



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Thursday, 9th July, 2015
at 2.00 pm

MEMBERSHIP

Councillors

P Grahame	J Bentley	R Wood
G Hussain (Chair)		P Harrand
A McKenna		
K Bruce		
N Dawson		
A Sobel		
J Illingworth		

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 15.2 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 15.2, 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 13-16 of the Members' Code of Conduct.</p>	
5			<p>APOLOGIES FOR ABSENCE</p> <p>To receive any apologies for absence.</p>	
6			<p>MINUTES - 25TH JUNE 2015</p> <p>To receive the minutes of the meeting held on 25th June 2015.</p>	1 - 6
7			<p>KPMG INTERIM AUDIT REPORT</p> <p>To receive a report of the Deputy Chief Executive In line with the external audit plan for 2014/15 which was presented to this Committee in January 2015, this report highlights the results of KPMG's interim audit work in relation to the 2014/15 financial statements and the initial work undertaken to support their 2014/15 value for money conclusion. KPMG's full report is attached.</p>	7 - 22
8			<p>THE STATEMENT OF ACCOUNTS 2014/15</p> <p>To receive a report of The Deputy Chief Executive which presents to the Committee the 2014/15 Statement of Accounts prior to them being made available for public inspection. The Statement of Accounts is included with the agenda as a separate document for Committee members and is published on the Council's internet site.</p>	23 - 28

Item No	Ward	Item Not Open		Page No
9			<p>ANNUAL DECISION MAKING ASSURANCE REPORT</p> <p>To receive a report of the Head of Governance Services. This is the annual report to the Committee concerning the Council's decision making arrangements. This report provides one of the sources of assurance which the Committee is able to take into account when considering the approval of the Annual Governance Statement. Members are asked to consider the results of monitoring documented within the body of this report and to note the assurances given by the Head of Governance Services, the Head of Licensing and Registration and the Chief Planning Officer, that the decision making framework in place within Leeds City Council is up to date, fit for purpose, effectively communicated and routinely complied with.</p>	29 - 58
10			<p>INTERNAL AUDIT UPDATE REPORT 1ST FEBRUARY TO 31ST MAY 2015</p> <p>To receive a report of the Deputy Chief Executive which provides a summary of internal audit activity for the period 1st February 2015 to 31st May 2015 and highlight the incidence of any significant control failings or weaknesses.</p>	59 - 80
11			<p>INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME FRAMEWORK AND INTERNAL AUDIT CHARTER</p> <p>To receive a report of the Deputy Chief Executive which seeks approval for the Internal Audit Charter and asks the Committee to note the Internal Audit Quality Assurance and Improvement Programme (QAIP) Framework as defined by the Public Sector Internal Audit Standards (PSIAS.)</p>	81 - 114

Item No	Ward	Item Not Open		Page No
12			<p>INTERNAL AUDIT ANNUAL REPORT AND OPINION 2014/15</p> <p>To receive a report of the Deputy Chief Executive. The purpose of this report is to bring to the attention of the Committee the annual Internal Audit opinion and basis of the internal audit assurance for 2014/15. By reviewing, challenging and monitoring such reports the Committee itself is demonstrating sound governance arrangements and enabling it to take appropriate action if needed. It should be noted that Internal Audit will also issue interim reports to the Committee if any significant matters arise which would warrant immediate attention.</p>	115 - 154
13			<p>WORK PROGRAMME</p> <p>To receive a report of the City Solicitor notifying the Committee of the draft work programme for the 2015/16 municipal year.</p>	155 - 162
14			<p>DATE AND TIME OF NEXT MEETING</p> <p>2pm, Friday 18th September 2015.</p>	

Item No	Ward	Item Not Open		Page No
			<p>THIRD PARTY RECORDING</p> <p>Recording of this meeting is allowed to enable those not present to see or hear the proceedings either as they take place (or later) and to enable the reporting of those proceedings. A copy of the recording protocol is available from the contacts named on the front of this agenda.</p> <p>Use of Recordings by Third Parties– code of practice</p> <p>a) Any published recording should be accompanied by a statement of when and where the recording was made, the context of the discussion that took place, and a clear identification of the main speakers and their role or title.</p> <p>b) Those making recordings must not edit the recording in a way that could lead to misinterpretation or misrepresentation of the proceedings or comments made by attendees. In particular there should be no internal editing of published extracts; recordings may start at any point and end at any point but the material between those points must be complete.</p>	

Corporate Governance and Audit Committee

Thursday, 25th June, 2015

PRESENT: Councillor G Hussain in the Chair
Councillors J Bentley, P Harrand, K Bruce,
N Dawson, A Sobel and J Illingworth

Apologies Councillors P Grahame, R Wood and
A McKenna

1 Appeals Against Refusal of Inspection of Documents

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

2 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

3 Late Items

There were no resolutions to exclude the public.

4 Declaration of Disclosable Pecuniary and Other Interests'

No declarations were made.

5 Apologies

Apologies for absence were received from Councillors A McKenna, P Grahame and R Wood.

6 Minutes - 20th March 2015

RESOLVED – The minutes of the meeting held on 20th March 2015 were approved as a correct record.

7 Matters Arising

Minute No 54. Leeds City Council Fraud Briefing

Members noted that the Head of Governance Services had, on behalf of the Committee, written to KPMG about their non-attendance at the meeting held on 20th March 2015 and that a response had been received from KPMG.

Draft minutes to be approved at the meeting
to be held on Thursday, 9th July, 2015

Members felt that as a principal client of KPMG priority should have been given to attending the March meeting of the Committee and not the internal training session referred to by KPMG in their response.

RESOLVED – The Committee resolved to request that the Head of Governance Services pass on their views to the Director of KPMG in Leeds.

8 Leeds City Region Joint Committee Annual Financial Return and Annual Governance Statement 2014/15

The Deputy Chief Executive submitted a report which accompanied the 2014/15 Annual Accounting Statement and Annual Governance Statement for Leeds City Region Leaders Board Joint Committee.

The report explained why the responsibility of approving these statements has fallen to this Committee and outlined what assurances the committee could rely on in approving the statements.

Members discussed the report in detail. Specifically Members asked about the reasons behind the increase in staffing costs from 2014 to 2015. Members were informed that in part this was down to the move to becoming the West Yorkshire Combined Authority (WYCA) which was a growing organisation with more responsibility. Further detailed information was requested to be circulated to the Committee.

The Committee considered the reasons behind the need for £464k being held in the general reserve fund and where this would be transferred to now that the Leeds City Region Leaders Board Joint Committee was being dissolved. It was confirmed to Members that this fund would be transferred to the WYCA.

Members queried the reasoning for the accounts being drafted on the basis of a smaller body and received assurances from officers about this. On the basis of the assurances received the Committee confirmed they were happy for the Chair of the Committee to sign the accounts.

RESOLVED – The Committee resolved to:

- (a) Approve the Leeds City Region Leaders Board Joint Committee draft 2014/15 Accounting Statement and the Chair to acknowledge approval on behalf of the Committee by signing the appropriate section;
- (b) Confirm that they have received and accepted the Declaration on Governance Arrangements for 2014/15 which has been provided by the Chair and the responsible officers of the Leeds City Region leaders Board Joint Committee, and the Chair to acknowledge this on behalf of the Committee by signing the abbreviated Annual Governance Statement; and
- (c) Request a detailed breakdown of the reasons behind the increase in staffing costs from 2014 to 2015.

9 Office of the Director of Public Health Annual Governance Report

The Director of Public Health presented his report which provided the Committee with the annual update on Public Health's risk management and governance arrangements.

Members discussed the reasons behind being able to achieve better value for money as part of Leeds City Council compared to when services were run by the NHS. The Director of Public Health stated that this was in part due to now having a one service approach which had made different services work together.

The risks to the Public Health budget were considered by the Committee, in particular the implementation of the requirements from the National Institute of Care and Health Excellence (NICE). A further risk identified was the proposed cut to Public Health funding by Central Government, the formula for which is yet to be determined.

Members noted the money that had been saved through commissioning and were informed that this had been committed for the 2015/16 budget.

Members discussed how the reporting regime at the NHS compared to that at Leeds City Council with the Director of Public Health.

RESOLVED – The Committee resolved to:

- (a) Receive the annual governance report of the Office of the Director of Public Health; and
- (b) Note the assurance processes that the Office of the Director of Public Health.

10 Financial Management Arrangements in the Planning and Sustainable Development Service

The Head of Finance (Strategy and Resources) presented a report of The Chief Planning Officer which set out the financial management arrangements in the Planning and Sustainable Development Service and aimed to provide assurance to Members that the arrangements are fit for purpose, embedded and being complied with.

Members discussed the scrutiny of planning decisions and noted that these could not be "called in" for consideration by a Scrutiny Board. Members noted that the Joint Plans Panel gives consideration to how the Planning Services is provided.

Members considered the financial information received and commented that income for 2014/15 was less than in 2013/14. The Head of Finance (Strategy and Resources) informed the Committee that there had been a dramatic increase in income in 2013/14 and that this had levelled off in 2014/15.

Members queried why staffing costs had increased. This was explained as being due to planning staff leaving and the associated severance costs and also the 1% pay rise received by staff. Members requested further details in relation to the increase in staffing costs be circulated before the next meeting.

RESOLVED - The Committee resolved to:

- (a) Request a breakdown of the costs of staffing the Planning Service.
- (b) note the assurances provided that the appropriate systems and procedures are in place to ensure that the Council delivers sound financial management and planning.

11 Annual Business Continuity Report: Phase 2 Progress Update

The Business Continuity Manager presented a report of the Deputy Chief Executive which provided an update of current progress towards completion of Phase 2 by the target date of September 2015 as requested by the Committee at the March 2015 meeting.

Members considered that it would be helpful if the Committee highlighted the importance of completing Phase 2 plans to the Corporate Leadership Team.

Members discussed what the biggest risks to the City were with the Business Continuity Manager.

It was confirmed to the Committee that despite Phase 2 plans not yet being completed that Leeds City Council was compliant with the Civil Contingencies Act 2004.

RESOLVED – the Committee resolved to:

- (a) Request that the Head of Governance Services write to The Chief Officer (Strategy and Improvement) to highlight the Committee's wishes to see all Phase 2 Plans completed by September 1st 2015; and
- (b) to note the progress made to date with completion of Phase 2, and that the target completion date of September 2015 currently remains achievable.

12 Work Programme

The City Solicitor submitted a report which notified the Committee of the draft 2015/16 work programme.

It was commented that Leeds City Council could improve its engagement with citizens via mapped based technology. The Head of Governance Services commented that a request for a report on this subject might be more appropriate to a Scrutiny Board and agreed to make contact with the Head of Scrutiny and Member Development to discuss this.

RESOLVED – The Committee resolved to:

- (a) Request The Head of Governance Services to make contact with the Head of Scrutiny and Member Management to identify the possibility of a Scrutiny review looking into ways in which Leeds City Council could improve its mapping service for its citizens; and
- (b) Note the contents of the work programme attached at Appendix 1 of the submitted report.

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Report author: Mary Hasnip
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Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 9th July 2015

Subject: KPMG Interim Audit Report

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 completed their interim audit work and the report of their findings is attached.
2. The report summarises the key findings arising from:
 - Their interim audit work in relation to the 2014/15 financial statements, and
 - Their work to support their 2014/15 value for money conclusion up to March 2015

Recommendations

3. It is recommended that Members note:
 - The overall positive assurances provide by KPMG in respect of the work of internal audit and on the systems and controls which underpin the Council's financial statements.

1 Purpose of this report

- 1.1 In line with the external audit plan for 2014/15 which was presented to this Committee in January 2015, this report highlights the results of KPMG's interim audit work in relation to the 2014/15 financial statements and the initial work undertaken to support their 2014/15 value for money conclusion. KPMG's full report is attached.

2 Background information

- 2.1 Prior to their audit of the financial statements, KPMG undertake an Interim audit to assess the council's internal control environment. This initial audit work is designed to gain assurances on the Council's controls and procedures in order to minimise the audit coverage required at the final audit stage.

- 2.2 The main procedures and controls assessed at this interim audit stage are to:

- Evaluate the controls over key financial systems via the work of Internal Audit;
- Make an assessment as to the overall IT control environment and in particular the access controls to the financial ledger;

- 2.3 In addition, the interim audit undertakes an initial review of the risks identified within the audit plan in respect of the value for money conclusion.

- 2.4 During the period January through to March 2015, KPMG completed their planning and control evaluation work. This work covered;

- Review of the Authority's general control environment, including the Council's IT systems.
- Testing of certain controls over the Authority's financial systems.
- Review of the Internal Audit function's assessment of core systems.
- Review of the Authority's accounts production process, including work to address prior year audit recommendations and the specific risk areas they have identified for this year.
- Initial data analytics work over capital, payroll and journals data to assist with year-end testing.

- 2.5 This covering report highlights any significant findings in respect of this initial audit work.

3 Main issues

3.1 Interim Audit work on the Financial Accounts

- 3.1.1 KPMG have completed their interim audit work on the accounts and have not identified any significant issues, although one relatively minor issue was noted.

