysis

15. Appendix 6 Consultation and Soft Market Testing

16. Appendix 7 Social Value

17. Appendix 8 Equality, Diversity and Integration Screening

18. Appendix 9 Options Appraisal

19. Appendix 10 Category Action Plan

20. Appendix 11 RACIS

21. Appendix 12 Risk Register

Report of the Director of Resources and Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 21st January 2013

Subject: Internal Audit Report October – November 2012

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements. Reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.
2. This report provides a summary of internal audit activity for the period 1st October to 30th November 2012 and highlights the incidence of any significant control failings or weaknesses.

Recommendations

3. The Corporate Governance and Audit Committee is asked to receive the Internal Audit October to November 2012 report and note the work undertaken by Internal Audit during the period covered by the report.

1 Purpose of this report

- 1.1 This purpose of this report is to provide a summary of internal audit activity for the period 1st October to 30th November 2012 and highlight the incidence of any significant control failings or weaknesses.

2 Background information

- 2.1 The Corporate Governance and Audit Committee ('the Committee') has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements. Reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.

3 Main issues

- 3.1 The report details the work undertaken by the Internal Audit Section. The report also contains a summary of completed reviews along with their individual audit opinions.
- 3.2 There are no issues identified by Internal Audit in the October to November 2012 Internal Audit Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.
- 3.3 Internal Audit will continue to undertake a follow up audit on reports with limited or no assurance or where the impact has been determined as either 'Major' or 'Moderate' to ensure the revised controls are operating well in practice.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 This report did not highlight any consultation and engagement considerations.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 This report does not highlight any issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and City Priorities

- 4.3.1 The terms of reference of the Corporate Governance and Audit Committee require the Committee to review the adequacy of the Council's corporate governance arrangements. This report forms part of the suite of assurances that provides this evidence to the Committee.

4.4 Resources and value for money

- 4.4.1 In relation to resources and value for money, the Internal Audit work plan includes a number of value for money reviews and a number of initiatives in line with the council's value of spending money wisely.

4.5 Legal Implications, Access to Information and Call In

4.5.1 None.

4.6 Risk Management

4.6.1 The Internal Audit plan is subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process incorporates a review of information from a number of sources, one of these being the corporate risk register.

5 Conclusions

5.1 There are no issues identified by Internal Audit in the October to November 2012 Internal Audit Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.

6 Recommendations

6.1 The Corporate Governance and Audit Committee is asked to receive the Internal Audit October to November 2012 report and note the work undertaken by Internal Audit during the period covered by the report.

7 Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

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LEEDS CITY COUNCIL

Internal Audit 2 monthly Report 1st October to 30th November 2012

2012/13

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Section 1

INTRODUCTION

1.1 The Reporting Process

1.1.1 This quarterly report provides stakeholders, including the Corporate Governance & Audit Committee, with a summary of internal audit activity for the period 1st October to 30th November 2012.

1.2 Background

1.2.1 The changing public sector environment continues to necessitate an ongoing re-evaluation of the type & level of coverage required to give stakeholders the appropriate level of assurance on the control environment of the Council. Therefore, in addition to outlining the work completed in the 2 month period, this report also highlights the work scheduled for the next period and input into this plan is sought from all stakeholders to ensure that audit resources are prioritised and directed towards those areas of highest risk.

1.3 Progress against the 2012/13 Operational Plan – High Level

1.3.1 The following table shows the progress against the operational plan for the first 8 months of the financial year, broken down by assurance block. Coverage is still anticipated to provide the evidence to support the annual audit opinion.

Assurance Block	Total Days per Audit Plan 2012/13	Days spent at 30 th November 2012	% completion at 30 th November 2012
Financial and Other Key Systems	800	492	62%
Compliance Reviews	800	653	82%
Procurement, Monitoring and Improvement	595	259	44%
Risk Based Audits	650	312	48%
Spending Money Wisely	525	281	54%
Counter Fraud and Corruption	869	522	60%
Update, Communication and Monitoring	55	22	40%
Head of Audit Assurances	50	40	80%
Contingency	480	213	44%
Professional Liaison	43	5	12%
Total Audit Days	4867	2799	58%

In addition, the audit plan also included days for the following:

Audit Area	Days per Audit Plan 2011/12	Days spent at 30 th November 2012	% completion at 30 th November 2012
Business Analysis	1626	1103	68%
Data Analytics Project	400	182	46%
External Contracts	840	335	40%
Total Days	2866	1620	56%

1.4 How Internal Control is reviewed

1.4.1 There are three elements to each internal audit review. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to give an assurance on the control environment.

1.4.2 However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

1.4.3 Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

1.4.4 To ensure consistency in audit reporting, the following definitions of audit assurance are used for all systems and governance audits completed:

Control Environment Assurance		
Level		Definitions
1	SUBSTANTIAL ASSURANCE	There are minimal control weaknesses that present very low risk to the control environment.
2	GOOD ASSURANCE	There are minor control weaknesses that present low risk to the control environment.
3	ACCEPTABLE ASSURANCE	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.

Compliance Assurance		
Level		Definitions
1	SUBSTANTIAL ASSURANCE	The control environment has substantially operated as intended although some minor errors have been detected.
2	GOOD ASSURANCE	The control environment has largely operated as intended although some errors have been detected.

3	ACCEPTABLE ASSURANCE	The control environment has mainly operated as intended although errors have been detected.
4	LIMITED ASSURANCE	The control environment has not operated as intended. Significant errors have been detected.
5	NO ASSURANCE	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational impact will be reported as either major, moderate or minor. All reports with major organisational impacts will be reported to CLT along with the appropriate directorate's agreed action plan.

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.

1.5 Progress against the 2012/13 Operational Plan – Individual Reviews

1.5.1 The individual reports, and the opinions given within those reports, are detailed in the following table. Not all audit reviews will have an opinion in each of the boxes as this is dependant on the type of review undertaken. The following table includes reports issued between 1st October and 30th November 2012.

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Financial and Other Key Systems					
Housing Benefit Counter Fraud	Good Assurance	Good Assurance	Minor Impact	Resources	29/10/12
Central Financial Controls of Local Authority Maintained Schools	Good Assurance	N/A	Minor Impact	Resources	21/11/2012
Compliance Reviews					
Policies and Procedures: External Consultants – Compliance with CPRs	Medium	Medium	Minor	City Development	14/11/2012
Policies and Procedures: External Consultants – Compliance with CPRs	Medium	Medium	Minor	Adult Social Care	14/11/2012
Swarcliffe Primary School – follow up review	Medium	Medium	Minor	Children's Services	12/10/2012
Risk Based Reviews					

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Insurance	Good Assurance	Good Assurance	Minor Impact	Resources	24/10/2012
Car Loans	Substantial Assurance	Good Assurance	Minor Impact	Resources	12/10/2012
Children's Centre Fee Income – Central Controls	Acceptable Assurance	N/A	Minor Impact	Children's Services	30/10/2012
Mortgages	Good Assurance	N/A	Minor Impact	Environment and Neighbourhoods/ Resources	06/11/2012
Strategy and Commissioning	Good Assurance	Good Assurance	Minor Impact	Environment and Neighbourhoods	15/11/2012
Head of Audit Assurances					
Building Hope Charity	N/A			Resources	12/10/2012

Further details of key issues identified within each assurance block are included below in the *Summary of Audit Activity and Key Issues at Section 2*.

Section 2

SUMMARY OF AUDIT ACTIVITY AND KEY ISSUES

A summary of reports issued within each assurance block is included in the table in Section 1. The following section highlights any key issues and outcomes within each assurance block.

2.1 Financial and Other Key Systems

2.1.1 Central financial controls of local authority maintained schools

The purpose of the audit was to review the systems in operation for the central financial oversight of local authority maintained schools. The review concluded that a good framework is in place which supports financial management in schools.

There are some gaps in independent monitoring and assurance processes in respect of ensuring compliance with the Leeds Scheme for Financing Schools, Financial Procedure Rules and Contract Procedure Rules, which places greater emphasis on the school's own compliance monitoring arrangements. In previous years, Internal Audit conducted a programme of schools audits to provide independent assurance in these areas. In accordance with the 2012/13 agreed Internal Audit Plan, the role of providing specific assurances in respect of compliance with the framework has changed. The Internal Audit plan does not include provision to undertake a similar programme for auditing schools for 2012/13. The absence of a regular programme of audits may increase the risk that issues with the propriety of spending will not be detected. However, the good control environment, support framework and existing monitoring arrangements in place provide a 'system of audit for schools' that is required.

Internal Audit will write to all LEA maintained schools to offer a paid consultative service to cover the systems that are not currently subject to independent review.

2.2 Compliance Reviews

2.2.1 Swarcliffe Primary Follow Up

Further to our previous report, the Office Manager at the school has recently appeared in court on charges of theft of dinner monies and other funds at the school. She pleaded not guilty but was found guilty of the theft of approximately £31,000. Following this fraud, Internal Audit reviewed the internal control environment.

The audit found that revised systems and procedures have been introduced at the school for the receipting and recording of income and the banking of the After School Club (Night Owl) income and these are operating satisfactorily.

2.3 *Spending Money Wisely*

2.3.1 Spending Money Wisely Challenge

Internal Audit is reviewing a sample of transactions – from the monthly published payments list - on a regular basis and challenging the expenditure in order to identify whether services are spending money wisely. The first sample of transactions (from the July 2012 published payments list) has been reviewed.