3.1.2 Overall KPMG have confirmed that the interim audit work has provided audit assurance in respect of the following:

- That the organisation and IT control environment is effective overall. However, KPMG did note one issue, where sample testing found that the value of orders which one user could authorise had not been amended promptly following a change in their role. KPMG are undertaking further work in this area.
- That the controls over all of the key financial systems are sound. KPMG identified no matters arising and can rely on those controls as part of the financial statement audit.
- That following their review of Internal Audit's work on core systems, they did not identify any issues which would cause them to change their audit approach.
- That the Authority's overall process for the preparation of the financial statements is adequate and that the Authority has a good understanding of the key audit risk areas KPMG identified and is making good progress in addressing them.

3.2 Value for Money Conclusion

3.2.1 KPMG's External Audit Plan 2014/15 explained their risk-based approach to value for money work, which follows guidance provided by the Audit Commission and detailed their initial risk assessment.

3.2.2 KPMG did not identify any specific risks to their value for money conclusion at the planning stage and have not identified any further risks up to the date of their interim report.

3.2.3 KPMG will continue to assess value for money risks over the Council's arrangements for securing financial resilience and challenging economy, efficiency and effectiveness in prioritising resources and improving efficiency and productivity.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The interim audit report does not raise any issues requiring consultation or engagement with the public, ward members or Councillors.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and Best Council Plan

4.3.1 Under this Committee's terms of reference members are required to consider the Council's arrangements relating to external audit, including the receipt of external

audit reports. This is to provide a basis for gaining the necessary assurance regarding governance prior to the approval of the Council's accounts.

4.4 Resources and value for money

4.4.1 The interim audit included an initial assessment as to whether the Council has proper arrangements for securing value for money. This work did not identify specific risks.

4.5 Legal Implications, Access to Information and Call In

4.5.1 There are no legal issues arising from this report.

4.6 Risk Management

4.6.1 KPMG have not identified any significant risks in the interim audit which require officer action as part of the process for completing the 2014/15 accounts.

5 Conclusions

5.1 There are no major issues raised in KPMG's interim audit which would impact on the level of audit work required to certify the Council's financial statements.

6 Recommendations

6.1 Members are asked to note:

- The overall positive assurances provide by KPMG in respect of the work of internal audit and on the systems and controls which underpin the Council's financial statements.

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.



cutting through complexity

Interim Audit Report 2014/15

Leeds City Council

June 2015

**The contacts at KPMG
in connection with this
report are:**

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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 issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Prentice, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

This document summarises the key findings arising from our work to date in relation to both the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

Scope of this report

This report summarises the key findings arising from:

- our interim audit work at Leeds City Council (the Authority) in relation to the 2014/15 financial statements; and
- our work to support our 2014/15 value for money (VFM) conclusion up to March 2015.

Financial statements

Our *External Audit Plan 2014/15*, presented to you in December 2014, set out the four stages of our financial statements audit process.

During January to March 2015 we completed our planning and control evaluation work. This covered:

- review of the Authority's general control environment, including the Authority's IT systems;
- testing of certain controls over the Authority's key financial systems;
- review of the internal audit function's assessment of core systems;
- review of the Authority's accounts production process, including work to address prior year audit recommendations and the specific risk areas we have identified for this year; and
- initial data analytics work over capital, payroll and journals data to assist with year end testing.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission and detailed our initial risk assessment.

We did not identify any specific risks to our VFM conclusion at the

planning stage and have not identified any further risks up to the date of this report.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our interim audit work in relation to the 2014/15 financial statements.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Acknowledgements

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

Organisational and IT control environment	<p>Your organisational and IT control environment is effective overall.</p> <p>We noted an issue in one area: approval of individuals authorisation rights over orders and payments on FMS. We are still investigating this issue at the time of this report.</p>
Controls over key financial systems	<p>The controls over all of the key financial systems are sound.</p> <p>We identified no matters arising and we can rely on those controls as part of the financial statement audit and we have not changed our planned audit approach.</p>
Review of internal audits assessment of core systems	<p>Following our review of Internal Audit's work on core systems, did not identify any issues which would cause us to change our audit approach.</p>
Accounts production process and specific audit risk areas	<p>The Authority's overall process for the preparation of the financial statements is adequate.</p> <p>The Authority has a good understanding of the key audit risk areas we identified and is making progress in addressing them. However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.</p>
VFM risks	<p>We have not identified any specific VFM risks through our risk assessment.</p> <p>We will continue to assess VFM risks over the Council's arrangements for securing financial resilience and challenging economy, efficiency and effectiveness in prioritising resources and improving efficiency and productivity.</p>

Your organisational and IT control environment is effective overall.

We noted an issue in one area: approval of individuals authorisation rights over orders and payments on FMS. We are still investigating this issue at the time of this report.

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Work completed

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

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

The Authority relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we tested controls over access to systems and data.

Key findings

We consider that your organisational and IT controls are effective overall, but noted an issue in one area:

- We looked at authorisation rights over orders and payments on FMS. Out of a sample of 6 individuals, 1 individual was identified whose authorisation limit needed revising. Further testing will be completed over this area to investigate the extent of this issue and determine any recommendations we can make regarding this.

This weakness may mean that we will need to alter our audit strategy in relation to expenditure. This could include additional substantive testing at year-end.

Aspect	Assessment
<i>Organisational controls:</i>	
Management's philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Monitoring of controls	3
<i>IT controls:</i>	
Access to systems and data	3

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment

The controls over all of the key financial systems are sound.

Work completed

Where we have determined that this is the most efficient audit approach to take, we evaluate the design and implementation of the control and then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

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

As part of our interim assessment we have looked at budgetary controls, entity level controls (including monitoring of such controls), and we have reviewed the minutes of the Executive Board, Audit Committee, and Standards and Conduct Committee. We have also assessed procedures and controls of specific financial systems and areas as detailed.

In addition, we have done some initial investigatory work using data analysis techniques, which will be completed during our audit of the final accounts. This includes work on Capital over the Fixed Asset Register, such as looking for duplicate assets, recalculating the depreciation expense, and searching for assets held outside the Leeds local area, and work on Payroll including recalculating payroll expenses, looking at pay increases and general profiling of payroll data.

Key findings

Based on our work, the controls over all of the key financial systems are sound.

Financial system	Controls Assessment
Cash and Cash Equivalents	3
Capital (impairment review, and rolling system of revaluations)	3
Pensions (independent actuarial valuation of pension scheme assets and liabilities, and management review of approval of actuarial assumptions)	3

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment

Following our review of Internal Audit's work on core systems, we did not identify any issues which would cause us to change our audit approach.

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

Review of Interim Audit

Work completed

The work of your internal auditors over core systems and their findings is one of the information sources we use to inform our audit risk assessment.

We review the work your internal auditors perform to assess the control framework for certain key financial systems, however we do not seek to rely on this work.

Key findings

Based on the internal audit reports we reviewed, covering payroll, benefits, rents, council tax and NNDR, sundry income and treasury, we have not identified any additional risk areas which would cause us to change our audit approach.

We have not assessed the work of internal audit in detail. We can however comment on the timing and scope of the work of internal audit. This was appropriate to act as an information source for our external audit.

Accounts production process

Work completed

We issued our Accounts Audit Protocol to the Principal Accountant and Senior Financial Manager in February. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work. We discussed our requirements in detail in a meeting in January.

We will continue to meet with the Principal Accountant and Senior Financial Manager on a regular basis to support them during the financial year end closedown and accounts preparation.

Key findings

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

The Authority has a good understanding of the key audit risk areas we identified and is making progress in addressing them.

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

Work completed

In our *External Audit Plan 2014/15*, presented to you in December 2014, we identified the key audit risks affecting the Authority's 2014/15 financial statements.

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

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

Key findings

Key audit risk	Issue	Progress
	<p>In 2013/14 late changes were made to the asset valuations in the financial statements after the accounts were sent for audit, mainly to incorporate PPE revaluations not available in time for the first draft.</p>	<p>We have reviewed your approach to re-valuation and impairment of assets and reassessed the risk as part of our interim work. We have no matters to raise on this area.</p>
Area of audit focus	Issue	Progress
	<p>Valuation of assets supporting the pension fund have fluctuated significantly over recent years. In 2013/14 the Authority's share of the Local Government Pension Scheme liability was £818m at 31 March 2014, a reduction of £368m from the previous year. The valuation is determined by the scheme's actuary, based on several key assumptions which are judgemental in nature.</p>	<p>We have reviewed the processes around the IAS19 accounts disclosure, and have reviewed the information supplied by the Authority to the actuary. We have assessed the scheme's actuary, AON Hewitt's, qualification as an expert. We have no matters to raise on these areas.</p> <p>We will review the key inputs to the valuation and assess the reasonableness of the assumptions used in the calculation as part of our final accounts work.</p>

The Authority has a clear understanding of the risks and making progress in addressing them. However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.

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

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

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

Our External Audit Plan 2014/15 describes in more detail how the VFM audit approach operates.

Background

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

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

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

Our VFM audit draws heavily on other audit work which is relevant to our VFM responsibilities and the results of last year’s VFM audit. We then assess if more detailed audit work is required in specific areas.

Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



We have not identified any specific VFM risks through our risk assessment.

Work completed

In line with the risk-based approach set out on the previous page, we have

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the Authority, other inspectorates and review agencies in relation to these risk areas;
- reviewed the Authority's Medium Term Financial Plan; and
- concluded to what extent we need to carry out additional risk-based work.

Key findings

We have completed our initial VFM risk assessment and have not identified any key issues. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260.



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Report author: Neil Warren
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Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 9th July

Subject: The Statement of Accounts 2014/15

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 Responsible Financial Officer has reviewed the 2014/15 accounts and certified that they are a true and fair view of the Council's financial position.
- 2 The accounts have been drawn up based on proper accounting practice as required by the Accounts and Audit Regulations 2011.
- 3 Subject to Committee agreement the accounts will be available for public inspection for twenty working days commencing 20th July 2015.
- 4 Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner.

Recommendations

- 5 Members are asked to:
 - Note the 2014/15 unaudited Statement of Accounts as certified by the Deputy Chief Executive, who is the council's Responsible Financial Officer.
 - Agree to release the accounts for public inspection.

1 Purpose of this report

- 1.1 The purpose of this report is to present to the Committee the 2014/15 Statement of Accounts prior to them being made available for public inspection. The Statement of Accounts is included with the agenda as a separate document for Committee members and will be published on the Council's internet site.

2 Background information

- 2.1 Whilst it is no longer a legal requirement for members to formally approve these unaudited accounts before the 30th June, members of this committee requested that that they receive the accounts prior to them being made available for public inspection.

3 Main issues

3.1 Main Financial Issues

- 3.1.1 The following is a summary of the main financial issues raised by the 2014/15 unaudited accounts:

- The final outturn position for the year was a £3.7m use of the General Fund Reserve, which was £0.7 m below the figure budgeted for. This improved position was mainly generated by a number of one-off corporate savings items, partially offset by transfers to earmarked reserves and a small net overspend in directorates.
- The Housing Revenue Account outturn position resulted in a contribution of £18.1m to its revenue reserves.
- After taking into account a prior year accounting policy change (please see paragraph 3.3.1 below), the Council's net worth during the year has increased by £4.1m, and as at 31st March 2015 stands at £805.3m. Within this relatively small increase in the net worth, there was an increase in the net pensions liability of £191m. However this was more than offset by an increase of £210m in the value of fixed assets.
- The council's level of usable reserves increased by £63m to £389m. The majority of the increase was in ringfenced reserves, with usable capital reserves increasing by £32m and ringfenced revenue reserves (primarily relating to the HRA and to schools) increasing by £27m. The level of unringfenced revenue reserves rose by £4m.

A full analysis of these and other financial issues is included in the Foreword of the Deputy Chief Executive which can be found at the front of the accounts.

3.2 Responsibilities and Timeframes for Approving the Statement of Accounts

- 3.2.1 The Accounts and Audit Regulations 2011 determine the roles and responsibilities for approving local government accounts. Under these regulations it is the responsibility of the Responsible Financial Officer to certify that the accounts are a true and fair view of the Council's financial position before the 30th June. The accounts must then be available for public inspection for twenty working days before this Committee is charged with approving and publishing the final audited accounts before the 30th September.

- 3.2.2 To enable members to discharge their responsibilities for approving the accounts the following assurances can, or will, be given within the approval process:

- On the 25th June the Deputy Chief Executive in his capacity as the Responsible Financial Officer reviewed the 2014/15 accounts and certified that they are a true and fair view of the Council's financial position.
- The accounts have been drawn up based on proper accounting practice as required by the Accounts and Audit Regulations 2011.

- KPMG's interim audit found that the council's organisational and IT control environment and the controls over key financial systems were generally sound. The audit also confirmed that the process for producing the financial statements was adequate.
- KPMG will undertake a detailed audit of the accounts in July and August to ascertain that, in their view, the accounts show a true and fair of the Council's financial position. They will report any significant issues back to this Committee in September.
- Stakeholders have twenty working days while the accounts are on deposit to look through the accounts and supporting documentation and raise any questions with the auditors or to object to the accounts. If considered significant the auditors would pursue the complaint or questions and determine if the accounts need amendment. Any significant issues raised in this way would be reported back to this Committee in September. For 2014/15, subject to Committee approval, public inspection will commence on the 20th July.
- Members have the opportunity to question officers on any aspect of the accounts at this Committee or in the September Committee prior to approving the accounts.

3.3 Accounting Issues Impacting on the Financial statements

3.3.1 A change in the accounting Code of Practice for local authorities in respect of accounting for schools has meant that the council's balance sheet as at 1st April 2013 (the opening position for this set of accounts) has been restated to include an additional £235m of school buildings, which are deemed to be assets of the schools' governing bodies rather than of the trusts or religious bodies which hold the legal title to these assets. In addition, the in-year figures for 2013/14 have been restated to re-recognise a further £73m of trust school assets which had previously been treated as disposals during 2013/14.

3.4 External Audit Issues

3.4.1 In September 2014, KPMG reported back to this Committee its main audit findings in respect of the 2013/14 accounts and any recommendations or risks for the following year's accounts. There were no recommendations relating to the production of the accounts arising from the 2013/14 audit. In their annual audit plan which was presented to the committee in January 2015, KPMG identified two key areas of audit risk for the 2014/15 accounts, the valuation of fixed assets and the valuation of pensions liabilities. Their interim audit report, which is presented at this committee, raises no additional matters in respect of these two issues.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 This is a factual report from the Deputy Chief Executive on the Council's 2014/15 financial accounts 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 There are no issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and City Priorities

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

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

4.4 Resources and value for money

4.4.1 This is a factual report of the Deputy Chief Executive on the financial accounts of the Council for 2014/15. There are no additional financial or value for money implications.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The accounts are required to be certified as a true and fair view of the Council's financial position by the Responsible Financial Officer before the end of June. This report does not require a key decision and is therefore not subject to call in.

4.6 Risk Management

4.6.1 The Council's external auditors provide a risk assessment on the accounts process as part of their interim audit as reported to this Committee. For 2014/15 the external auditors have not identified any significant risks which would require them to undertake any additional audit work on the financial statements.

5 Conclusions

5.1 Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner and has maintained the level of general reserves at a prudent level. The Council's net worth has slightly increased, reflecting an increase in the value of its fixed assets, which was largely offset by a rise in the pensions deficit recognised in the accounts. Overall the Council continues to balance its finances and has a proven process for managing future budget pressures.

5.2 The Responsible Financial officer has certified that the accounts are a true and fair view of the council's financial position.

6 Recommendations

6.1 Members are asked to:

- Note the 2014/15 unaudited Statement of Accounts as certified by the Responsible Financial Officer.
- Agree to release the accounts for public inspection.

7 Background documents¹

¹ The background documents listed in this section are available to download from the Council's website,

7.1 None

unless they contain confidential or exempt information. The list of background documents does not include published works.

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Report of Head of Governance Services

Report to Corporate Governance and Audit Committee

Date: 9th July 2015

Subject: Annual Decision Making Assurance Report

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 is the annual report to the committee concerning the Council's decision making arrangements and provides assurances which will feature in the Annual Governance Statement (to be considered by Committee in September 2015).
2. From the review, assessment and ongoing monitoring carried out, the Head of Governance Services, Head of Property, Finance and Technology, Head of Licensing and Registration and Chief Planning Officer have reached the opinion that, overall, decision making systems are operating soundly and that arrangements are up to date, fit for purpose, effectively communicated and routinely complied with.

Recommendations

3. Members are requested to consider and note the positive assurances provided in this report in relation to executive decision making, licensing, planning and the regulation of investigatory powers. Particularly:
 - 3.1. In relation to executive decision making:-
 - The assurances that the Council's Constitution has been reviewed and maintained as an accurate reflection of Council practice and procedure;
 - the monitoring which has taken place in relation to publication of agendas and minutes of committee meetings and the publication and call in of Key Decisions;
 - the monitoring of the use of officer delegations together with the reporting of one use of special urgency provisions; and

- the steps taken to continue to embed the decision making framework

3.2. In relation to Regulation of Investigatory Powers Act 2000 (RIPA):

- The appointment and training of authorising officers;
- Steps taken to embed and ensure compliance with guidance and procedure; and
- That there have been no applications for directed surveillance or CHIS authorisations and that there has been no use of the powers to obtain communications data.

3.3. In relation to licensing:-

- The monitoring of entertainment and miscellaneous licensing decisions;
- The monitoring of taxi and private hire licensing decisions; and
- The procedure adopted for review of the Statement of Licensing Policy for the Gambling Act.

3.4. In relation to planning:-

- The framework for planning decisions;
- Assurances in relation to officer conflict of interest;
- The monitoring of workload and the improvement in performance around decisions being made in time;
- The monitoring of committee decision making contrary to officer recommendation;
- The ongoing review of appeals and complaints as indicators of quality decision making;
- Ongoing training to ensure planning framework is embedded with both officers and Members ; and
- Assurances in relation to steps taken to engage with partners and customers.

1 Purpose of this report

- 1.1 This is the annual report to the committee concerning the Council's decision making arrangements.
- 1.2 This report provides one of the sources of assurance which the Committee is able to take into account when considering the approval of the Annual Governance Statement.
- 1.3 Members are asked to consider the results of monitoring documented within the body of this report and to note the assurances given by the Head of Governance Services, the Head of Licensing and Registration and the Chief Planning Officer, that the decision making framework in place within Leeds City Council is up to date, fit for purpose, effectively communicated and routinely complied with.

2 Background information

- 2.1 The Council's decision making framework, which is detailed within the Council's Constitution, comprises of the systems and processes through which decision making is directed and controlled. Whilst a number of these systems and processes are put in place in direct response to primary and secondary legislation, others reflect the implementation of locally adopted definitions and choices made to ensure maximum transparency and accountability within Council practice and procedure.
- 2.2 The committee has received previous assurance reports in respect of Executive decision making, RIPA, planning and licensing matters. The most recent report to be received being the Decision Making Framework; Annual Assurance Report – 11th July 2014. This report seeks to update the committee in respect of each of these decision making areas. This report therefore provides information in respect of the period 1st June 2014 to 31st May 2015.

3 Main issues

3.0 EXECUTIVE DECISION MAKING

- 3.1 The Head of Governance Services has responsibility to ensure that the Council's decision making arrangements are up to date, fit for purpose, effectively communicated, routinely complied with and monitored.

Amendments to the Decision Making Framework

- 3.2 As in any other municipal year it has been necessary to review and amend the Constitution in order to implement changing legislation and to ensure that it remains an accurate reflection of practice and procedure within the Council.

Openness of Local Government Bodies Regulations

- 3.3 As anticipated the Secretary of State issued the Openness of Local Government Bodies Regulations in the summer of 2014. The regulations required publication

of decisions in relation to Council functions where a decision in relation to a Council function is delegated to an officer and the decisions is taken either:-

- a) Under a specific express authorisation; or
- b) Under a general authorisation to officers to take such decisions and, the effect of the decision is to –
 - i. Grant a permission or a licence;
 - ii. Affect the rights of an individual; or
 - iii. Award a contract or incur expenditure which, in either case, materially affects that relevant local government body's financial position.

3.4 The Head of Governance Services worked with DCLG and liaised closely with directorates to understand the type and quantity of decisions affected by the regulations. Having considered the content of the regulations, and consulted with the directorates in relation to arrangements already in place to record and publish council functions, and the remaining number of decisions which would require publication in accordance with the regulations the Head of Governance Services put the following arrangements in place:-

3.4.1 Council functions falling within the definition set out in the regulations were included within the definition of Significant Operational decisions set out in Article 13;

3.4.2 The Access to Information Procedure Rules were amended to require the publication of decisions in relation to Council functions which fall within the definition of a Significant Operational decision and which are not the subject of an existing requirement to publish; and

3.4.3 The timescale was amended to require publication "as soon as reasonably practicable" This enables directorates with high volumes of relevant decisions to publish a monthly decision containing a schedule of all relevant decisions taken during the course of that month. This means that the requirement to record Significant Operational decisions in relation to Council functions is dealt with in an effective manner, enhancing transparency of decision making whilst not creating an undue administrative burden,

3.5 Leeds City Council was a leading authority in implementation of the regulations and many authorities sought to learn from the practice and procedure adopted. The Head of Governance Services has shared with DCLG the steps taken to implement the regulations.

The Local Government (Electronic Communications) (England) Order

3.6 A further amendment to the Access to Information Procedure Rules ensured that the authority is in compliance with The Local Government (Electronic Communications) (England) Order 2015. This provision enables the digital communication of notice of meetings where the Member consents.

- 3.7 The Head of Governance Services is liaising with Group Whips to establish a procedure by which Members may, if they prefer, receive notice of meetings by electronic communication. The procedure will also make provision for such consent to be withdrawn should a Member wish to do so.

Leeds City Region arrangements

- 3.8 The Leeds City Region Leaders Board has been wound up and the Leeds City Region Business Rates Pool Joint Committee established. This change in the authority's joint arrangements has been reflected in part 3 section 4 of the Constitution.

Annual Review

- 3.9 An annual review of the Constitution was carried out culminating in amendments being approved at the Annual Council Meeting on 21st May 2015. Amendments made at this time included:-

- The reflection of the Best Council Plan within the policy framework;
- the realignment of Scrutiny Boards in line with directorates; and
- the extension of Corporate Governance and Audit Committee's terms of reference to give effect to the Accounts and Audit Regulations 2015.

- 3.10 Council also approved the appointment of and terms of reference for its committees and the officer delegation scheme (Council (non-executive) Functions.)

- 3.11 In addition the Annual Council Meeting received details of the Leader's executive arrangements. These introduced changes to the portfolios held by Executive Board Members which were further reflected in amendments to the officer delegation scheme (Executive Functions.)

- 3.12 Both changes made during the 2014/15 Municipal year and those resulting from the annual review of the Constitution have taken place in accordance with Article 15 and at all times an up to date copy of the Constitution has been available for public inspection and published on the Council's website in accordance with Article 16.

Delegation of Functions

- 3.13 The Constitution documents the delegation of Council and Executive functions to Officers. Each of the Council and Executive delegation schemes are set out in two parts; the first part documenting general delegations shared by all Directors¹ and the second documenting those delegations which are specific to each Director.

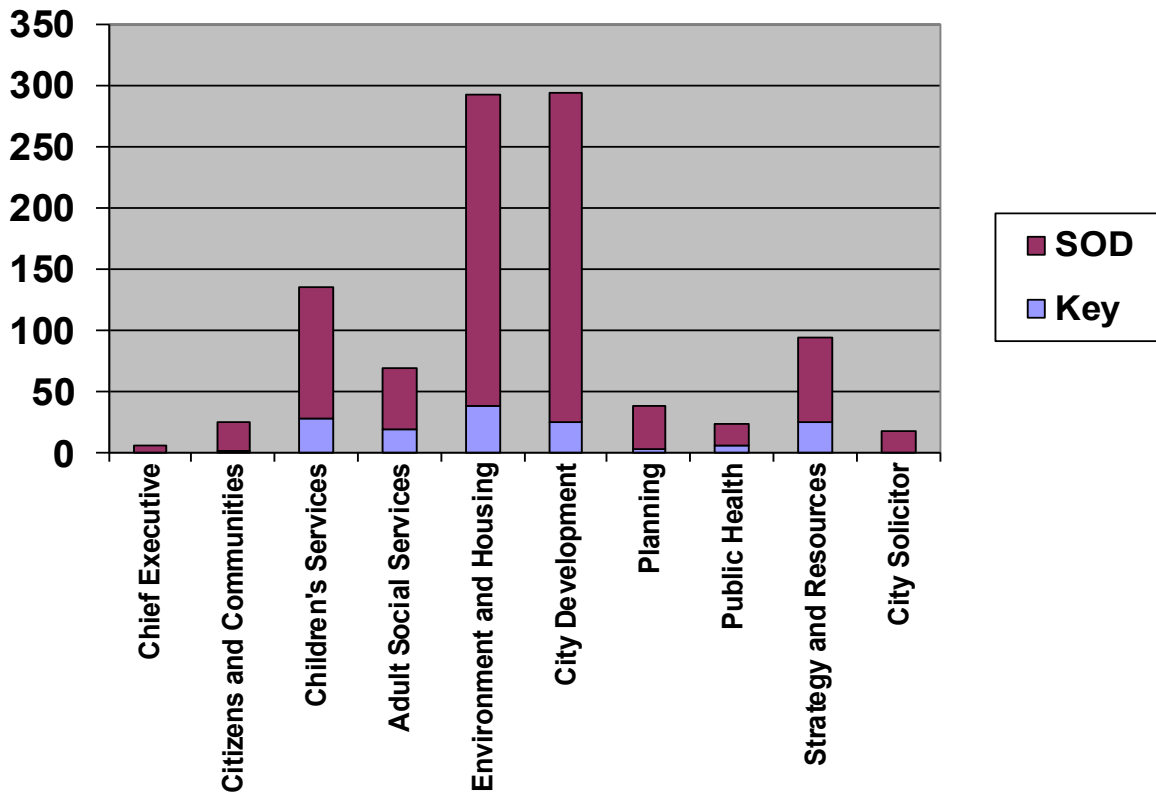
¹ Functions are delegated to the Chief Executive, Deputy Chief Executive, City Solicitor, Assistant Chief Executive (Citizens and Communities), Director Public Health, Director Adult Social Services, Director Children's Services, Director Environment and Housing, Director City Development and Chief Planning Officer who are collectively known as Directors for these purposes.