The majority of responses provided showed that officers had a good understanding of how to obtain value for money and had taken this into consideration for the transactions selected for review, and a number of instances of good practice were identified. The review also identified areas where savings could be made and these have been highlighted in a report to Directors.

2.4 *Counter Fraud and Corruption*

2.4.1 Referrals

13 new referrals have been received by the Internal Audit Fraud and Corruption team between the 1st October and 30th November 2012. Three of these were received under the Council's Whistle-blowing and Raising Concerns Policies and the remaining 10 were received from Directorates/Services.

8 cases have been investigated and closed in the same period. There are a total of 31 ongoing investigations:

- 17 cases are currently being investigated by the Fraud team;
- 5 cases have been investigated and the draft findings have been discussed with the relevant officers;
- 4 have been referred to the Police for further action;
- 3 have been referred to the relevant Directorate for action; and,
- 2 have been referred to Human Resources for disciplinary action.

2.4.2 Protecting the Public Purse

Every year the Audit Commission publishes details of all reported fraud and corruption within the public sector. Protecting the Public Purse 2012 was published in November 2012 and included a self-assessment check-list for those who have responsibility in this area.

Internal Audit has reviewed Leeds City Council's arrangements against this check-list and confirmed compliance. Full details of the evaluation are included at Appendix A.

2.4.3 Reports Issued

A list of investigation reports issued to directorates and services from 1st October to 30th November 2012 is shown in the table below:

Report Title	Date Issued
Ebor Gardens Primary School	09-Nov-12
Fuel Card Misuse	21-Nov-12

2.5 *Data Analytics Project*

The Single Person Discount exercise, initially being done by Internal Audit, is now being undertaken by the Council Tax team. This period, 114 SPDs have been cancelled to date at an estimated value of £25,500.

Work is currently ongoing with the housing tenancy sub-letting review. Some issues have been identified but no sub-letting frauds have yet been confirmed. Data on the high risk tenancies has recently been re-processed and issued to Housing for investigation.

The review of Creditors and Payments to Voluntary Organisations is ongoing based on the initial output received from Experian. Additional data has also been received and is being reviewed. No fraudulent organisations have been identified to date.

Sample NNDR results have been reviewed with regards to empty property visits and outstanding debtors. Liaison is taking place with the Information Management & Technology Team in Adult Social Care with a view to completing the proposed work relating to the continued entitlement to care fees at homes outside of the Leeds boundary.

2.6 *External Clients*

Housing Partnerships

The Assurance Framework audit programme is progressing according to the timetable agreed with the clients. Regular updates are provided to

Housing Partnerships and the Almo's/Bitmo through the Performance Review Group and Audit Committees. Early discussions have taken place regarding the scope of work for 2013/14. This will be further developed over the next couple of months.

Contracts

Work on the individual Almo/Bitmo contracts is continuing and is being reported to the individual Audit Committees. Discussions surrounding next year's plan will take place once the Assurance Framework for 2013/14 has been agreed.

Work has concluded on three follow up reports (Bitmo and WNW Lettings and ENE Construction Services). These have all resulted in an improvement in opinion from Limited to either good or acceptable.

2.7 Business Process Re-engineering

- 2.7.1 As previously reported, the first 6 months of 2012 saw the successful implementation of a change in the way in which the Internal Audit BPR team was deployed which saw them working on a long term basis directly for major projects throughout the Council. Since then some of the team have taken up direct positions within the projects they were working on. A review of the working arrangements in place for the remainder of the team identified that projects were keen to recruit directly onto their projects rather than utilise a central BPR function. Arrangements have therefore been made with projects to transfer the posts for the remaining central BPR team members to the projects they are working on. It does however mean that there is no central BPR team with projects now required to source their own BPR resource directly. This has removed the risk of over recruiting a BPR resource, reduced the tensions between competing projects when deploying finite central resources and will ensure that projects only recruit BPR analysts to where they are needed.
- 2.7.2 However, Internal Audit will continue to promote good standards and good guidance to all project teams across the organisation. Work is underway to create a BPR 'centre of excellence' intranet page which will be a valuable source of information and best practice methodology for business analysts working directly for Directorates throughout the council. The aim of this intranet page is to provide users with a toolkit for undertaking different types of business analysis along with standardised reporting documentation. In addition, there will be guidance on training and development opportunities – including a programme of internal seminars and external qualifications, a guide to key competencies required of a business analyst.

Section 3

AUDIT PERFORMANCE QUARTER 3 - 2012/2013

3.1 ENSURING QUALITY

Internal Audit is committed to delivering a quality product to the highest professional standards that adds value to our customers. We actively monitor our performance in a number of areas and encourage feedback from customers.

All our work is undertaken in accordance with our quality management system; we have now been ISO accredited for over fourteen years.

A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditees opinion on a range of issues and asks for an assessment ranging from 5 (for excellent) to 1 (for poor). The results are based on the percentage of those assessments that are 3 (satisfactory) or above. The results of the questionnaires are reported to the Audit Leadership Team and used to determine areas for improvement and inform the continuing personal development training programme for Internal Audit staff. The results are also benchmarked with other core cities who have adopted the same questionnaire.

Also shown in the table are the percentage scores of 4 or above (good and excellent) to further identify marginal areas for improvement.

Results from Customer Satisfaction Questionnaires

Question	Actual to 30 th November 2012 % Score 3 or above	Actual to 30 th November 2012 % Score 4 or above
Notice	100	91
Scope	95	86
Understanding	95	73
Efficiency	91	91
Consultation	100	91
Professional/Objective	100	91
Accuracy of Draft	96	74
Opportunity to comment	96	91

Question	Actual to 30th November 2012 % Score 3 or above	Actual to 30th November 2012 % Score 4 or above
Final Report - Clarity & Conciseness	96	96
Final Report – Prompt	91	70
Recommendations	96	91
Added Value	96	87

Section 4

AUDIT PLAN FOR THE NEXT QUARTER

The 2012/13 audit plan used, as a base, the tried and tested risk based approach to prioritising internal audit work.

Progress against the plan is being monitored throughout the year and key issues reported to the Director of Resources, and the Chief Officer (Audit & Risk). The Head of Audit will continue to report key issues arising from this work to the Corporate Governance and Audit Committee.

Given the constantly changing environment, the audit plan is subject to continuous review as changes in relative priorities of jobs already included and risks emerging throughout the year will need to be addressed. On a quarterly basis, changes to the audit plan from the re-prioritisation of resources and audit reviews will be reported to the Corporate Governance and Audit Committee by including the proposed audit plan for the last quarter of the year.

Audit Plan for Quarter 4 - 2012/13

Audit	Days	Assurance Block	Directorate
Financial and Other Key Systems			
Payroll	60	Financial and Other Key Systems	Cross Cutting
General Computer Controls	8	Financial and Other Key Systems	Cross Cutting
Creditors (including Duplicate Payments and Purchasing Cards Central Controls)	100	Financial and Other Key Systems	Cross Cutting
Treasury Manangement	25	Financial and Other Key Systems	Resources Directorate
Sundry Income	15	Financial and Other Key Systems	Cross Cutting
Housing Benefits	40	Financial and Other Key Systems	Resources Directorate
Capital Programme Controls	20	Financial and Other Key Systems	Resources Directorate
Integrity of Accounts	15	Financial and Other Key Systems	Resources Directorate
Financial Management Central Controls	15	Financial and Other Key Systems	Resources Directorate
Community Care	45	Financial and Other Key Systems	Adult Social Care
	343		
Compliance			
Section 106	19	Compliance	City Development
Gifts and Hospitality	14	Compliance	Cross Cutting
Register of Interests	15	Compliance	Cross Cutting
Income from Mobile Phones	19	Compliance	Cross Cutting
Capital Approvals	31	Compliance	Cross Cutting
Fees from Planning Applications	18	Compliance	City Development
Fees to Foster Carers	22	Compliance	Children's Services
Income from Sale of Land	8	Compliance	City Development
	146		
Procurement, Monitoring and Improvement			

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Audit	Days	Assurance Block	Directorate
Procurement Central Controls	15	Procurement, Monitoring and Improvement	Resources Directorate
Prevention and Management of Procurement Challenges	10	Procurement, Monitoring and Improvement	Cross Cutting
Procurement Contract Monitoring	110	Procurement, Monitoring and Improvement	Cross Cutting
Procurement Year End Review	10	Procurement, Monitoring and Improvement	Cross Cutting
Capital Scheme Monitoring	70	Procurement, Monitoring and Improvement	Cross Cutting
Leeds Arena	23	Procurement, Monitoring and Improvement	Cross Cutting
Swarcliffe	26	Procurement, Monitoring and Improvement	Cross Cutting
	264		
Risk Based Audits			
ICT Security	9	Risk Based Audits	Resources Directorate
	9		
Spending Money Wisely			
Adult Social Care Transport	30	Spending Money Wisely	Adult Social Care
Agency Staff	30	Spending Money Wisely	Cross Cutting
Use of Buildings	45	Spending Money Wisely	Cross Cutting
Adult Social Care Meals	20	Spending Money Wisely	Adult Social Care
Travel and Subsistence	30	Spending Money Wisely	Cross Cutting
Fuel Cards	10	Spending Money Wisely	Cross Cutting
Spending Money Wisely Challenge	30	Spending Money Wisely	Cross Cutting
	195		
Counter Fraud and Corruption			
Reactive Fraud Investigations	57	Counter Fraud and Corruption	Cross Cutting
Proactive Fraud Strategy/Compliance – Travel and Subsistence	17	Counter Fraud and Corruption	Cross Cutting
Proactive Fraud Strategy/Compliance – Employment Background Checks	16	Counter Fraud and Corruption	Cross Cutting
Proactive Fraud Strategy/Compliance - Overtime	31	Counter Fraud and Corruption	Cross Cutting
Proactive Fraud Strategy/Compliance – Unannounced Visits	10	Counter Fraud and Corruption	Cross Cutting
Proactive Fraud Strategy – Payroll	14	Counter Fraud and Corruption	Cross Cutting
	145		
Contingency			
General Contingency	50	Contingency	Cross Cutting
	50		
Business Analysis			
	93	Business Analysis	Cross Cutting
External			
Strategic Landlord Assurance Framework	105	External	External
ALMO/BITMO	80	External	External
	185		
Total Days	1430		