- 3.14 Functions delegated to Directors through the Constitution are further sub-delegated to other officers of the Council. These arrangements provide for transparency in terms of officer accountabilities, setting out arrangements for decision taking by individual officers in each directorate.
- 3.15 The Head of Governance Services is able to confirm that each Director maintained a sub delegation scheme in the 14/15 Municipal Year and made amendments throughout the course of the year as necessary and appropriate. Amendments to individual sub-delegation schemes have been published as significant operational decisions in addition to their inclusion in the electronic library maintained by the Head of Governance Services.
- 3.16 Each Director was required to make a new sub delegation scheme following the Annual Meeting on 21st May 2015. The Head of Governance Services can confirm all ten Directors have made a scheme. Each scheme is published on the Council's web site as part of the Modern Gov 'library'.
- 3.17 As part of the continued drive to ensure that governance arrangements are open and transparent the Head of Governance Services has worked with directorate support officers during the 14/15 municipal year to redesign the template on which directors record their sub-delegation schemes. The new template, trialled by the Director of Adult Social Services, the Director of City Development and the Chief Planning Officer during the 14/15 year, was used by all directors to record their new scheme of delegation for the 15/16 municipal year. The template provides a glossary of terms, together with clear, plain English, introductions to each element of the scheme and provides for Directors to indicate that the absence provisions apply when away from the office for business reasons as well as during periods of leave.

Publication of Decisions

- 3.18 Directors continue to be responsible for publishing items to the List of Forthcoming Key Decisions where appropriate in addition to publishing reports and delegated decision notifications in relation to Key and Significant Operational Decisions (SOD).
- 3.19 The chart below shows the distribution of Key and Significant Operational decisions taken by officers in accordance with the relevant delegation schemes between 1st June 2014 and 31st May 2015. (Council decisions are no longer included as a separate category as they now come within the definition of a Significant Operational decision.)
- 3.20 It will be noted that of the 1001 decisions recorded by officers in that period:-
- 15% (149 decisions) were Key and 85% (852 decisions) Significant Operational;
 - 29% (295) of these decisions were taken by or on behalf of the Director of City Development, 29% (293 decisions) by or on behalf of the Director of Environment and Housing, and 14% (136 decisions) by or on behalf of the Director of Children's Services. The remaining 28% (277 decisions)

are distributed between the Chief Executive, Deputy Chief Executive, Assistant Chief Executive, Director of Adult Social Services, Chief Planning Officer, Director of Public Health and City Solicitor, with none of these officers taking more than 100 decisions. This distribution of recorded decisions amongst the directors reflects the pattern of previous years and the distribution of functions amongst those directorates.



Performance Monitoring

3.21 Both national legislation, and local practice and procedure place requirements on the governance of decision making. To provide a test of the extent to which the council's arrangements meet these requirements, a suite of performance indicators have been established. These are explored further below. In order to ensure continuity of reporting to the Committee these statistics cover the period from June 2014 to May 2015.

Publication of Agendas

3.22 The Council is required to publish agendas and reports for committees five clear working days in advance of a meeting. This requirement is contained within

Section 100B of the Local Government Act 1972 for Council Committees and in the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012 for Executive committees. Both pieces of legislation also contain exception provisions for meetings to be called at short notice.

- 3.23 The Head of Governance Service has established a target for 99% of agendas to be issued and published within the five day statutory deadline²; this being a reasonable measure of timely transparency and an indication of the extent to which exception provisions are utilised to call meetings at short notice.
- 3.24 Of 318 meetings which took place within the reporting period covered by this report, 8 agendas were not issued within the 5 clear day deadline. 2 of these agendas were for meetings called at short notice. 4 of the remaining 6 agendas related to meetings of the licensing sub-committee which meets weekly. Clerks to the Licensing Sub-Committee seek to ensure that the agendas are published with all necessary documentation relating to the applications to be heard. On occasions agendas need to be issued with less than five days' notice to enable this to happen. Provision for this is contained within legislation.
- 3.25 The overall figures give a performance of 97% of agendas published within the required notice period, which shows a slight improvement in performance on the previous year as follows:-

2011	96%
2012	97%
2013	98%
2014	96%
2015	97%

- 3.26 However, if the figures are adjusted to remove the impact of the short notice meetings, and agendas issued outside the target period for licensing sub-committee 99% of agendas have been issued within the target period.

Publication of Minutes

- 3.27 There is no statutory framework stipulating the time period for the publication of committee minutes. To enable the decisions of the Council to be accessible and transparent the Head of Governance Service has established a local target; this being for 100% of draft minutes to be published on the Council's internet site within ten working days.
- 3.28 Of 318 committee meetings which have taken place within the period covered by this report, 43 sets of draft minutes were published outside of this locally established target. This gives a performance indicator of 86% draft minutes published within the required period which shows a further decline in performance over the previous 4 years as follows:-

2011	96%
2012	96%

² Licensing Sub Committees are not bound by these statutory requirements but, for completeness, are included in the monitoring information.

2013 96%
2014 92%
2015 86%

- 3.29 The Head of Governance Service has reviewed the reasons for this and found some inconsistencies in officer practice. In order to tighten up performance each Governance and Scrutiny Officer has had a target in respect of minute publication included in their appraisal objectives for 2015/16.
- 3.30 In addition to publication of minutes, to enable speed of implementation and facilitate Call In, all Executive Board minutes are published within two working days of the Executive Board meeting. The Head of Governance Services is able to confirm that Executive Board minutes have been published within two working days for each meeting held between June 2014 and May 2015.

Key Decisions on the List of Forthcoming Key Decisions

- 3.31 As Members are aware, a significant element of the decision making framework concerns requirements surrounding the pre-notification of an intention to take a Key decision. These provisions seek to ensure transparency of decision making and allow representations from stakeholders etc.
- 3.32 Regulations require that a Key decision is included on the List of Forthcoming Key Decisions for no less than 28 clear calendar days prior to the decision being taken. The Head of Governance Services has set a local target of 95% (revised from 89% in 2014) of Key Decisions to be included on the List of Forthcoming Key Decisions, and monitors inclusion of Key Decisions on this list.
- 3.33 During the period covered by this report of 149 Key decisions taken by officers 8 were not on the List of Forthcoming Key Decisions as appropriate, and of 70 Key decisions taken by Executive Board 1 was not on the List. This gives a total performance indicator of 96% Key decisions on the List of Forthcoming Key Decisions.
- 3.34 This shows a slight decline from the previous year's performance but is in line with a general improvement over the last 5 years which show performance indicators as follows:-

2011 84%
2012 93%
2013 95%
2014 97%
2015 96%

- 3.35 Of the 9 decisions not included on the List of Forthcoming Key Decisions 8 were taken in accordance with the general exception provisions contained in Regulations and reflected in the Executive and Decision Making Procedure Rules. Each of these decisions gave a clear reason for use of the general exception.

Special Urgency

- 3.36 In accordance with Rule 2.6.2 of the Executive and Decision Making Procedure Rules³, the Head of Governance Services, on behalf of the Leader, reports that the Special Urgency Provisions, enabling an Executive Decision to be taken at less than 5 days' notice, was used once during this period.
- 3.37 The use of the special urgency provisions related to the Tropical World energy efficiency scheme. The scheme, which involved the closure of Tropical World while works were carried out, had to be amended when a key developer dropped out. The importance of re-opening Tropical World in time for February Half Term Holidays meant that the timing of the scheme was critical and the decision necessary to resolve the situation had to be taken as a matter of urgency.
- 3.38 The Chief Officer Parks and Countryside met with the Chair of the Safer and Stronger Communities Scrutiny Board and both parties agreed that the decision was urgent and could not reasonably be deferred.
- 3.39 The Head of Governance Services is able to confirm that the use of special urgency in the circumstances was appropriate and that all relevant rules and procedures were followed.

Eligible Decisions Open for Call In

- 3.40 The Council has established arrangements for eligible Executive decisions⁴ to be available for Call In. This allows for Overview and Scrutiny Committees to request that a decision, which has been taken, but not yet implemented, be considered by the relevant Scrutiny Committee. This mechanism is an important element of democratic accountability arrangements in place at Leeds and is monitored by the Head of Governance Services, with a target of 95% of all eligible decisions being available for Call In.
- 3.41 Of 149 Key decisions taken by officers and 294 eligible decisions of Executive Board taken during the reporting period, 11 decisions (4 taken by officers and 7 taken by Executive Board) were not open for call in. This gives a performance of 98% eligible decisions being available for Call In. This shows a return to previous good performance on the 4 previous year's performance as follows:-
- | | |
|------|-----|
| 2011 | 98% |
| 2012 | 96% |
| 2013 | 97% |
| 2014 | 95% |
| 2015 | 98% |
- 3.42 The Head of Governance Services has reviewed the reasons given by decision takers for exempting decisions from call in and is satisfied that decisions are being exempt from Call In only in appropriate circumstances. Reasons given for the majority of exempted decisions focus on time sensitivity for a number of reasons

³ Regulation 19 Executive Arrangement Regulations 2012

⁴ All decisions of Executive Board and all Key decisions of officers are eligible for Call In provided that they have not been the subject of a previous call in.

including statutory and funding processes, and commercial requirements. Others refer to changes necessary to previous decisions necessary to complete the procurement process. No pattern of concern arises in respect to the directorates from which exempt decisions originate.

- 3.43 Arrangements are in place within Directorates with large numbers of Key decisions to facilitate horizon scanning in relation to decision making and to ensure compliance with the relevant procedures.
- 3.44 To provide further context for Members in the period to May 2014 four decisions were the subject of a Call In request and all four were released for implementation. In the equivalent period for the most recent municipal year, June 2014 to May 2015, none of the 443 eligible decisions have been called in for consideration by the relevant Scrutiny Board.

Decisions Not Treated as Key

- 3.45 There have been no decisions taken during the reporting period that have been considered by a Scrutiny Board as Key Decisions which were not treated as Key.
- 3.46 Members will also receive assurance from the arrangements put in place by the Head of Governance Services and the Chief Officer (Financial Services) whereby no financial commitment can be processed on the financial management system without a corresponding Delegated Decision reference or Committee Minute being entered.

Embedding the Decision Making Framework

Training

- 3.47 Throughout the reporting period the Head of Governance Services has continued to provide information through the Decision Making Toolkit available to officers on Insite, together with a suite of training in relation to Decision Making Governance.
- 3.48 During the reporting period training on “Report Writing for Achieving Outcomes” has run on 3 occasions, and “Council Structures and Decision Making” training has run on 11 occasions. Feedback received on these courses has been positive. The Head of Governance Services has continued to work with Directorate Support Officers to publicise the training and to identify officers new to decision making roles within the authority with a need to attend. The appraisal process supports this directorate wide approach as it can be used to identify training need in individual cases. In addition the Head of Governance Services offers timely one to one sessions with Directors and Chief Officers appointed to the Council during the course of the municipal year. This has included making 1:1 arrangements with the new Director of Adult Social Care.
- 3.49 In addition The Head of Governance Services works with specific teams and officer groups to provide tailored training where appropriate. For example, bespoke training was provided to the Internal Audit team, and the Head of Governance Services contributed to the training provided during the induction for the Graduate Scheme.

- 3.50 As a running theme within these learning opportunities the Head of Governance Services continues to contextualise good decision making practice and procedure against the political environment in which decisions are taken.
- 3.51 The training in relation to decision making also specifically concentrates upon the importance of meeting the requirements in relation to checks and controls on decision making, and the need to plan decisions in good time to ensure that appropriate practice and procedure can be followed.

Induction

- 3.52 Throughout the 2014/15 municipal year the Head of Governance Services has been represented in the 'Knowledge Café' section of the Corporate Induction Event, to which all new Council employees are invited. Following a review of the event the Head of Governance Services has worked with colleagues in Human Resources to prepare an interactive presentation to familiarise with the structure of the Council as a political environment, and to signpost further learning opportunities as appropriate.
- 3.53 As part of the induction programme provided for newly elected Members, the Head of Governance Services provides sessions covering the practical arrangements in Council meetings, an outline of the decision making framework in place in Leeds, and guidance in relation to the Members' Code of Conduct.

Audit

- 3.54 Internal Audit have carried out a cross cutting audit of decision making within the Council to ensure that decisions are made in accordance with the constitution and other relevant policies and procedures. Expected controls include; appropriate consultation; correct classification of decisions; compliance with List of Forthcoming Key Decisions, Notification and Call In requirements; sufficiency of information within reports and adherence to timescales.
- 3.55 The audit considered sample decisions from City Development and from Children's Services and showed substantial assurance for compliance with the relevant controls.

Looking forward

- 3.56 In March 2015 DCLG undertook a consultation exercise in relation to a proposed review of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended). In addition to revising and updating the regulations to give effect to changes in local authority functions and responsibilities, the consultation sought views in relation to an extension to the decisions which would be reserved to full council including decisions in relation to parking enforcement, waste collections and disposals of assets over £500,000 in value. The Head of Governance Services took the lead in collating the council's response to the consultation.
- 3.57 It is anticipated that the proposed regulations will be made during the course of the 2015/16 municipal year, requiring revision of the officer delegation scheme as

set out in the Constitution. If the wider suggestions of the Secretary of State are also implemented within the regulations then a more extensive review of Part 3 of the constitution may be necessary to give effect to those requirements. The Head of Governance Services will ensure that appropriate steps are taken to consult with Members and Directors whilst making those changes required to give effect to the regulations in accordance with the powers delegated to the Monitoring Officer in Article 15.

- 3.58 In September 2013 the Council began to broadcast webcasts of meetings of Full Council. Following approval by General Purposes Committee trials are being arranged for webcast suppliers to webcast meetings from the newly created committee rooms in the Civic Hall. The intention being, subject to cost constraints, for meetings of Executive Board and City Plans Panel to be webcast live. It is considered that this will increase the transparency of committee decision making in line with the Council's value of being open, honest and trusted.

4 REGULATION OF INVESTIGATORY POWERS ACT 2000

- 4.1 At their July 2014 meeting, Members of Corporate Governance and Audit Committee noted the monitoring and reduction in use of RIPA powers, which included a proposal that the Council should appoint 2 or 3 officers at Head of Service level from within Strategy & Resources Directorate, to act as authorising officers. Since that meeting, 2 officers at Head of Service level have been appointed, and have received an initial full training session, and also a follow-up training session. In addition, the City Solicitor who acts as Senior Responsible Officer, and who can act as authorising officer in exceptional circumstances, has received a full training session in relation to her role, both as regards directed surveillance and the use of covert human intelligence sources (CHIS), and also as regards the acquisition and disclosure of communications data.
- 4.2 Also since the June 2014 meeting, the Guidance and Procedure document issued by Legal Services has been fully revised and updated to take account of new Codes of Practice issued by the Home Office on 10 December 2014, and new Procedures and Guidance issued by the Office of Surveillance Commissioners. The network of practitioners across all Council services has also received a full training session on the revised Guidance and Procedure document, and practitioners have been asked to identify potential applicants for authorisations in their Directorates, so that they can also receive the necessary training.
- 4.3 Practitioners have also been asked to identify any current or planned activity which might require authorisation under RIPA. To date, no Directorate has indicated any current or planned activity, other than Environmental Health colleagues who have indicated that going forward, they need to make limited use of the powers to acquire communications data. In order to raise awareness generally about the legal rules governing surveillance, an item has been placed in 2 editions of "Essentials" (which is circulated to all staff). In relation to any surveillance being carried out by Directorates which cannot be authorised under RIPA, practitioners have been asked to ensure that the proper auditable process set out in the Guidance and Procedure document is being followed, namely that

Human Rights Audit forms are being completed, and that any such surveillance is only carried out where it is necessary and proportionate, and where it is for the purpose of one of the permitted grounds of interference with the right to private and family life, in Article 8.

- 4.4 There have been no applications for directed surveillance or CHIS authorisations, since the June 2014 meeting. There has been no use of the powers to obtain communications data, over the same period. Given that the grounds for authorising surveillance are limited to preventing or detecting serious crime, and approval by a JP is now also required for directed surveillance and CHIS authorisations it is unlikely that there will be any increase in authorisations. As mentioned above, it seems that going forward, there will need to be a small number of notices or authorisations for acquiring communications data. However, it is important to note that notices or authorisations for acquiring communications data must be subject to assurance by an accredited SPoC (single point of contact) at the National Anti-Fraud Network that a notice or authorisation is appropriate and lawful, and must also be subject to approval by a JP.
- 4.5 Members are asked to consider whether they require any changes to the RIPA policy appended to this report. Minor changes have been made to the policy to reflect the change to the role of authorising officer. No other changes are recommended at this time. Although there is little use of these powers currently, officers will continue to update Members periodically on their use, and on any changes in policy or procedure which may be required as a result of legislation, or relevant Codes of Practice.

5 LICENSING MATTERS

- 5.1 The Head of Licensing and Registration has responsibility to ensure that the Council's arrangements in respect of licensing matters are up to date, fit for purpose, effectively communicated, routinely complied with and monitored.

Entertainment and Miscellaneous Licensing Decisions

- 5.2 As Members are aware the Council is required to take a variety of licensing decisions in accordance with the Licensing Act 2003, Gambling Act 2005 and other miscellaneous legislation providing for the licensing of scrap metal dealers, sex establishment licence, place of marriage, hypnotism, house to house collections and street collections.
- 5.3 The table set out at Appendix A to this report shows the number of applications received for the period between April 2014 to March 2015 and the previous two financial years for comparison purposes only. The table indicates the numbers of decisions made by Licensing Sub-Committee after representations were received. Members should note that where no representations have been received the legislation dictates certain licences must be granted.
- 5.4 The table shows that there has been an increase in the number of applications made under the Licensing Act 2003, and yet there has been a reduction in the

number of hearings before the Licensing Sub-Committee. This can be attributed to the pre-application advice offered to applicants which in turn informs better quality applications and reduces the risk of adverse representations. Similarly the close partnership working between agencies and licence holders has reduced the number of reviews brought against licensed premises.

Taxi and Private Hire Licensing Decisions

5.5 As Members are aware, the granting, suspension, revocation and enforcement 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 (Miscellaneous Provisions) Act 1976. In Leeds, these functions are concurrently delegated to the Licensing Committee and to the Assistant Chief Executive (Citizens and Communities) under the Scheme of Delegation approved annually at full Council. The Assistant Chief Executive (Citizens and Communities) 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. All decisions taken by officers are taken in accordance with policy and guidance decided by Members of Licensing Committee.

5.6 The figures for 10/11, 11/12, 12/13, 13/14 and 14/15 for applications, renewals, refusals, suspensions and revocations of taxi and private hire driver licences are set out in the table below.

	Applications	Renewals	Refusals	Suspensions	Revocations
10/11	482	6543	18	86	69
11/12	454	5981	15	129	46
12/13	674	6148	12	93	41
13/14	691	5888	9	133	25
14/15	665	6179	8	104	18

5.7 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 was suspended in the previous year.

5.8 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. As

explained earlier in this report, most officer decisions flow directly from the application of an approved council policy.

- 5.9 The legal provisions relating to the grant, refusal, suspension and revocation of Licences set out statutory Rights of Appeal to the Magistrates Court against almost all the decisions that would take effect. In the period between 1 April 2014 and 31 March 2015, 32 appeals have been received.
- 5.10 The table below shows the reason for these appeals and the outcomes (whether rejected, upheld or withdrawn by the appellant) are set out below:-

Appeal reason	Withdrawn	Rejected	Upheld	Total
Against Magistrates decision	1	1	0	2
Against Immediate suspension	13	8	1	22
Against Immediate revocation	2	0	0	2
Against Refusal	3	2	1	6
Total	19	11	2	32

- 5.11 The report which Members received in July 2014 set out details of planned policy reviews. Since this time the following changes have occurred:-
- 5.12 The Statement of Licensing Policy for the Gambling Act 2005 is due to be reviewed this year, to come in to effect from January 2016. A draft policy incorporating changes to the Gambling Commission's Licence Conditions and Codes of Practice is currently out for a public consultation and will be presented to full Council in November 2015.
- 5.13 The review of all taxi and private hire licensing policies is now completed. A forward plan has been established to review these policies again from 2017 onwards. A review of the number of hackney carriage proprietor (vehicle) licences has just been agreed by Licensing Committee, and an unmet demand survey will be conducted during 2016 after the procurement exercise to appoint the external consultants has been concluded.

6 PLANNING

- 6.1 The Chief Planning Officer has responsibility to ensure that the Council's arrangements for dealing with and determining planning matters are up to date, fit for purpose, effectively communicated, routinely complied with and monitored.
- 6.2 Planning Services has internal arrangements in place to provide assurance in the decision making process and to mitigate any potential risk of challenge on the grounds of partiality or bias. The service is firmly committed to a programme of continuous improvement, ensuring that processes take into account best practice and from learning from past errors. A number of actions and improvements have taken place over the last year and these are described below.

Decision making framework for planning matters

- 6.3 The framework for decision making in relation to planning matters in England and Wales is plan-led. This involves the authority preparing plans that set out what can be built and where. All decisions on applications for planning permission should be made in accordance with the Development Plan unless material planning considerations indicate otherwise.
- 6.4 The decision on whether to grant permission is within the context of the Development Plan and other material considerations which includes national and local planning policy and guidance. Material considerations cover a wide variety of matters including impact on neighbours and the local area.

Officer Conflict of interest and declaration of interest

- 6.5 The service ensures there is a robust process in place to detect any potential conflicts of interest on decisions made in respect of planning applications and the process that officers follow in declaring or making it known any beneficial interest in land and property. This includes the Council's annual declaration interest process and officers declaring an interest voluntarily, where there is a perceived conflict on clearly defined criteria.
- 6.6 It was reported in the last report to this Committee that Internal Audit carried out an independent review of the controls in place to detect any conflicts of interest on the decisions made in respect of planning applications. Head of Internal Audit was able to provide high level assurances that key controls were in place within the planning application process to mitigate the risk of planning decisions being subject to conflicts of interest and inappropriate influence.

Planning performance workloads April 2014 to March 2015

- 6.7 In 2014-15 the service continued to deal with a significant workload, whilst progressing with a number of large and strategically important applications. The service contributes to the Breakthrough Project Housing growth and jobs for young people and has been working positively with applicants, communities and Ward Members to deliver the Council's ambitious housing targets, whilst at the same time trying to raise the quality of design to reflect the distinctiveness of communities in Leeds. The Core Strategy has been found sound by the Inspector appointed to oversee the public examination process and was formally adopted by the Council on 12th November 2014, providing a secure policy framework for determining applications.
- 6.8 In the reporting period, application numbers submitted overall were up slightly from 4,495 in 2013-14 to 4,511 in 2014-15, with 4,119 decisions being made in 2014-15. 96% of decisions were made by officers under the delegation scheme, a slight decrease from the previous year, where 97.7% decisions were made by officers under delegated powers.
- 6.9 There are statutory determination timescales for different categories of applications; major applications in 13 weeks, minors and others in 8 weeks. Applications are also "in time" if they are determined within a timescale, agreed by

both the applicant and local planning authority. These are “extension of time agreements”, brought in under the provisions of the Growth and Infrastructure Act. During 2014-15 there has been a considerable improvement in performance and numbers of applications which are determined in time, as demonstrated in the table below:

	% Majors in time	% Minors in time	% Other in time
2014-15	88.7	85.1	91.8
2013-14	73.3	70.3	83.3
2012-13	61.3	77.4	88.9

- 6.10 The improvement in performance has in part been due to the ability to use extension of time agreements, but also there has been more emphasis on officers taking a project managed approach to handling applications.
- 6.11 The planning guarantee was brought in through The Town and Country Planning (Fees for Applications, Deemed Applications, Requests and Site Visits) (England) (Amendment) Regulations 2013 and is now operational and means that any applications over six months old after 1 April 2013, where there is no extension of time agreement can have the planning fee refunded. Since 1st October 2013 a total of £6,119 has been refunded, £ 4,964 of which was in 2014-15. Whilst this is a relatively small amount and relates to seven applications in total, officers have been instructed to try to negotiate extension of time agreements for those applications reaching six months old, wherever possible, to mitigate the risk of returning the fees.
- 6.12 This Committee heard in the last assurance report about the provisions in the Growth and Infrastructure Act which enables the Government to place authorities in “special measures” where they have been shown to be “poor performers”, based on two criteria- speed of determination and quality of decision making as demonstrated by the number of appeals made. In 2014, the Government consulted on raising the thresholds for both criteria and in June 2014, following the consultation, the threshold was raised for the speed criteria and now an authority is deemed to be in special measures if fewer than 40% of major applications are determined in time. The 20% threshold was retained as the threshold for major appeal decisions overturned. The service’s determination performance on major applications and appeals performance, as Committee will see in the appeals section below, clearly exceeds the threshold for special measures designation. It is critical for local decision making that this good performance is maintained as one consequence of being in special measures is that applications for major schemes can be made directly to the Planning Inspectorate, bypassing the Local Planning Authority (LPA).

Decisions contrary to the officer recommendation

- 6.13 From time to time, especially where decisions are closely balanced, the Plans Panels may attach different weight to the potential planning considerations and may take a decision which is contrary to the officer recommendation. Where this occurs there is the need to provide a robust and defensible basis for taking an alternate view, so that as far as possible, it will be capable of surviving a legal challenge or appeal. A high number of decisions taken that are contrary to the

officer recommendation may give the appearance that elected members and officers are not working well together, which has the potential to show a lack of confidence in the planning system in Leeds.

- 6.14 In 2014- 15, the three Plans Panels decided 191 applications. Fourteen were contrary to officer recommendation - two approvals and 12 refusals. This represents a slight increase in the proportion of decisions contrary to officer recommendation, 7.3% of total Plans Panel decisions in comparison with 6% in 2013-14. North & East Panel determined 58 applications with nine overturns and South & West Panel determined 62 applications with five overturns. There were no overturns at City Plans Panel.
- 6.15 Recent feedback at the meeting of the Joint Plans Panel in February 2015, has led to some work being undertaken on improving officer reports to Panel. The aim is to make reports less repetitive, focus on the key issues and clearly show where weight has been attached to particular material considerations. Providing increased clarity in this area will aid members in their decision making.