Internal Audit 2 Monthly Report 1st October to 30th November 2012

Appendix A – Self assessment against the requirements of ‘Protecting the Public Purse 2012’

Appendix A

Question	Comply (Yes or No?)	Comments	Action required
General			
Do we have a zero tolerance policy towards fraud?	Yes	Currently being reviewed.	To consider the benefits of publicising successful prosecutions.
Do we have the right approach, effective counter-fraud strategies, policies and plans?	Yes	Based upon the guidance contained within the CIPFA Red Book (Managing the risk of fraud). Policies are based upon good practice guidance including ‘Fighting Fraud Locally’ and ‘Protecting the Public Purse’.	No action required.
Have we aligned our strategy with ‘Fighting Fraud Locally’?	Yes	Existing strategies and policies have been reviewed against ‘fighting fraud locally’ guidance.	No action required.
Do we have dedicated counter-fraud staff?	Yes	3 qualified staff within Internal Audit. Also separate Fraud Team (in partnership with DWP) to investigate HB fraud. Their arrangements are reviewed on an annual basis by Internal Audit.	No action required.
Do counter-fraud staff review all the work of our investigation.	Yes	All referrals are risk assessed by Internal Audit Counter-Fraud Team.	No action required.
Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	Yes	Directorates are required to refer all cases of suspected fraud and corruption to Internal Audit. Fraud work is included in Internal Audit Reports to CG&AC. Quarterly updates are made to the Fraud and corruption risk.	No action required.
Have we assessed our management of counter-fraud work against good practice?	Yes	Reviewed against CIPFA Red Book 2, Protecting the Public Purse and Fighting Fraud Locally.	No action required.
Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> ▪ New staff (including agency staff); 	Yes	Examples of compliance include: <ul style="list-style-type: none"> ▪ The induction process includes reference to the Code of Conduct. ▪ There are modern policies & procedures in place to 	No action required.

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Question	Comply (Yes or No?)	Comments	Action required
<ul style="list-style-type: none"> ▪ Existing staff; ▪ Elected Members; ▪ Contractors. <p>Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?</p>	Yes	<p>combat fraud.</p> <p>Attend a local benchmarking group – the South and West Yorkshire Fraud Investigation Group.</p> <p>Attend fraud awareness events and receive alerts from relevant organisations (National Fraud Authority, Price Waterhouse Cooper).</p> <p>See above.</p>	No action required.
<p>Do we work well with other organisations to ensure we effectively sharing of knowledge and data about fraud and fraudsters?</p>	Yes	<p>Leeds City Council participates in the National fraud Initiative. Progress against matches is co-ordinated through Internal Audit.</p> <p>Internal Audit will work with directorates to ensure compliance with fair processing of data requirements and data protection issues.</p>	No action required.
<p>Do we identify where our internal controls may not be performing as well as intended? How quickly do we then take action?</p>	Yes	<p>Any significant issues identified during planned audits reported to management for immediate attention.</p> <p>Agreed timescales within which audit reports should be issued.</p> <p>Follow up audits within 6 months where a limited assurance opinion is provided.</p>	No action required.
<p>Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?</p>	Yes	<p>Leeds City Council fully complies with the requirements of the NFI exercise.</p> <p>Internal Audit monitors progress against the outcomes. This is reported to the Audit Commission.</p>	No action required.
<p>Do we have arrangements in place that encourage our staff to raise their</p>	Yes	<p>Designated money laundering officer is Neil Hunter (Head of Audit).</p>	No action required.

Question	Comply (Yes or No?)	Comments	Action required
concerns about money laundering?			
Do we have effective arrangements for: <ul style="list-style-type: none"> ▪ Reporting fraud; ▪ Recording fraud; and ▪ Whistle-blowing? 	Yes	Whistle-blowing Policy in place and posters have been distributed to all the main Council buildings. Dedicated whistleblowing telephone number within Internal Audit. All referrals recorded and risk assessed. Frauds over the value of £10,000 reported to the Audit Commission.	No action required.
Do we have effective fidelity insurance arrangements?	Yes	Leeds City Council has in force Crime Insurance which provides a wider form of cover than traditional fidelity guarantee policy wording. This covers losses of up to £10 million with LCC liable for the first £1 million. This follows the principle by which large organisations achieve savings in insurance premium expenditure by insuring catastrophe losses only and providing for attritional losses within existing revenues budgets'.	No action required.
Fighting fraud with reduced resources			
Have we re-assessed our fraud risks since the change in the financial climate?	Yes	Fraud risks reviewed throughout the year. .	No action required.
Have we amended our counter-fraud action plan as a result?	Yes	The pro-active fraud strategy reviewed on an on-going basis factoring in any national and local trends.	No action required.
Have we re-allocated staff as a result?	Yes	Internal Audit has a dedicated Counter-fraud team. The work has links to the compliance audits and this has resulted in the teams merging. This will allow additional resources to be provided to investigations. All work will continue to be monitored by a qualified investigator.	No action required.
Current risks and issues			

Question	Comply (Yes or No?)	Comments	Action required
Housing Tenancy Do we take proper action to ensure that we only allocate social housing to those who are eligible?	Yes	The Housing Partnership Team (Environment and Neighbourhoods) has developed a self-assessment that should be completed by each ALMO to give assurance in this area. The returns will then be reviewed by the Housing Partnership Team and sample checks to supporting evidence will be undertaken by Internal Audit. See above.	No action required.
Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	Yes	Various data matches are undertaken to identify potentially fraudulent cases.	No action required.
Procurement Are we satisfied that our procurement controls are working as intended?	Yes	A yes/no answer for such an activity as diverse as procurement is not appropriate and continual improvements are made in this area. The key controls are subject to Internal Audit Review on an annual basis and assurances given, hence the yes answer. In 2011/12 a number of key recommendations for control environment improvement, and compliance were agreed and developed into an Action Plan.	Audit will review progress against the agreed action plan in the final quarter of 2012/13
Have we reviewed our contract letting procedures since the investigations by the Office of Fair Trading into cartels, and compared them with best practice?	Yes	Procedures reviewed by the then Deputy Chief Procurement Officer and found to comply with best practice.	No action required.
Recruitment Are we satisfied our recruitment procedures: <ul style="list-style-type: none"> ▪ Prevent us employing people working under false identities; ▪ Confirm employment references effectively; ▪ Ensure applicants are eligible to work in the UK; and, ▪ Require agencies supplying us 	Yes	Example of existing controls include: <ul style="list-style-type: none"> ▪ Pre-employment checks such as health, CRB and references; ▪ Checks to ensure that the person has the right to work in the UK (passport, national Insurance Number etc); ▪ Legal requirements, including the Asylum and Immigration Act 1996; ▪ Recruitment and Safeguarding for children and vulnerable people; 	No action required.

Question	Comply (Yes or No?)	Comments	Action required
<p>with staff to undertake the checks that we require.</p> <p>Personal Budgets Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice.</p>	Yes	<ul style="list-style-type: none"> ▪ The need to take up and assess references. <p>A number of good controls are in place within Adult Social Care and Children's Services, including:</p> <ul style="list-style-type: none"> ▪ Guidance on direct payments and personal budgets; ▪ Direct Payment Agreements, detailing what customers should spend the direct payment on; ▪ Financial reviews to ensure that expenditure is in accordance with the approved care. ▪ Scheduled reviews within 3 months and annual thereafter to ensure eligible needs are continuing to be met. 	No action required
<p>Council Tax discount Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?</p>	Yes	<p>Discounts are reviewed on an annual basis.</p> <p>Data matching exercise continuing in partnership with a credit agency to identify potential undeclared adults in a property that has a 25% sole occupiers discount.</p>	No action required.
<p>In tackling housing and council tax benefit fraud do we make full use of the following?</p> <ul style="list-style-type: none"> ▪ National Fraud Initiative (NFI); ▪ Department for Work and Pensions Housing Benefit matching service? ▪ Internal data matching? ▪ Private sector data matching? 	Yes	<p>The Housing Benefit Fraud Investigations Team works in partnership with the DWP. Also participate in the NFI data matching exercise.</p> <p>The team is also currently in the early stages of data matching with selected private sector data employers payroll systems to proactively identify potentially fraudulent claims for investigation,</p>	No action required.