Appeals and complaints

- 6.16 The service uses several indicators to determine the quality of decision making: number of lost appeals, number of ombudsman complaints received and numbers upheld.
- 6.17 The table below shows that performance on the number of appeals dismissed has dropped in 2014-15 compared to the previous year but is comparable to 2012/13. Since the introduction of the National Planning Policy Framework (NPPF) and relaxation of the permitted development on large house extensions, it appears from analysis of the Planning Inspectorate’s (PINS) decisions that PINS is allowing more household extensions, which are “marginal”. A continuous review of appeal decisions takes place to ensure that any common themes are highlighted and measures put in place to mitigate the risk of appeals occurring on similar grounds. However, there is a careful balance to be made between refusing an application with the risk of a subsequent appeal and maintaining design quality, without being unreasonable.

Year	Appealed Decisions	Dismissed	Costs awarded against Council	Costs awarded to Council
2014-15	237	66%	5	0
2013-14	251	71%	4	0
2012-13	187	67%	3	0
2011-12	254	69%	7	2

- 6.18 In 2014-15 appeal costs of £2,092 have been paid on two claims, two costs have not been claimed and one has been quashed following a challenge and will be reconsidered by the Planning Inspectorate.
- 6.19 In the reporting period from April 2014 to March 2015 the LPA received notification the Local Government Ombudsman (LGO) they had investigated eight complaints on planning matters. The LGO will not normally open a case unless

the complainant has first been through the City Council's own complaints procedure.

- 6.20 Five of these complaints arrived closed with the Council being informed by the Ombudsman that no further action was required. From the enquiries made by the Ombudsman they were satisfied there was no evidence of maladministration causing an injustice.
- 6.21 Three cases required a written response from the LPA. One case was closed by the Ombudsman, finding no maladministration; in a second case, following their investigation, the LGO found no fault in the way the Council considered a planning application and the final case relates to previous investigation by the LGO where no maladministration causing injustice was found. However, the complainant has successfully challenged the LGO who has appointed a different investigator to look at the matter again. The issue of the complaint was how a development carried out in breach of planning control took such a considerable period of time to be resolved. The Ombudsman has yet to adjudicate on the further information provided by the LPA.
- 6.22 There were no financial settlements awarded by the Ombudsman during this period.

Embedding the framework for planning matters

- 6.23 As mentioned in previous reports to this Committee, the service places emphasis on ensuring that planning officers are up to date with current legislation, best practice and government initiatives. This ensures the decision making process is based on the most current and accurate information possible. In recent years, major reforms to the planning system have taken place and the pace of change continues. In this reporting period the Infrastructure Act 2015 was enacted in February 2015 and proposes a new system for deemed discharge of planning conditions, other announcements on planning reform have been made in the Budget 2014, Technical Consultation on Planning July 2014, Consultation: planning and travellers, September 2014, National Infrastructure Plan 2014, Autumn Statement 2014, December 2014 and the Government has made the regulation of Sustainable Urban Drainage Systems through the planning process from April 2015. At a local level the Community Infrastructure Levy has been in place in Leeds from 6 April 2015.
- 6.24 It has therefore been a time of significant change and necessary to ensure that officers are up to date and have received training to support decision making. Officers have received training and updates at the planning case officers' meeting which takes place every 6 to 8 weeks. Guest speakers are invited who provide information on planning and planning related information. Planning officers have received training from internal consultees including landscaping, drainage, ecology and environmental health. Further training from conservation is planned for summer 2015. The Head of Planning Services provides a regular update of government reforms and changes that will impact on the way officers work. The meetings facilitate two way communications to ensure agreement is reached on operational issues and a consistent approach is adopted across the service.

- 6.25 External formal training has been accessed by a number of officers through the Royal Town and Planning Institute and Planning Advisory Service. Information is cascaded to colleagues at case workers meetings, as appropriate.

Member Training

- 6.26 In order to sit on the Plans Panel, members are required to receive compulsory training, as per the requirements in Article 8 of the Council's Constitution. In the reporting period, all members have undertaken the compulsory annual planning update session. The majority of members attended the two sessions, and one to one sessions were organised for three members. New members to Plans Panels appointed since the Annual General Meeting of the Council have recently received training prior to attending Panel meetings.
- 6.27 In previous years Members had the opportunity to shadow planning officers in the planning office to see how an application was handled end to end. Feedback from Members was that this was a valuable insight and shadowing will be offered again as part of the training programme in 2015-16.

Relationship with partners and customers

Housing Growth events

- 6.28 Members heard in the last report about the first house builder's conference in October 2013, which aimed to take a proactive approach to engaging with volume house builders in a bid to address concerns about the quality of large residential proposals in Leeds. The aim of the session was to work with developers to develop proposals that reflect the Council's ambition for high quality housing, provide more clarity for applicants and facilitate more consistent and speedier decision making to support housing growth in the city.
- 6.29 Following on from this conference, a further meeting with the volume house builders, registered providers, architects, agents and elected members was held in January 2015, which provided an update on the Core Strategy, formally launch the consultation on the Leeds Standard and to further reinforce the need to deliver high quality development which better reflects the varied character and identity of the different communities throughout Leeds. From this meeting, it was agreed to hold a series of three workshop sessions to explore the issues encountered by stakeholders and the Council, with the aim of reducing delays in determination, ensuring quality and facilitating a swift start on site and housing delivery.
- 6.30 The sessions were held in April and May 2015 and were well attended. An action plan is currently being developed by the service to help deliver the housing growth agenda in Leeds. However, it is anticipated this will be a shared action plan between the council and the development industry, where changes will be needed by all stakeholders. The Council has been commended by the development industry for taking such a proactive and transparent approach to delivering housing growth.

Customer Services

- 6.31 A customer survey was carried out in February 2015 to ascertain the level of satisfaction with the planning service. The survey only received a 2% response rate and it therefore the results are not necessarily representative. However, of those who responded, 54 % were satisfied with the service they received; this is an increase from 51% in the customer satisfaction survey conducted in 2013.
- 6.32 However, despite the low response rate there are some common themes and the main areas highlighted for improvement were communication with objectors and the lack of information and notification of an application's outcome and lack of acknowledgement by the LPA to any comments made. This resulted in respondents commenting that they didn't feel their representation was taken into consideration when a recommendation was reached. To avoid criticisms relating to inadequate consideration of the issues, or claims of unclear reasoning behind an officer's recommendation, officer reports need to ensure they robustly address, among other things the substance of objections and the views of those who have been consulted and their materiality in the decision making process.
- 6.33 Several actions are going forward to address these issues:
- A new draft report template is being produced which introduces a new section "balance of considerations", which aims to show more clearly how the decision has been made
 - Officer training on the new template will reiterate the need for a summary of the issues raised by representations and addressing of them clearly and concisely in the appraisal section so representations can be identified
 - Better use of Plain English in reports and reducing jargon and technical language wherever possible, particularly when addressing representations so objectors can easily identify their issues
 - Managing expectation through clearer information that the LPA cannot respond directly to people who have made representations

CSE reaccreditation

- 6.34 The customer services section within Planning Services has been the holder of the Customer Services Excellence Award (CSE) since 2009. This is a national government standard awarded to organisations which demonstrate that they are a customer centric organisation. The scope was broadened to include the wider planning service and the whole service was awarded CSE in 2014.
- 6.35 In April 2015, the service was assessed against rigorous criteria- Customer Insight- the identification of customers, customer satisfaction, engagement and consultation. The service was formally assessed by an external assessor who met with service users- agents, developers, community representatives and spoke with them about the service they received. The assessor concluded that the service continued to meet the CSE standard. However, there was one partial compliance in the area of customer satisfaction data. As mentioned above the

response rate to the 2015 customer satisfaction survey was very low and work is needed to try to obtain a greater response rate in the future so we can be assured that the views received represent the whole population we serve. Methods are currently being considered to try to achieve a better response, in a cost effective way.

- 6.36 The service will continue to be externally assessed on an annual basis.

Web refresh

- 6.37 A corporate review is taking place to refresh some of the pages on the Leeds City Council website, including the planning pages. Planning will become a sub site of the main LCC site, because of the complexity and volume of information provided. The service intends to consult with users and customers, members and staff to seek views on how the pages can be improved and questionnaires are currently being drafted. Further clarity is needed from the corporate web team on what is allowable on the site in terms of architecture and format of information. Once this has been agreed customers will be surveyed and an action plan developed.

7 Corporate Considerations

7.1 Consultation and Engagement

- 7.1.5 The information contained in this report has been shared with the Corporate Leadership Team and with the Executive Board Co-ordination Group in order that information can be further disseminated as appropriate within directorates.

7.2 Equality and Diversity / Cohesion and Integration

- 7.2.1 There are no implications for this report.

7.3 Council policies and the Best Council Plan

- 7.3.1 The Best Council Plan sets out the Council's ambition to become the best Council in the UK, using a civic enterprise leadership style, in which the council is more enterprising, businesses and partners more civic, and the citizens of Leeds more actively engaged in the work of the city.

- 7.3.2 In conjunction with the Council's values, particularly that of being open, honest and trusted, this ambition is captured in the Council's decision making framework which is designed to ensure open and honest decision making, enabling engagement of the public with Key decisions taken by Members or officers.

7.4 Resources and value for money

- 7.4.1 Given the assurances made by the Head of Governance Services, the Head of Licensing and Registration and the Chief Planning Officer as a result of the implementation and monitoring of the Council's decision making framework it is considered that the systems and processes in place represent an appropriate use of resources and good value for money.

7.5 Legal Implications, Access to Information and Call In

- 7.5.1 The Head of Governance Services, Head of Licensing and Registration and Chief Planning Officer are satisfied that the arrangements put in place through the Council's decision making framework meet all legal requirements.
- 7.5.2 Proper implementation of the decision making framework ensures appropriate access to information for both elected Members and the public.

7.6 Risk Management

- 7.6.1 From the review, assessment and ongoing monitoring carried out the Head of Governance Services has reached the opinion that, overall, decision making systems are operating soundly and that there are no fundamental control weaknesses.

8 Conclusions

- 8.1 From the review, assessment and ongoing monitoring carried out the Head of Governance Services has reached the opinion that, overall, decision making systems are operating soundly and that there are no fundamental control weaknesses.

9 Recommendations

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

10 Background documents⁵

- 10.1 None

⁵ 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.

			12/13	13/14	14/15
Licensing Act 2003	Premises Licences	Number of applications	1008	1095	1145
		Number of committee decisions	60	45	28
	Club Premises Certificates	Number of applications	2	5	9
		Number of committee decisions	1	2	0
	Personal Licences	Number of applications	521	475	539
		Number of committee decisions	6	2	0
	Temporary Event Notices	Number of applications	1658	1621	1785
		Number of committee decisions	1	0	0
	Review Applications	All heard before committee	9	10	1
	Gambling Act 2005	Premises Licences	Number of applications	11	10
Number of committee decisions			0	2	0
Permits		Number of applications	16	30	30
		Number of committee decisions	0	0	0
Small Society Lottery Registrations		Number of applications	123	66	60
		Number of committee decisions	0	0	0
Temporary/ Occasional Use Notices		Number of applications	0	0	2
		Number of committee decisions	0	0	0
Misc.	Marriage Act Premises Registrations	Number of applications	18	13	25
		Number of committee decisions	0	0	0
	Sex Establishment Licences	Number of applications	9	10	7
		Number of committee decisions	7	16	3
	Scrap Metal Dealers Registrations	Number of applications	69	175	50
		Number of committee decisions	0	0	0
	Motor Salvage Operators Registrations	Number of applications	3	0	n/a
		Number of committee decisions	0	0	n/a

			12/13	13/14	14/15
Misc. continued	Street Collection Permits	Number of applications	214	150	238
		Number of committee decisions	0	0	0
	House to House Collection Permits	Number of applications	30	31	24
		Number of committee decisions	0	0	0
	Hypnotist Licences	Number of applications	3	5	6
		Number of committee decisions	0	0	0

1.0 Extent

This policy applies to the authorisation of directed surveillance under Section 28(1) of RIPA. This policy also applies to authorisations and notices for the purposes of obtaining communications data, under Section 22(3) and 22(4) of RIPA. This policy does not cover the authorisation of covert human intelligence sources under Section 29 of RIPA, nor does this policy cover intrusive surveillance (which the Council is not entitled to authorise under RIPA).

2.0 Safeguards

2.1 The Council will apply a presumption in favour of overt investigation methods. The Council will always consider using a variety of overt investigatory tools, before considering whether the use of these powers is required. Covert surveillance or investigation will be used only when other reasonable options have been considered, and ruled out.

2.2 In order to comply with the duties in Section 28(2) of RIPA, that a person shall not grant an authorisation for the carrying out of directed surveillance unless they believe that the authorisation is “necessary” for the purposes of preventing or detecting crime punishable by a maximum term of at least 6 months imprisonment or for the purpose of preventing or detecting certain other specified offences, and “proportionate”, in accordance with the Covert Surveillance and Property Interference Code of Practice, the Council will

- balance the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence, or disorder;
- explain how and why the methods to be adopted will cause the least possible intrusion on the target and others;
- consider whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
- evidence, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

2.3 The Council will only use covert surveillance when the problem is serious and/or persistent, and where overt surveillance would not provide evidence and/or might displace the problem elsewhere.

2.4 The Council will use covert surveillance proportionately, and will not use covert surveillance to address minor matters, but instead will focus on those issues which are of greatest concern to the community.

- 2.5 The Council will only use covert surveillance either to obtain evidence that can be presented at court, or where another positive outcome relating to the prevention or detection of crime as referred to above has been identified, for example through the positive identification of perpetrators.
- 2.6 The Council will give responsibilities to a single member of its Corporate Leadership Team, the City Solicitor, as Senior Responsible Officer, to ensure that designated authorising officers meet the standards required by the Office of Surveillance Commissioners.
- 2.7 The Council will ensure that the quality of authorisations is monitored by Legal Services.
- 2.8 The Council will ensure applicants and authorising officers receive an appropriate level of training.
- 2.9 The Council will ensure that in accordance with The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 as amended, directed surveillance authorisations will only be granted by 2 or 3 Heads of Service appointed from within Strategy & Resources Directorate. This will avoid any perception that a Head of Service is agreeing to “their” investigation within their own service, or is directly involved with the investigations they authorise. Authorising officers will therefore be able to apply more independently reasoned judgment of the issues. No authorisation will be put into effect until an order has been made by the Magistrates Court approving that authorisation.
- 2.10 In order to comply with the duties in Section 22(1) and 22(5) of RIPA that a designated person will not grant an authorisation or give a notice for the acquisition of communications data unless they believe this is “necessary” for the purpose of preventing or detecting crime as referred to above, and “proportionate” to what is sought to be achieved, the Council will balance the extent of the intrusiveness of the interference with an individual’s right to respect for their private life against a specific benefit to the investigation or operation being undertaken by the Council in the public interest.
- 2.11 The Council will only use powers to acquire communications data when investigating serious incidents, (such as vehicles causing nuisance within communities, and illegal advertising) and where overt investigation methods would not provide the necessary evidence.
- 2.12 In accordance with the Acquisition and Disclosure of Communications Data Code of Practice, the Council has appointed the City Solicitor as senior responsible officer, who will be responsible for the integrity of the process within the Council to acquire communications data, compliance with the relevant provisions of RIPA and the Code, oversight of the reporting of errors to IOCCO and the identification of both the cause of errors and the implementation of processes to minimise the repetition of errors, engagement with IOCCO inspectors, and overseeing the implementation of post inspection action plans.

- 2.13 In accordance with the Acquisition and Disclosure of Communications Data Code of Practice, the Council will not acquire communications data without using the services of an accredited SPoC, who will monitor the quality of notices and authorisations.
- 2.14 The Council will ensure that applicants, the designated person, and the senior responsible officer receive an appropriate level of training.
- 2.15 The Council will ensure that in accordance with The Regulation of Investigatory Powers (Communications Data) Order 2010 as amended, the designated person will be a “Director, Head of Service, Service Manager or equivalent”, or someone in a more senior position. The Council will ensure that the designated person is at Head of Service level as a minimum. No authorisation will be put into effect until an order has been made by the Magistrates Court approving that authorisation.
- 3.0 **Review**
- 3.1 This policy will be reviewed, and reports on the use of these RIPA powers will be considered on an annual basis, by Corporate Governance and Audit Committee.



Report author: Sonya McDonald
Tel: 74214

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 9th July 2015

Subject: Internal Audit Update Report 1st February to 31st May 2015

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 February 2015 to 31st May 2015 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 1st February 2015 to 31st May 2015 update report and note the work undertaken by Internal Audit during the period covered by the report.

1 Purpose of this report

- 1.1 The purpose of this report is to provide a summary of internal audit activity for the period 1st February 2015 to 31st May 2015 and highlight the incidence of any significant control failings or weaknesses.

2 Background information

- 2.2 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 February to May 2015 Internal Audit Update 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 'Major' 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 Best Council Plan

- 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. The Internal Audit Plan has links with each of the 6 strategic objectives for 2015-16 and has close links with the council's value of spending money wisely.

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. These will be included in the regular update reports to the Committee.

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 has been and will continue to be 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 February 2015 to May 2015 Internal Audit Update 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 February to May 2015 Update Report and note the work undertaken by Internal Audit during the period covered by the report.

7 Background documents

- 7.1 None.

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**Internal Audit Update Report
1st February 2015 to
31st May 2015**

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3. AUDIT PERFORMANCE

Section 1

INTRODUCTION

1.1 Background

1.1.1 The changing public sector environment continues to necessitate an ongoing re-evaluation of the type and level of coverage required to give stakeholders the appropriate level of assurance on the control environment of the Council.

1.1.2 This update report provides stakeholders, including the Corporate Governance and Audit Committee, with a summary of internal audit activity for the period 1st February to 31st May 2015.

1.2 Progress against the Operational Plan – High Level

1.2.1 The following table shows the progress against the operational plan for the period 1st April to 31st May 2015.

1.2.2 Due to a number of staffing changes, overall resources for 2015/16 are now less than was anticipated when the audit plan was compiled (233 days). As the plan is only two months into the year, it is the intention to keep planned audit coverage under review and to ensure that members are informed of the actual and projected achievement against the plan during the year. This will include consultation with members about any proposals for reducing coverage. Internal Audit continues to actively manage resources to direct these towards the areas of highest risk to ensure that there is not a negative impact on the ability of the section to provide the coverage necessary to support the Head of Internal Audit opinion on the authority's control environment.

Assurance Block	Total Days per Audit Plan 2015/16	Days spent at 31 st May 2015	% completion at May 2015
Spending Money Wisely	400	45	11%
Anti-Fraud and Corruption	694	104	15%
Key Financial Systems	718	58	8%
Grants and Other Head of Audit Assurances	108	12	11%
Compliance	460	53	12%
Procurement	315	46	15%
Risk Based Audits	490	107	22%
ICT	245	11	5%
Housing Leeds	250	32	13%
Total Financial Resource Risks	3680	468	13%

Assurance Block	Total Days per Audit Plan 2015/16	Days spent at 31 st May 2015	% completion at May 2015
<u>Contingency</u>			
General Contingency	300	60	20%
Total Contingency	300	60	20%
Total Audit Days	3980	528	13%

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

Assurance Block	Total Days per Audit Plan 2015/16	Days spent at 31 st May 2015	% completion at May 2015
External Contracts	237	25	11%
Secondments	135	32	24%
Total Days	4352	57	15%

1.3 *How Internal Control is reviewed*

1.3.1 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.

1.3.2 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.

1.3.3 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.

1.3.4 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.

Control Environment Assurance		
Level		Definitions
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.

- 1.3.5 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.

- 1.3.6 Specifically for the compliance reviews undertaken, the following definitions have been used to assess the level of compliance in each individual area reviewed:

Opinion for Compliance Audits – Levels of Compliance		
Level		Definitions
1	HIGH	There was significant compliance with agreed policy and/or procedure with only minor errors identified.
2	MEDIUM	There was general compliance with the agreed policy and/or procedure. Although errors have been identified these are not

Opinion for Compliance Audits – Levels of Compliance		
Level	Definitions	
		considered to be material.
3	LOW	There was limited compliance with agreed policy and/or procedure. The errors identified are placing system objectives at risk.

1.4 Progress against the Operational Plan – Individual Reviews

1.4.1 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 February and 31st May 2015 (reports issued up to 31st January 2015 have been included in previous update reports to Corporate Governance and Audit Committee.) This summary of reports has also been included in the Internal Audit Annual Report for 2014/15.

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment Assurance	Compliance Assurance	Organisational Impact		
Key Financial Systems					
Business Rates	Substantial	Substantial	Minor	Strategy and Resources	10/02/2015
West Yorkshire Combined Authority Treasury Management Assurance	Substantial	Substantial	Minor	Strategy and Resources	13/02/2015
Housing Rents	Substantial	N/A	Minor	Environment and Housing	13/02/2015
Treasury Management	Substantial	Substantial	Minor	Strategy and Resources	20/02/2015
Business Support Centre – Payroll and Human Resources Administration	Substantial	Substantial	Minor	Strategy and Resources	20/02/2015
Business Rates Pooling Arrangements	Substantial	Good	Minor	Strategy and Resources	04/03/2015
Benefits - Reconciliations	Substantial	N/A	Minor	Citizens and Communities	09/03/2015
Council Tax	Substantial	Substantial	Minor	Citizens and Communities	23/03/2015
Benefits – Assessments and Payments	Substantial	N/A	Minor	Citizens and Communities	31/03/2015
Local Welfare Support Scheme	Good	Substantial	Minor	Citizens and Communities	31/03/2015
Corporate Financial Management Central Controls	Substantial	N/A	Minor	Strategy and Resources	07/04/2015
Sundry Income – Events Team	Limited	Acceptable	Minor	City Development	15/04/2015
Sundry Income Lettings – Civic Enterprise	Limited	Limited	Minor	Strategy and Resources/Civic	27/04/2015

Internal Audit Update Report - 1st February to 31st May 2015

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment Assurance	Compliance Assurance	Organisational Impact		
				Enterprise	
Capital Programme Central Controls	Substantial	Substantial	Minor	Strategy and Resources	28/04/2015
Central Payments System – City Development	Substantial	Good	Minor	City Development	12/05/2015
Central Payments System – Children’s Services	Substantial	Good	Minor	Children’s Services	13/05/2015
Community Care Finance	Good	Acceptable	Moderate	Adult Social Care	15/05/2015
Spending Money Wisely					
Spending Money Wisely Challenge – April 2014 to December 2014	N/A	Low	N/A	Cross Cutting	13/05/2015
Risk Based Reviews					
Procurement					
Adel Beck Secure Unit Children’s Home Capital Contract Review	Good	Good	Minor	Children’s Services	11/02/2015
Inner Ring Road Woodhouse Tunnel Phase 2 Capital Contract Review	Good	Good	Minor	City Development	11/02/2015
Little London and Beeston Hill PFI Scheme Capital Contract Review	Good	Good	Minor	Environment and Housing	25/03/2015
Allerton Bywater Primary School Contract Review	Acceptable	Acceptable	Minor	Strategy and Resources/ Children’s Services	09/04/2015
Other Systems					
Income from Service Users (fairer charging assessment)	Substantial	Substantial	Minor	Adult Social Care/Strategy and Resources	06/05/2015
Learning Disability Pooled Budget Arrangements	Acceptable	Acceptable	Minor	Adult Social Care	06/05/2015
Quality assurance process for the assessment of need and approval of care options	Substantial	Acceptable	Minor	Adult Social Care	06/05/2015
Review of deputy and appointee procedures	Limited	N/A	Moderate	Adult Social Care	06/05/2015
Semi-Supported Independent Living	Acceptable	Acceptable	Moderate	Children’s Services	06/05/2015
Achievement of Strategic Objectives	Substantial	N/A	Minor	Strategy and Resources	12/05/2015
Extended Schools Income – Kippax North Junior, Infant and Nursery School	Good	Acceptable	N/A	Children’s Services	15/05/2015
Extended Schools Income – Weetwood Primary School	Good	Good	N/A	Children’s Services	15/05/2015
Corporate Risk Management	Good	N/A	Minor	Strategy and Resources	26/05/2015
Employee Conduct – Central Controls	Good	N/A	Minor	Strategy and Resources	31/05/2015

Internal Audit Update Report - 1st February to 31st May 2015

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment Assurance	Compliance Assurance	Organisational Impact		
Information Governance and ICT					
XN System	Limited	N/A	Minor	Strategy and Resources/City Development	19/02/2015
Business Applications Audit - FMS	Acceptable	N/A	Moderate	Strategy and Resources	18/05/2015
Business Applications Audit – Other Key Financial Systems	Good	N/A	Minor	Strategy and Resources	18/05/2015
Business Applications Audit – Academy	Substantial	N/A	Minor	Citizens and Communities	18/05/2015
Information Governance – Post and Email	Good	Good	Moderate	Adult Social Care/Children’s Services	19/05/2015
Housing Leeds Assurance Framework					
Orchard Direct Works	Acceptable	Acceptable	Minor	Environment and Housing	29/04/2015
Contractor Quality Systems	Good	Acceptable	Minor	Environment and Housing	06/05/2015
Contractor Gain Share Process	Good	N/A	Minor	Environment and Housing	08/05/2015

Compliance Area	Report Title	Level of Compliance Assurance	Directorate	Date Issued
Compliance Reviews				
Policies and Procedures	Nursery Fees	Low – Rothwell Children’s Centre	Children’s Services	05/02/2015
		Medium – Swarcliffe Children’s Centre	Children’s Services	05/02/2015
Schools	Calverley Parkside Primary School	Low	Children’s Services	11/02/2015
	St Matthews CE Aided Primary School Follow Up Review	Medium	Children’s Services	17/02/2015
	Lawnswood School	Medium	Children’s Services	23/02/2015
Unannounced Visits	Holt Park Leisure Centre	Medium	City Development	25/02/2015
	Lotherton Hall	Medium	City Development/ Environment and Housing	06/03/2015
	Pudsey Area Office	High	Adult Social Care	25/03/2015
	Wetherby Leisure Centre	Medium	City Development	18/05/2015