Report of Head of Licensing and Registration

Report to Corporate Governance and Audit Committee

Date: 21 January 2013

Subject: Licensing Decision Making Framework

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This report details the Council's licensing decision making arrangements as requested by the committee at their meeting in November 2012.
2. This report does not contain an overview of the council's decision making framework as that was given in the Head of Governance Services report to committee in November 2012.
3. The report concludes that the existing licensing decision making framework is effective and fit for purpose.

Recommendations

4. Members are requested to consider and note the positive assurances provided in this report.

1 Purpose of this report

- 1.1 Members requested this report at their meeting in November 2012 which details the decision making framework for licensing decisions.

2 Background information

- 2.1 This report provides assurance to the committee on the decision making framework for Licensing Act 2003, Gambling Act 2005, taxi and private hire and miscellaneous licensing (scrap metal dealers, motor salvage dealers, sex establishment licence, place of marriage, hypnotism, house to house collections and street collections).
- 2.2 The Head of Licensing and Registration has responsibility to ensure that these licensing decision making arrangements are up to date, fit for purpose, effectively communicated, are in accordance with legislation, routinely complied with and monitored.
- 2.3 Councillors have responsibility to set the policy which determines any decisions. Although it should be noted that certain licences are automatically granted in the absence of objections in accordance with the legislation. Dependant on the type of licence, Officers or Licensing Sub Committee makes individual decisions.
- 2.4 Details of the applicable policies, conditions and criteria agreed by councillors that are applied to licensing decisions are detailed at 3.10 onwards.

3 Main issues

Entertainment and Miscellaneous Licensing Decisions

- 3.1 Appendix 1 gives details of licensing decisions taken regarding Licensing Act 2003, Gambling Act 2005 and miscellaneous licences (scrap metal dealers, motor salvage dealers, sex establishment licence, place of marriage, hypnotism, house to house collections and street collections).
- 3.2 The following table shows the number of applications received for 2010, 2011 and 2012, and the number of decisions made by Licensing Sub-Committee after representations were received.

			2010	2011	2012
Licensing Act 2003	Premises Licences	Number of applications	1065	1006	1034
		Number of committee decisions	134	177	152
	Club Premises Certificates	Number of applications	8	8	5
		Number of committee decisions	3	4	2
	Personal Licences	Number of applications	498	467	517
		Number of committee	6	5	5

		decisions			
	Temporary Event Notices	Number of applications	1490	1741	1741
		Number of committee decisions	0	23	6
Gambling Act 2005	Premises Licences	Number of applications	12	14	14
		Number of committee decisions	4	3	0
	Permits	Number of applications	94	55	13
		Number of committee decisions	1	0	0
	Small Society Lottery Registrations	Number of applications	66	50	65
		Number of committee decisions	0	0	0
	Temporary/ Occasional Use Notices	Number of applications	4	0	0
		Number of committee decisions	0	0	0
Miscellaneous	Marriage Act Premises Registrations	Number of applications	16	18	13
		Number of committee decisions	0	0	0
	Sex Establishment Licences	Number of applications	3	8	12
		Number of committee decisions	0	0	7
	Scrap Metal Dealers Registrations	Number of applications	11	21	59
		Number of committee decisions	0	0	0
	Motor Salvage Operators Registrations	Number of applications	6	5	3
		Number of committee decisions	0	0	0
	Street Collection Permits	Number of applications	154	161	237
		Number of committee decisions	0	0	0
	House to House Collection Permits	Number of applications	25	39	27
		Number of committee decisions	0	0	0
	Hypnotist Licences	Number of applications	2	2	2
		Number of committee decisions	1	0	0

Taxi and Private Hire Licensing Decisions

3.3

The granting of an individual hackney carriage (HC) or private hire (PH) licence whether for a vehicle, driver or operator is a council function under the Local Government Act 2000. The related functions of determining whether and how to

enforce any failure to comply with the licence, including suspension or revocation of it, are dealt with in the same way. The licensing functions allocated to the council may be delegated by it to a committee of the council or a sub-committee of the council or an officer under Section 101 of the Local Government Act 1972.

- 3.4 These functions are concurrently delegated in Leeds to the Licensing Committee and to the Director of Resources under the Scheme of Delegation approved annually at full Council. The Director of Resources has sub-delegated that power to the Head of Licensing and Registration, the Section Head of Taxi & Private Hire Licensing and, in some circumstances, to Principal Managers, Licensing Officers and Licensing Supervisors. An extract from the current sub delegation scheme is attached to this report at Appendix 2. At Leeds City Council, the day to day exercise of those functions is undertaken by officers rather than by the Licensing Committee.
- 3.5 The legal provisions relating to the grant, refusal, suspension and revocation of Licences are set out in summary at Appendix 3 to this Report. There are statutory Rights of Appeal to the Magistrates Court against almost all the decisions that would take effect. The exceptions to this Right of Appeal are in relation to the refusal to grant a Hackney Carriage Proprietor's Licence where the Appeal lies directly to the Crown Court and in relation to a decision to suspend a Vehicle Licence under Section 68 of the Local Government (Miscellaneous Provisions) Act 1976 relating to the condition of the Hackney Carriage or Private Hire Vehicle where there is no right of appeal. Appeals must be lodged within 21 days of the decision. Notice of the decision being appealed must generally have been given in writing and with reasons.
- 3.6 It is also important to note that many decisions result from the application of other legislation and the decisions of other bodies such as the courts or DVLA. In addition, many officer decisions flow directly from the application of an approved council policy.
- 3.7 It should be noted that the Licensing Committee reviewed the current decision making framework for taxi and private hire licensing decisions in March 2012 and decided to retain the existing scheme of delegation.
- 3.8 The figures for 2010, 2011 and 2012 for applications, renewals, refusals, suspensions and revocations of taxi and private hire driver licences are set out in the table below.

	Applications	Refusals	Suspensions	Revocations
2010	629	18	86	69
2011	508	15	129	46
2012	794	16	88	37

- 3.9 When considering the above information it is important to note that there is no direct correlation between the number of suspensions and revocations in any one year. For example, the number of licences revoked in any one year will include a proportion which were suspended in the previous year.

Licensing Policy Review

- 3.10 As mentioned earlier in this report, the licensing decision making framework is dependent upon a comprehensive list of policies agreed, as appropriate, by the then Licensing and Regulatory Panel, the now Licensing Committee, Executive Board or Full Council. These policies are regularly reviewed by Licensing Committee in response to changes in legislation, law and practice, or other circumstances. Any changes are carried out after a full public consultation.
- 3.11 For example, at the moment the Statement of Licensing Policy for the Licensing Act 2003 and Gambling Act 2006 have both been recently approved and are not due a review until 2015. Due to a change in legislation, the Statement of Licensing Policy for the Licensing Act is being reviewed early and will be going out to public consultation mid-2013 before returning to Licensing Committee later next year. Any final amendments to this particular policy will need to be agreed at Full Council.
- 3.12 Another example is the Statement of Licensing Policy for the Licensing of Sex Establishments. This policy was adopted in 2011 with no time period for a review prescribed by legislation. However, in July 2012 Licensing Committee approved a further review of the policy to address local concerns. The draft policy is scheduled to commence consultation late January 2013 and return to Licensing Committee in February 2013 before a further period of consultation. Any amendments to this policy will need to be agreed at Executive Board.
- 3.13 A further example is the comprehensive review of all taxi and private hire licensing policies, which are currently going through Licensing Committee in accordance with the following timetable. Due to the volume of policies, pre-application criteria and conditions that need to be reviewed, these were split into three distinct groups of policies. All these policies are subject to a comprehensive public consultation before any changes are agreed.
- Group 1 (reported to Licensing Committee in October 2012): the taxi and private hire licensing application process, the medical exemption policy, stretched limousine conditions (driver, operator & vehicle) and private hire driver conditions. Some minor changes were made to the private hire driver conditions and the committee decided to make no changes to the other policies. All to be reviewed again in five years' time.
 - Group 2 (going to Licensing Committee in January 2013): Private hire vehicle conditions (including wheelchair accessible vehicles, vehicle age criteria, livery signs and markings); Hackney carriage Vehicle conditions; plying for hire policy; and executive private hire conditions. A verbal update on the outcome of this review will be given at the meeting.
 - Group 3: Private hire operator conditions; private hire vehicle proprietor (including rental companies); convictions criteria. Timetabled to commence

second round of public consultation mid-2013, returning to Licensing Committee late 2013.

- 3.14 In addition to the existing taxi and private hire policies listed in 3.13 above, Licensing Committee have recently proposed a new policy to direct officers when exercising their delegated power to suspend a licence with immediate effect. This new policy will be going out to public consultation in January 2013 and will go back to Licensing Committee in May 2013. In addition to this, Licensing Committee are currently reviewing the arrangements for carrying out CRB disclosures on taxi and private hire licence holders (see para 3.18 for further details).
- 3.15 The comprehensive review process ensures that Licensing Committee have up to date information on changes to legislation or law and practice, and are able to take account of public and trade opinion before any changes are considered. It should be noted that the review timetable does not stop the council from reviewing any policy at any time due to a change in any circumstances, as demonstrated by the early review of the Statement of Licensing Policy for the Licensing Act and Sex Establishments above. This review process ensures that all policies remain up to date and are fit for purpose.
- 3.16 All the above licensing policies are published on the council's website and form part of a comprehensive training programme designed for new Members of the Licensing Committee. Newly recruited officers are provided training in the policies as part of their initial appraisal process and can only take decisions after they have completed their training. This is monitored through the appraisal process and regular meetings with their line manager.
- 3.17 Annual reports on the numbers of licences granted and any delegated decisions are provided to Licensing Committee so they can monitor the effectiveness of the licensing decision making framework and the policies that guide it. The last report was submitted by Taxi and Private Hire Licensing in March 2012. Entertainment Licensing and Taxi and Private Hire Licensing are providing reports to Licensing Committee in February 2013.

Regular CRB Disclosures for Taxi and Private Hire Licence Holders

- 3.18 At your meeting in November 2012, Members also asked for further information regarding regular CRB disclosures for taxi and private hire licence holders. Licensing Committee had previously directed officers in June 2012 to review the current arrangements for CRB disclosures for licence applicants and existing licence holders.
- 3.19 Presently, all applicants for a new licence are subject to a CRB disclosure. Any offences or cautions for existing licence holders are reported to the section by the police so they can be investigated as soon as possible. In addition existing licence holders are required to sign an annual declaration that they have not been found guilty of committing an offence on renewal.
- 3.20 In response to guidance issued by the Department of Transport in March 2010 and comments made by the council's internal audit section in February 2012, Licensing Committee want to consider introducing regular CRB checks for applicants and existing licence holders. The Department for Transport

recommends disclosures be conducted on first application and every three years after this. The Council's internal audit section agreed with this recommendation.

- 3.21 In June 2012 the Licensing Committee asked officers to conduct a three month public consultation on this proposal. The outcome of the consultation was reported back to Licensing Committee in October 2012 which showed support for the proposal from both the trade and the public, but concerns from the trade regarding the increased cost to them as licence holders. The report also detailed the additional resources required to process the regular disclosures and the costs involved.
- 3.22 In response to the trade's concerns regarding the increased costs, officers reported on a new online scheme that the CRB were introducing in 2013 that would substantially reduce the cost for licence holders and possibly reduce the requirement for additional resources to process the disclosures. It would also allow the possibility of carrying out disclosures on a more frequent basis.
- 3.23 Licensing Committee deferred a decision on the introduction of three yearly CRB disclosures until April 2013 when more information on the new online process would be available.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Licensing Committee regularly review the Statement of Licensing Policy for Licensing Act, Gambling Act, and Sex Establishment Licences as detailed in Appendix 1. These reviews involve a full public consultation as part of the process with the approval routes set by statute.
- 4.1.2 Licensing Committee is currently reviewing all taxi and private hire licensing policies, conditions and application criteria which involves a full public consultation process.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 Equality and cohesion screening assessments are carried out on all reviews of licensing policies.

4.3 Council policies and City Priorities

- 4.3.2 Licensing decisions support the following elements of the Vision for Leeds: -
- Leeds' economy will be prosperous and sustainable, specifically high quality accessible, affordable and reliable public transport and making Leeds a lower carbon city;
 - Leeds' communities will be successful, specifically that there are more community-led businesses that meet local needs; and
 - Best City for Children, specifically helping ensure children are safe from harm.

4.3.3 Licensing decisions also support the following City Priorities: -

- Best City for Business, specifically improving journey times and the reliability of public transport and improve the environment through reduced carbon emissions; and
- Best City for Communities, specifically reduce crime levels and their impact across Leeds.

4.4 Resources and value for money

4.4.1 The fee setting process for entertainment and miscellaneous licences are set out in Appendix 1. The council currently has to subsidise the cost of providing the Licensing Act licensing function in this area as the statutory fees do not cover the costs associated with the process. The Government has recognised this as an issue affecting licensing authorities across the country and is currently introducing new legislation that will allow councils to set licence fees locally to help cover true costs.

4.4.2 Fees for taxi and private hire licensing are set locally to cover the costs of providing the service. The legislation states that funds raised from taxi and private hire licensing fees must be held in a ring-fenced account and used for providing the taxi and private hire licensing function only. These arrangements are fully complied with in Leeds.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The legislation surrounding licensing decision making has been outlined earlier in this report and more details regarding the legal provisions for taxi and private hire licensing can be found in Appendix 3.

4.6 Risk Management

4.6.1 The Head of Licensing and Registration gives assurance that the systems and processes that form part of the Council's licensing decision making framework are functioning well and that there are no risks identified by this report.

5 Conclusions

5.1 That the licensing decision making framework meets the requirements of legislation and local council policy and remain effective and fit for purpose.

6 Recommendations

6.1 Members are requested to consider and note the positive assurances provided in this report.

7 Background documents¹

7.1 None.

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.

Entertainment and Miscellaneous Licensing Decisions

Licensing Act 2003

Process prescribed by statute

Premises Licence

New/variation Automatic grant in the absence of representations.
If contested, determined by Licensing Committee

Minor Variation Licensing Officers decide whether the application meets
the criteria (ie minor enough to be dealt with by this
process). If not rejected and advised to apply for full
variation .

Transfer of Licence/Change of Designated Premises Supervisor
If uncontested granted automatically
If contested, determined by Licensing Committee

Club Premises Certificate

New/variation Automatic grant in the absence of representations
If contested, determined by Licensing Committee

Minor Variation Licensing Officers decide whether the application meets
the criteria (ie minor enough to be dealt with by this
process). If not rejected and advised to apply for full
variation.

S90 Withdrawal of Certificate Decision made by Head of Licensing and Registration
or Section Head if evidence shows club is not operating
within club rules.

Personal Licence

New Automatic grant in the absence of representations
If contested determined by Licensing Committee

Temporary Event Notice

All temporary event notices are “notifications” rather than applications. Only acknowledgement required. Officers provide `counter notice` if number of prescribed occasions exceeded.

If West Yorkshire Police or Environmental Health serve an objection notice, matter heard by Licensing Committee who may serve a counter notice and prevent the event taking place.

Review of Premises Licence

In our capacity as a `responsible authority' designated officers may apply for the review of a licence where it is considered that premises continue to undermine one or more of the licensing objectives. However, the application is determined before a Licensing Committee.

Representation against Premises Licence application/variation

In our capacity as a `responsible authority' designated officers may submit representation against an application. However, the application is then determined before a Licensing Committee.

Licensing Act 2003 Fees

Set by statute

Gambling Act 2005

Process prescribed by statute

Premises Licence

New/variation	Automatic grant in the absence of representations. If contested, determined by Licensing Committee
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Licensed Premises Gaming Machine Permit

Up to 2 machines	Automatic entitlement, no decision made
More than 2 machines	Decision made by Principal Licensing Officer depending on the size of the premises. If dissatisfied or the application is for more than 4 machines, determined by Licensing Committee.

Club Gaming/Machine Permit

Fast track application	Automatically granted
Non fast track	Automatic grant in the absence of representations , If contested, determined by Licensing Committee

Occasional/Temporary Use Notices

All use notices are "notifications" rather than applications. No permission is given, just acknowledgement that the notice has been received.

Small society lotteries

Permit issued subject to applicant meeting prescribed criteria.

Review of Premises Licence

In our capacity as a `responsible authority' designated officers may apply for the review of a licence where it is considered that premises continue to undermine one or more of the licensing objectives. However, the future of the licence is determined before a Licensing Committee.

Representation against Premises Licence application/variation

In our capacity as a `responsible authority' designated officers may submit representation against an application. However, the application is then determined before a Licensing Committee.

Gambling Act 2003 Fees

Set by statute to a cap with local discretion. Delegated to Officers but approval generally approval sought by Licensing Committee.

Miscellaneous Licences

Process set out by legislation in part but decision making subject to our constitution which sets out that officers are delegated to grant the following licences and permits in the absence of objections.

Furthermore regard must be had to the EU Services Directive `Tacit Consent' authorisation - licences are deemed granted after the given notice period in the absence of objections.

Scrap Metal Dealer

Registration process with no ability to refuse .

Motor Salvage Dealer

Automatic grant in the absence of objections. If contested, determined by Licensing Committee

Sex Establishment (SEV, sex shop, sex cinema)

New	All determined by Licensing Committee
Renewal	Automatic grant in the absence of objections. If contested, determined by Licensing Committee
Variation	Automatic grant in the absence of objections. If contested, determined by Licensing Committee
Minor variation (advertising)	Determined by Licensing Committee

Places of Marriage

Automatic grant in the absence of objections. If contested, determined by Licensing Committee

Hypnotism

Letter of authorisation supplied provided applicant meets local criteria otherwise referred to Licensing Committee.

House to house collections and street collections

Permit granted provided applicant meets local criteria, otherwise referred to Licensing Committee.

Miscellaneous Licence Fees

No charge for Scrap Metal Dealer, Hypnotism, House to House and Street Collections. Others to local discretion. Delegated to Officers but approval generally sought by Licensing Committee

Licensing Functions delegated by Licensing Committee

<p>Subject to the exceptions listed below, the Director of Resources is authorised to discharge the licensing functions² of the licensing authority.</p> <p><u>Exceptions:</u></p> <ul style="list-style-type: none"> • any licensing function³ reserved to full Council⁴; and • any licensing function where full Council has referred a matter to a committee other than the Licensing Committee⁵; and • any licensing function within the terms of reference of the Licensing Sub-committees⁶; and • to object when the Authority is consultee and not the relevant authority considering an application under the 2003 Act 	<p>Licensing Act 2003 and the Gambling Act 2005.</p>
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Functions related to the Licensing Functions delegated by Licensing Committee

Subject to the exceptions listed below, the Director of Resources is authorised to discharge the functions set out in the following table that are delegated to the Director of Resources by Licensing Committee

(a)	To license hackney carriages and private hire vehicles	(a) As to hackney carriages, the Town Police Clauses Act 1847 as extended by section 171 of the Public Health Act 1875 and section 15 of the Transport Act 1985 and sections 47, 57, 58, 60 and 79 of the Local Government (Miscellaneous Provisions) Act 1976 (b) As to private hire vehicles, sections 48, 57, 58, 60 and 79 of the Local Government (Miscellaneous Provisions) Act 1976
(b)	To license drivers of hackney carriages and private hire vehicles	Section 51, 53, 54, 59, 61 and 79 of the Local Government (Miscellaneous Provisions) Act 1976
(c)	To license operators of hackney carriages and private hire vehicles	Sections 55 to 58, 62 and 79 of the Local Government (Miscellaneous Provisions) Act 1976
(d)	* To licence sex shops and sex cinemas and sexual entertainment venues.	The Local Government (Miscellaneous Provisions) Act 1982, Section 2, Schedule 3, the Policing and Crime Act

² “Licensing functions” means functions under the 2003 Act and the 2005 Act.

³ “Licensing functions” means functions under the 2003 Act and the 2005 Act.

⁴ Part 3, Section 2A of the Constitution sets out licensing functions reserved to full Council, as licensing authority under the 2003 Act.

⁵ Under the provisions of Section 7(5)(a) of the 2003 Act

⁶ Except where a Licensing sub-committee has arranged for the discharge of any of their functions by an Officer

		2009, Section 27.
(e)	To license performances of hypnotism.	The Hypnotism Act 1952
(f)	* To license persons to collect for charitable and other causes	Section 5 of the Police, Factories etc (Miscellaneous Provisions) Act 1916 and section 2 of the House to House Collections Act 1939

Exceptions

The Director of Resources is not authorised to discharge those functions marked * above where objections have been received.

Appointments to Sub-Committees

The Director of Resources is authorised to appoint members to vacancies during the period between the local elections and the Annual Council meeting, in consultation with appropriate whips, in order to secure that meetings necessary to be held during that period can proceed with adequate and appropriate membership levels.

SUMMARY OF LEGAL PROVISIONS FOR TAXI AND PRIVATE HIRE LICENSING

Grant, Refusal, Suspension or Revocation of the Licence

- Hackney carriage drivers

- To grant a licence the applicant must be a fit and proper person.
- To suspend or revoke the licence the holder must have
 - (i) Been convicted of an offence involving dishonesty, indecency or violence, or
 - (ii) Been convicted of an offence under or failed to comply with the Town Police Clauses Act 1847 or the Local Government (Miscellaneous Provisions) Act 1976, or
 - (iii) For any other reasonable cause.

- Private hire drivers

The Council shall not grant a licence:

- (a) Unless satisfied that the applicant is a fit and proper person to hold a licence, or
- (b) The individual has been authorised to drive a motor vehicle for the 12 months prior to the date of the application.

A private hire driver's licence can be suspended, revoked or a renewal can be refused on the same basis that a hackney carriage driver's licence can be suspended, revoked or renewal refused.

- Private hire vehicles

Before granting a licence the Council must be satisfied that the vehicle is suitable in type, size and design for use as a private hire vehicle, not of a design or appearance to lead a person to believe it is a hackney carriage, in suitable mechanical condition, safe and comfortable and that the vehicle is insured. The 1976 Act allows the Authority to suspend, revoke or refuse to renew a vehicle licence on the grounds that it is unfit for use as a hackney carriage or private hire vehicle, an offence under or non compliance with the provisions of the Act of 1847 or the 1976 Act by the operator or driver or any other reasonable cause.

- Private hire operators

- The applicant must be a fit and proper person to be granted a licence.

- The licence can be suspended, revoked or there can be a refusal to renew on the following grounds:
 - Any offence under or non compliance with the provisions of the LG(MP) A 1976,
 - Conduct on the part of the operator which renders him unfit to hold the operator's licence,
 - Material change since the licence was granted of any of the circumstances of the operator affecting the basis on which the licence was granted,
 - Any other reasonable cause.

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Report of the Director of Resources

Report to Corporate Governance and Audit Committee

Date: 21st January 2013

Subject: KPMG Certification of grants and returns 2011/12

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. KPMG have stated that the Council has effective arrangements for the central co-ordination and communication of grant claims. Of the eight claims and returns audited, one claim was qualified and one required an audit adjustments.
2. As in previous years the Housing & Council Tax Benefit Return was qualified due to minor reconciliation issues. This qualification had no financial impact on the Council.
3. The audit adjustment amounted to £3k and was also in respect of the Housing Subsidy Claim.

Recommendations

4. Members are asked to note the results of the 2011/12 audit of grants and returns.

1 Purpose of this report

- 1.1 To inform members on the result of the work KPMG have carried out on the certification of grant claims in respect of 2011/12.

2. Background information

- 2.1 Each year the Government determines which grant claims require audit certification. The external auditors of each Local Authority are informed of these auditable grants by way of a register supplied by the Audit Commission. Corporate Financial Management provide a central coordination role to ensure all relevant working

papers and grant returns are available for the Council's external auditors in order to meet the Government timetables.

3 Main issues

- 3.1 The attached report highlights the audit issues identified in respect of the 2011/12 grants and returns. In addition it reports on any issues relating to 2010/11 returns which had not been completed when the 2010/11 report was presented to this Committee in February.
- 3.2 KPMG's report confirms that the Council has effective arrangements for the central co-ordination and communication of grant claims and that a large majority of these claims were submitted on time and with a good standard of working papers.
- 3.3 The report does however identify one qualification:
 - 3.3.1 As was the case last year, the Housing & Council Tax Benefit return was qualified due to minor reconciliation differences and a number of small processing errors. Members should note that KPMG are required to qualify a return if the systems used to support the claim are not fully reconciled. System improvements continue to be made but it should be recognised that the variance on the reconciliation amounted to £342 within a total claim of £321m. This variance had no impact on the claim received by the Council.
- 3.4 KPMG's report also highlights areas where significant adjustment were required to a claim or return. An audit adjustment is determined as significant if it impacts on the amount of money the Council would otherwise receive. For 2011/12 there was only one such adjustments, namely a £3k adjustment to the Housing & Council Tax Benefit return. This small adjustment related to a number of minor errors identified by the Council and an underpaid HRA rent rebate case found by KPMG.
- 3.5 None of the other audit findings had any impact on the amount claimed by the Council. Officers have however, been informed as to all the findings in the report to help ensure improvements continue to be made in the compiling of grant returns.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 This is a factual report based on evidence provided by the external auditors and consequently no public, Ward Member or Councillor consultation or engagement has been sought.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 This is a factual report based on evidence provided by the external auditors and has no direct implications for equality, diversity, cohesion and integration.

4.3 Council Policies and City Priorities

- 4.3.1 Under the Committee's terms of reference, members are required to receive external audit reports in order to gain the necessary assurance regarding

governance. The report from KPMG provides assurance that all grant claims received to date have been certified by the auditors and any audit adjustments actioned.

4.4 Resources and Value for Money

4.4.1 Members should note the audit fee of £61k for certification of grants and returns for the financial year 2011/12.

4.5 Legal Implications, Access to Information and Call In

4.5.1 As this is a factual report based on evidence provided by the external auditors none of the information enclosed is deemed to be sensitive or requesting decisions going forward and therefore raises no issues for access to information or call in.

4.6 Risk Management

4.6.1 All recommendations contained within the Certification of Grants and Returns 2011/12 report have been considered and appropriate actions agreed.

5 Conclusions

5.1 All grant claims and returns have been successfully completed and final approved claims submitted to the relevant granting organisation.

5.2 The audit process identified one qualification issues and only one return required an adjustment to the amount claimed.

5.3 Weaknesses in the control environment have been evaluated and changes have been introduced where appropriate.

5.4 External audit certification remains a valuable part of the control process and helps ensure that correct money is received by the Council.

6 Recommendations

6.1 Members are asked to Members are asked note the results of the 2011/12 audit of grants and returns.

7 Background documents

7.1 None.

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Certification of grants and returns 2011/12

Leeds City Council

January 2013

The contacts at KPMG in connection with this report are:

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■ Recommendations	8
■ Prior year recommendations	10

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.

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, who is the engagement leader to the Authority (telephone (0) 207 694 5546, e-mail michael.a.mcdonagh@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail 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, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, telephone (minicom) 020 7630 0421.

Introduction and background	<p>This report summarises the results of work on the certification of the Council's 2011/12 grant claims and returns.</p> <ul style="list-style-type: none"> ■ For 2011/12 we certified: <ul style="list-style-type: none"> – Three grants with a total value of £8.4 million (one of which related to 2010/11); and – Five returns with a total value of £657.8 million. ■ We also recertified two returns in respect of prior years with a total value of £7.7 million. These were recertified as additional eligible expenditure had been identified by the Authority. 	-
Certification results	<p>Of the eight grants and returns certified in 2011/12 we issued unqualified certificates for seven, but we qualified one return. This compares to three qualifications and 18 unqualified grants and returns in the prior year.</p> <p>The qualification was in respect of the Housing & Council Tax Benefit Return. There were minor reconciliation differences between the benefit granted and the benefit paid for Rent Rebates and Rent Allowances. The total value of this was £342. We identified that one Non-HRA Rent Rebate case was found to have been underpaid as a result of the Authority inputting the eligible rent incorrectly, however this did not impact upon subsidy. The claim was also qualified for these same two reasons in 2010/11.</p>	Pages 4 – 6
Audit adjustments	<p>Adjustments affecting the final amount on the grants or return were necessary to one of the Council's grants and returns as a result of our certification work this year.</p> <ul style="list-style-type: none"> ■ Housing & Council Tax Benefit Return - the return was amended for: <ul style="list-style-type: none"> ■ a duplicate payment identified by the Council; ■ a correction of a system error on Council Tax Benefit overpayment types identified by the Council; ■ a reconciliation difference identified by the Council; and ■ an inputting error identified by KPMG. ■ The result of these amendments was an overall net increase of the subsidy by £3,460. 	Pages 4 – 6
The Council's arrangements	<p>The Council has adequate arrangements for preparing its grants and returns and supporting our certification work. Our findings were that:</p> <ul style="list-style-type: none"> ■ the Authority has effective central co-ordination and communication ■ a large majority of claims and returns were submitted on time ■ the majority of working papers were of a good standard, however, for some of the grants and returns improvements could be made to identify all eligible costs in year. This would reduce the likelihood of required adjustments to grants and returns in future years. 	

Fees	<p>Our overall fee for the certification of grants and returns completed to date for 2011/12 is £60,742 compared to £94,904 of fees raised for 2010/11.</p> <ul style="list-style-type: none">■ The main reason for this decrease since prior year is due to the decrease in the number of claims audited.■ A detailed breakdown of the fees for each claim is included on page 7 of this report.	Page 7
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Overall, we certified 8 grants and returns in 2011/12:

- Four were unqualified with no amendment;
- Three were unqualified but required some amendment to the final figures; and
- One required a qualification to our audit certificate.

We also recertified two returns from prior years which had been adjusted by the Authority:

- Both were unqualified with no further audit amendments.

Detailed comments are provided overleaf.

Detailed below is a summary of the key outcomes from our certification work on the Council's 2011/12 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
1	1	1		
2			2	2
3			3	3
4			4	4
				5
				6
				7
				8
	1	1	2	7

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p>Housing & Council Tax Benefit</p> <ul style="list-style-type: none"> ■ The return was amended due to four issues. The three following issues were identified by the Authority: <ul style="list-style-type: none"> ■ a duplicate payment which had not correctly been picked up by system reports; ■ system errors on Council Tax Benefit overpayment types; and ■ a reconciliation difference between benefit granted and benefit paid per the subsidy system. ■ KPMG also identified an inputting error. ■ The return was qualified to due two issues: <ul style="list-style-type: none"> ■ there were minor reconciliation differences between the benefit granted and the benefit paid for Rent Rebates and Rent Allowances; and ■ an underpayment of Non HRA Rent Rebate was identified in our testing. This was caused by processing errors. This had no impact on subsidy. ■ Both qualification issues were also present in the prior year. 	<p>+£3,460</p>
2	<p>Pooling of Housing Capital Receipts</p> <ul style="list-style-type: none"> ■ The Authority identified additional costs which were eligible as allowable deductions after the 2009/10 and 2010/11 returns had already been prepared. For 2009/10 this comprised of £13,891 of improvement costs. For 2010/11 this comprised of £560 improvement costs and £1,832 of administration expenditure. This resulted in an amendment to the original return submissions. ■ The Authority needs to ensure that such costs are identified on a more timely basis in the future to ensure that the current year pooling liability payments are made accurately and on time. ■ This issue was also identified in the prior year. ■ We also identified that the number of dwellings disposed of under the right to buy scheme on the 2011/12 claim form had been understated by 2 properties. This amendment did not have an impact on the amount claimed. 	<p>-£1,794 (2010/11) -£10,418 (2009/10) -£0 (2011/12)</p>

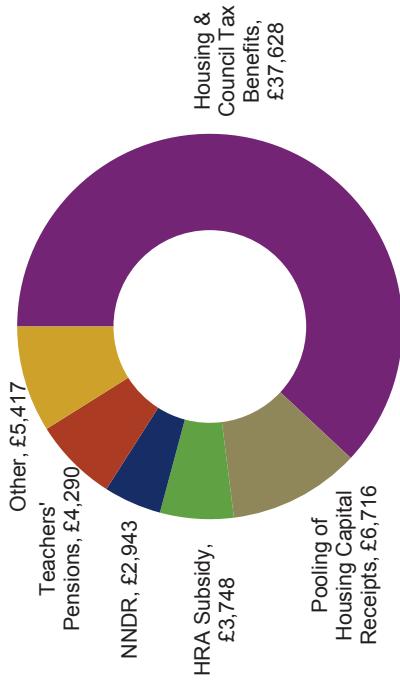
Certification of grants and returns 2011/12
Summary of certification work outcomes (continued)

Ref	Summary observations	Amendment
3	<p>HRA Subsidy</p> <ul style="list-style-type: none"> ■ A minor amendment was required as the number of dwellings at 1 April 2011 and 31 March 2012 had been overstated by 6 properties. ■ This did not have any impact on the level of subsidy and the claim was unqualified. ■ This issue was not identified in the prior year. 	£0
4	<p>Leeds Arena</p> <ul style="list-style-type: none"> ■ The Authority identified that the claim form did not include all eligible expenditure on the project during 2011/12. The amendment resulted in an increase of £1,295,450.19 to the amount of eligible expenditure reported and to the amount of funding provided by the Authority. ■ There was no impact on the amount claimed from Yorkshire Forward as the maximum amount had already been claimed. ■ This was the first year that the claim has been audited. 	£0

This chart and table summarises our overall fee for the certification of grants and returns completed as at 31 December 2012 for 2011/12.

Our overall fee for the certification of grants and returns is £60,742 and has been contained within the original estimate.

Breakdown of certification fees 2011/12



Breakdown of fee by grant/return		
	2011/12 (£)	2010/11 (£)
Housing and Council Tax Benefit	37,628	38,494
Pooling of Housing Capital Receipts	6,716	8,836
HRA Subsidy	3,748	4,163
NNDR	2,943	4,676
Teachers' Pensions	4,290	6,081
Leeds Film Festival	1,812	1,933
Transport (A65 Bus Initiative)	1,408	5,170
Other grants and returns	2,197	25,551
Total fee	60,742	94,904

The main reasons for the fee difference between 2011/12 and 2010/11 are shown below:

- Less detailed testing was required over the NNDR return and Transport grant as we were able to place reliance on the control environment and the results of our testing in previous years;
- Only one Teachers' Pensions return required audit in 2011/12 (compared to two in the prior year) as a result of Education Leeds coming back within the Authority; and
- Due to the wind-down of Yorkshire Forward only one grant required audit in 2011/12 compared to 10 in 2010/11.

We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

Priority rating for recommendations

<p>1 Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p>2 Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements 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>
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Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>System Errors</p> <p>Reconciliation of HRA Rent Rebates and Rent Allowances</p> <p>We found minor reconciliation differences between the benefit granted and the benefit paid for Rent Rebates and Rent Allowances. The total value of which was £342.</p>	<p>If the benefit paid and the benefit granted per the subsidy system cannot be reconciled we must qualify our audit certification which may lead to recovery of monies by the granting body.</p>	<p>1</p> <p>The Authority should review this reconciliation within the Capita system and endeavour to liaise with Capita in order to prevent this error from re-occurring.</p>	<p>3</p>	<p>Regular meetings are held with Capita to try and identify causes of the reconciliation differences. From these meetings there has been a number of additional system reconciliations introduced, along with a regular review of system program outputs.</p>	<p>Officer: D Jackman (Compliance manager, Leeds revenues and benefits service)</p> <p>Date: ongoing</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Procedural Errors Pooling of Housing Capital Receipts The Authority made adjustments to returns dating back four years to include allowable deductions which had been overlooked previously.	Making several adjustments to prior year claims can be complicated and can result in errors being made.	2 Quality assurance arrangements should be implemented to ensure that grant claim forms are complete and finalised prior to submission for certification. This will assist in the delivery of an efficient certification process.	3	System improvements have allowed costs to be more accurately recorded against individual properties. As the claim allows costs over the last 3 years to be offset against the capital receipts, officers have been reviewing such costs to improve the accuracy of the return. Further improvements to the adequacy of supporting documentation and quality assurance have now been introduced. Officer: Senior Financial Manager, Financial Administration, E&N.	Officer: Senior Financial Manager, Financial Administration, E&N. Date: 4 th quarter return

We made 7 recommendations in our 2010/11 Certification of Grants and Returns report. Where recommendations have not yet been implemented fully we have detailed their current status below.

Prior year recommendation		Priority	Status as at January 2013	Management comments
System Errors				
1	<p>Reconciliation of HRA Rent Rebates and Rent Allowances</p> <p>We found minor reconciliation differences between the benefit granted and the benefit paid for HRA Rent Rebates and Rent Allowances. The total value of which was £126.</p> <p>The Authority should review this reconciliation within the Capita system and endeavour to liaise with Capita in order to prevent this error from re-occurring.</p>	3	We have raised this recommendation again in the current period. See page 9 for further details.	See current year recommendations.
Procedural Errors				
2	<p>Pooling of Housing Capital Receipts</p> <p>The Authority made adjustments to returns dating back four years to include allowable deductions which had been overlooked previously.</p> <p>Making several adjustments to prior year claims can be complicated and can result in errors being made.</p> <p>Quality assurance arrangements should be implemented to ensure that grant claim forms are complete and finalised prior to submission for certification. This will assist in the delivery of an efficient certification process.</p>	3	We have raised this recommendation again in the current period. See page 9 for further details.	See current year recommendations.



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Report of the Director of Resources

Report to Corporate Governance and Audit Committee

Date: 21st January 2013

Subject: Annual Audit Fee 2012/13

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. KPMG have confirmed their audit fee for 2012/13 as £307,800.
2. The fee for Grant certification is estimated at £35,950.

Recommendations

3. Members are asked to note the external audit fees for work relating to the 2012/13 financial year.

1 Purpose of this report

- 1.1 To inform members of the cost of external audit work relating to the 2012/13 financial year.

2 Background information

- 2.1 At this Committee on the 28th September 2012, KPMG assured Members that there would be a 40% reduction in the audit fee for 2012/13.

3 Main issues

- 3.1 KPMG's audit letter attached, confirms that the annual audit fee will be £307,800 (plus VAT). This is a reduction of 40% on the final fee for 2011/12. This fee assumes that there is no change to the general level of risk in relation to the financial

statements and that the Council provides KPMG with complete and accurate financial statements accompanied by good quality working papers.

3.2 The letter also estimates that the fee for the 2012/13 certification of grants and returns will be £35,950. This fee is based on those grants and returns currently identified by the Audit Commission as requiring external inspection.

3.3 Any proposed amendment to the fees will be discussed with the Council and the reason for any change would be reported to this Committee.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 This is a factual report based on information provided by the external auditors and consequently no public, Ward Member or Councillor consultation or engagement has been sought.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 This is a factual report based on information provided by the external auditors and has no direct implications for equality, diversity, cohesion and integration.

4.3 Council Policies and City Priorities

4.3.1 Under the Committee's terms of reference, members are required to receive external audit reports.

4.4 Resources and Value for Money

4.4.1 Members should note the reductions in both the annual audit fee and the fee for certifying grants and returns in relation to the 2012/13 financial year.

4.5 Legal Implications, Access to Information and Call In

4.5.1 As this is a factual report based on information provided by the external auditors none of the information enclosed is deemed to be sensitive or requesting decisions going forward and therefore raises no issues for access to information or call in.

4.6 Risk Management

4.6.1 The final level of fees will depend upon whether there is any change in the general level of risk in relation to the financial statements. This risk will be assessed in the external audit plan which KPMG will present to this Committee in March.

5 Conclusions in relation to the financial statements

5.1 As outline by KPMG to this Committee in September, the Council has received a significant reduction in the external audit fees. The level of the fees is not fixed and depends upon:

§ the quality of the financial statements and related working papers;

§ the final number of auditable grants and returns;

- § the quality of all supplied evidence and working papers;
- § the audit assessment as to the level of risk inherent in the Council's financial statements.

5.2 If there is any reason to amend the fees, KPMG will discuss them with officers of the Council and report back to this Committee with the reasons for the change.

6 Recommendations

6.1 Members are asked to note the external audit fees for work relating to the 2012/13 financial year.

7 Background documents

7.1 None.

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Our ref HG/mmc/016/let2095

Contact Heather Garrett
0161 246 4294

5 December 2012

Dear Alan

Annual audit fee 2012/13

I am writing to confirm the audit work and fee that we propose for the 2012/13 financial year at Leeds City Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission.

The proposed indicative fee for the audit for 2012/13 is £307,800 (plus VAT). This compares to the final fee of £513,000 for 2011/12.

The proposed audit fee represents a 40% reduction compared to the previous audit year and is in line with the scale fee recommended by the Audit Commission.

The indicative fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work, especially in light of the significant reductions in scale fees for this year. My assumptions are set out in more detail in Appendix 1 to this letter.

From 2012/13, the Audit Commission is replacing the previous schedule of hourly fee rates with a composite indicative fee for certification work for each body. The Commission has calculated an indicative fee is based on actual certification fees for 2010/11, adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating the general reduction to its fee scales. Based on these changes, I estimate that the fee for the certification of 2012/13 grants and returns will be £35,950 (plus VAT). This based on the Council requiring the following schemes to be certified:

- Housing and Council Tax Benefits;

- Teachers' Pensions; and
- NNDR.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified in 2011/12. A separate plan for the audit of the 2011/12 financial statements will be issued later this year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

I expect to issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 2.

The proposed fee excludes any additional work we may agree to undertake at the request of Leeds City Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

The key members of our audit team for the 2012/13 audit are:

Name	Role	Contact details
Mike McDonagh	Partner	michael.a.mcdonagh@kpmg.co.uk 0207 694 5546
Heather Garrett	Senior Manager	heather.garrett@kpmg.co.uk 0161 246 4294
Deborah Rumsey	Assistant Manager	deborah.rumsey@kpmg.co.uk 0113 231 3069

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website (www.audit-commission.gov.uk) or on request.



KPMG LLP
Annual audit fee 2012/13
5 December 2012

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Mike McDonagh'.

Mike McDonagh
Partner

cc: Tom Riordan, Chief Executive

Appendix 1 – Audit fee assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2012/13 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and materially accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes;
- the grant claims and returns requiring certification are as listed above; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the financial statements audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by the Audit Commission, KPMG or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
Financial Statements audit plan	January 2013
Interim audit report (if appropriate)	April 2013
Report to those charged with governance (ISA260 report)	September 2013
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2013
Opinion on Whole of Government Accounts return	September 2013
Annual audit letter	November 2013
Certification of grant claims and returns	March 2014

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Report of Director of Resources

Report to Corporate Governance and Audit Committee

Date: 21st January 2013

Subject: Work Programme

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary of main issues

1. Members are requested to consider whether they wish to add any items to the work programme.
2. The draft work programme is attached at Appendix 1.

Recommendations

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

1 Purpose of this report

- 1.1 The Purpose of this report is to notify Members of the Committee of the draft work programme. The draft work programme is attached at Appendix 1

2 Background information

- 2.1 The work programme provides information about the 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 Main issues

- 3.1 Members are requested to consider whether they wish to add any items to the work programme

3.2 The draft work programme is attached at Appendix 1

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 This report consults Members on the content of the work programme of the Committee.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 No significant issues.

4.3 Council Policies and City Priorities

4.3.1 This report helps support the implementation of the Code of Corporate Governance.

4.4 Resources and Value for Money

4.4.1 It is in the best interests of the Council to have sound control arrangements in place to ensure effective use of resources, these should be regularly reviewed and monitored as such the work programme directly contributes to this.

4.5 Legal Implications, Access to Information and Call In

4.5.1 This report is not an executive function and is not subject to call in.

4.6 Risk Management

4.6.1 By the Committee being assured that effective controls are in place throughout the Council the work programme promotes the management of risk at the Council.

4.6.2 The work programme adopts a risk based approach to the significant governance arrangements of the Council.

5 Conclusions

5.1 The work programme of the Committee should be reviewed regularly and be updated appropriately in line with the risks currently facing the Council.

6 Recommendations

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

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
27th March 2013		
Leeds City Region – Local Enterprise Partnership Governance	To receive a report updating the Committee on the Governance arrangements surrounding the Leeds City Region	Chief Officer (Localities and Partnerships)
Annual Financial Management Report	To receive the annual report reviewing the Financial Planning and Management Arrangements at the Council	Chief Officer (Financial Management) Doug Meeson
Capital Programme Approvals	To receive a report updating the Committee with regards to the implementation of the new capital programme approvals framework	Chief Officer (Financial Development) Maureen Taylor
KPMG – Audit Plan	To receive a report seeking Approval of the Audit Plan	Chief Officer (Financial Management) Doug Meeson
22nd April 2013		
Annual Report of the Committee	To receive the draft Annual Report	Chief Officer (Audit and Risk) Tim Pouncey
Internal Audit quarterly report	To receive the Internal Audit quarterly report	Chief Officer (Audit and Risk) Tim Pouncey
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.	Strategic Landlord Liz Cooke
Annual Report on Performance and Risk Management	To receive a report regarding the Council's risk management arrangements.	Chief Officer (Audit and Risk) Tim Pouncey
Un-scheduled items for 2012/13		
Assurances of the process by Which Planning Decisions Are Taken	To receive the Annual report providing Assurance of the process by Which Planning Decisions Are Taken	Phil Crabtree (Chief Planning Officer)
Calderdale Shared Service Agreement	To receive a report updating the Committee on the latest position with regards to the establishment of a Social Care System in partnership with Calderdale MBC	Steve Hume Chief Officer (Resources and Strategy)
Information Security Annual Report	To receive a report on the Council's Information Security arrangements.	Chief Officer (Business Transformation) Lee Hemsworth