Report Title	Results/Opinion	Directorate	Date Issued		
Head of Audit Assurances					
Troubled Families Grant Claim (February 2014/15)	Good assurance that the results detailed on the grant claim will satisfy the DCLG requirements of reasonableness.	Children's Services	17/02/2015		
Lord Mayor's Appeal Fund – Independent Examination of Accounts 2013/14	Independent examination of accounts.	Strategy and Resources	23/03/2015		
Leeds City Region Enterprise Zone – Building Foundations for Growth Capital Grant Claim	Audit testing provides good assurance that the grant conditions have been met and will satisfy DCLG's requirements.	City Development	24/03/2015		
Flood and Coastal Risk Management Growth Fund Allocation Grant Claim	Audit testing provides good assurance that the grant conditions have been met and will satisfy Defra's requirements.	City Development	24/03/2015		
Troubled Families Grant Claim (May 2015/16)	The audit confirmed that information from reliable sources was held to support that the 'continuous employment' result had been achieved and that the families claimed for were eligible to be on the programme. Audit testing provides good assurance that the results detailed on the grant claim will satisfy the DCLG requirements of reasonableness.	Children's Services	29/05/2015		
External Work					
Seacroft Grange Primary School – School Financial Value Standard	Satisfactory assurance regarding compliance with standard.	Children's Services	27/03/2015		
Central financial controls of local authority maintained schools	Good	N/A	Minor	Strategy and Resources	06/05/2015

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 Key Financial Systems

Sundry Income – Events

- 2.1.1 A review of sundry income generated by the Events team within City Development (covering external chargeable events at Millennium Square and Victoria Gardens) was undertaken following consultation with Heads of Finance to identify service areas that may benefit from a review of their income processes.
- 2.1.2 Limited assurance was provided for the control environment as there were significant control weaknesses including a lack of formalised governance arrangements detailing how new events will be brought to Leeds, the absence of a pricing policy detailing the approach to core funded events, and no formalised charging schedule or benchmarking with other local authorities. The Directorate have provided the following comments: *‘the development of an events strategy within the remit of the breakthrough project on hosting world class events now provides the framework for ameliorating these weaknesses.’*
- 2.1.3 Acceptable assurance was provided for compliance with the control environment. This assurance opinion could be improved through ensuring:
- consistency in providing quotes to event holders;
 - that invoices are raised at the point of booking; and
 - that debtors who have previously defaulted on payment are not permitted to trade for the same event.
- 2.1.4 An action plan was agreed with the service to improve controls. A follow up review will be undertaken later in the year.

Sundry Income - Lettings

- 2.1.5 A review of sundry income generated by the Lettings team was undertaken. This was also an area selected for review following consultation with Directorate Heads of Finance.
- 2.1.6 The review provided limited assurance on the control environment and compliance with the control environment as there were significant weaknesses in relation to the use of an out of date lettings policy, the lack of formal communication of the new policy, and a lack of information on the bookings process on the LCC website. The audit also identified the failure to raise an invoice for a room rented in a community centre resulting in the potential loss of income as a result of not obtaining a market rental assessment in a timely manner.
- 2.1.7 The review highlighted the opportunity for a holistic review to take place as there is the potential to develop a central function that manages lettings and room hire for all council buildings.
- 2.1.8 An action plan was agreed with the service with the aim of improving controls and processes within the system including a review of the viability of a central function for bookings/lettings and action to be taken in relation to the community centre rental which resulted in potential lost income to the council. A follow up review will be undertaken later in the year to ensure the recommendations made have been implemented.

2.2 Information Governance and ICT

XN System

- 2.2.1 Internal Audit has undertaken a review of the XN System following the identification of control weaknesses during two establishment audits. The findings of the review of Aireborough Leisure Centre were reported to Corporate Governance and Audit Committee in the August to November 2014 update report.
- 2.2.2 The review of the XN System - which is used at LCC leisure centres, the Membership Services Team and at Lotherton Hall - provided limited assurance for the control environment as the audit found password control issues and weaknesses in the recording of key actions during the cash-up process:
- The audit found that the password settings within the system do not enforce the Council's Password Policy and there is currently a lack of functionality within the system to enforce the requirements. Once this functionality

becomes available, the Systems Administrator has agreed to ensure that the XN System will be updated to enforce the password requirements. In the meantime, system users will be reminded of their responsibilities in respect of passwords.

- At the time of the review, the system did not record key actions during the cash-up process, which increases the risk that all monies received are not properly accounted for.

A follow up review is due to be undertaken during the next quarter to ensure that the recommendations have been implemented.

Information Governance – Contracts and Commissioning

- 2.2.3 At the previous Corporate Governance and Audit Committee meeting on the 20th March 2015, members discussed the information governance weaknesses that had been highlighted in a recent audit review of contracts. The discussion related to data sharing arrangements with third parties and arrangements to cleanse data once contracts had expired. The Committee resolved to receive examples of information governance issues that have arisen in contracts.
- 2.2.4 As a result of this request, the follow up review of this area has been brought forward and is currently in the process of being undertaken so that an update on this can be provided to the Committee at the September meeting.

2.3 *Spending Money Wisely*

Spending Money Wisely Challenge

- 2.3.1 The results of the Spending Money Wisely Challenge reviews for 2014/15 were reported in the Internal Audit Annual Report and Opinion for 2014/15 along with the further work proposed to be undertaken by Internal Audit.
- 2.3.2 A sample of payments per month was selected from the published payments lists covering the period April to December 2014. The sample of payments selected was based on expenditure not linked to a contract within the Financial Management System and did not include payments which are exempt from Contracts Procedure Rules e.g. transfer payments such as direct payments. The sample was therefore chosen from a population which had 76% of published payments by value excluded.
- 2.3.3 Overall 46% of the transactions reviewed were found to be unsatisfactory in that there were 51 out of 110 instances where compliance with procurement could be improved or where there was insufficient evidence to demonstrate that value for money had been obtained. A low level of assurance was therefore provided.

2.3.4 The transactions which resulted in non-compliance have been discussed with the individuals responsible for the procurement. In most cases, positive assurances have been received from these officers that future procurements will comply with CPRs. Internal Audit will undertake further work as follows:

- Provide Chief Officers with a summary of findings for issues identified for the transactions in their areas;
- Undertake a directorate focussed approach to the Spending Money Wisely Challenge in 2015/16, reporting any findings and specific issues to the directorate audit contacts and agreeing an action plan with implementation dates; and
- Liaise with PPP&PU to ensure that they are aware of key issues and using the new Pro Spend software for the identification of off-contract expenditure.

2.3.5 The results of the Spending Money Wisely Challenge work during 2015/16 will be reported to Corporate Governance and Audit Committee as part of the regular update reports.

2.4 *Compliance Reviews*

Nursery Fees

2.4.1 A review of nursery fees was undertaken covering two nurseries during this period. An opinion of low compliance was provided for the one of the nurseries and medium compliance was provided for the other. Low compliance was provided in relation to the ad hoc processes for debt management in operation at the nursery that are not in accordance with the process detailed in the Debt Management Policy, Fee Assessment Form and Terms and Conditions. The audit found a number of instances where the level of debt was over £200. A follow up review will be undertaken later in the year to ensure the recommendations made to improve control have been implemented.

Calverley Parkside School

2.4.2 A review of the financial procedures at Calverley Parkside School was carried out and low compliance was provided against procedures due to the weaknesses identified in the administration of the school fund, procurement procedures, inventory controls and incomplete records for income.

2.4.3 Due to the significant level of weaknesses identified, a follow up review was scheduled for 3 months from the final report issue. The follow up review is currently on-going.

2.4.4 The Headteacher has provided the following comments: *'The school leadership team have valued highly the professionalism and expertise of the audit team on both occasions. Within the current staffing constraints currently experienced we have worked extremely hard to implement all recommendations accurately identified. The key outstanding issue of the inventory will be ready within two weeks to gain Governing Body approval. We thank everybody within the audit team who has contributed to Parkside delivering improved provision for the pupils.'*

2.5 Risk Based Audits

Deputy and Appointee Procedures

2.5.1 At the request of the Receivership and Estates Team, Internal Audit has recently completed a review of the procedures for the deputy and appointee process. The review resulted in a limited assurance opinion being provided for the control environment. The weaknesses identified were:

- the existing policy and procedure are out of date and no longer fit for purpose;
- roles and responsibilities in the process have not been clearly defined;
- there is a lack of independent scrutiny and the requirement for supporting documentation to verify that ad-hoc additional monies requested for clients have been appropriately spent;
- safe insurance limits being exceeded.

An action plan with recommendations for improvement has been agreed and a follow up review will be carried out to ensure these are implemented.

2.6 Counter Fraud and Corruption

Reports Issued

2.6.1 In accordance with our agreed protocols, a report is issued to the relevant Director and Chief Officer for each investigation conducted by Internal Audit. The reports provide details of the allegations, findings and conclusions as well as value adding recommendations to address any control weaknesses identified during the course of the investigation. Internal Audit has issued 7 such investigation reports during this period.

2.6.2 At the previous Corporate Governance and Audit Committee meeting on the 20th March 2015, members requested that they are informed of the departments where fraud has been discovered. Whilst there are a number of referrals that are

in the process of being investigated, there are currently no new cases of confirmed fraud to be brought to the attention of this Committee.

Data Matching

- 2.6.3 The 2014/15 National Fraud Initiative (NFI) data matches were released to the Council in January 2015. A further 432 matches have been released as a result of late data submitted by other authorities. The revised match total is 23,835 with 5,780 of these being identified by the NFI as recommended for follow up. These matches have been prioritised and are currently in the process of being reviewed by Internal Audit or the relevant service area.
- 2.6.4 Outcomes so far include the identification of a duplicate payment of £14,536.20. This sum has now been recovered. The council has an established system of control in place for identifying and preventing duplicate payments. This includes a daily check undertaken by the Business Support Centre (BSC) using computer software and regular duplicate payment exercises undertaken by Internal Audit to gain assurance that this process is working as intended. On this occasion, the BSC software had successfully identified the duplicate payment of £14,536.20 but the process for preventing the payment following identification was not followed. The service has taken appropriate action to address the issue.

2.7 Corporate Support

- 2.7.1 In order to support corporate priorities and also to meet personal development objectives, the Section continues to have staff on secondment to various projects and programmes across the authority. This will be monitored throughout the year to ensure that it will not have a negative impact on the ability of the section to provide an evidence-based annual internal audit opinion at the end of the year.

Section 3

AUDIT PERFORMANCE 2015/16

At 31st May 2015

3.1 PUBLIC SECTOR INTERNAL AUDIT STANDARDS

3.1.1 Internal Audit continues to monitor compliance with the Public Sector Internal Audit Standards (PSIAS) on an on-going basis. The results of the most recent self-assessment exercise to confirm conformance with the PSIAS has been reported to Corporate Governance and Audit Committee in the annual internal audit report for 2014/15.

3.2 ENSURING QUALITY

3.2.1 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.

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

3.2.3 A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditee's 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.

3.2.4 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.

3.2.5 As at 31st May 2015, 10 completed Customer Satisfaction Questionnaires had been received in relation to audit reports issued since 1st April 2015. CSQs received up to 31st March 2015 have been included in the annual report for 2014/15.

Results from Customer Satisfaction Questionnaires

Question	2015/16	2015/16
	Actual to date At 31 st May 2015 - % Score 3 or above	Average Score At 31 st May 2015
Notice	100%	4.6
Scope	90%	4.0
Understanding	100%	4.0
Efficiency	90%	4.2
Consultation	100%	4.2
Professional/Objective	100%	4.4
Accuracy of Draft	100%	4.1
Opportunity to comment	100%	4.4
Final Report - Clarity & Conciseness	100%	4.1
Final Report – Prompt	70%	3.5
Recommendations	100%	3.67
Added Value	100%	3.8
Overall Average Score		4.08

3.2.6 The results from the Customer Satisfaction Questionnaires are again encouraging given the increasing complexity of some of the audit assignments included within the audit plan.

3.2.7 These results are generally in line with the last update report in 2014/15 with the exception of the prompt issue of the final report score, which has reduced from 92% to 70%. This relates to 3 of the 10 questionnaires returned throughout a period of the year during which there are a very high number of reports being finalised for issue, including the key financial systems work. Internal Audit continues to focus on this area as a priority and work remains on-going to agree revised reporting protocols with Directorates and review working practices with the aim of improving the timeliness of issue of final reports and meeting clients' expectations in this area. Auditors are appraised following each assignment against a range of performance indicators, including the promptness of reporting. Any individual development needs are identified and addressed through this process.

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Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 9th July 2015

Subject: Internal Audit Quality Assurance and Improvement Programme Framework and Internal Audit Charter

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. From 1st April 2013 the Public Sector Internal Audit Standards (PSIAS) and accompanying Local Government Application Note have superseded the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom as the standards by which local government internal auditors must comply.
2. The standards require the Chief Audit Executive¹ to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The PSIAS also require the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter
3. The Internal Audit Quality Assurance and Improvement Programme (QAIP) and Internal Audit Charter were presented to members at the November 2013 Corporate Governance and Audit Committee meeting as part of the report on the Public Sector Internal Audit Standards. The Committee noted the programme and approved the Charter.
4. The annual review of conformance with PSIAS has been undertaken and the QAIP Framework and Internal Audit Charter have been reviewed and updated.

¹ Within Leeds City Council, the role of the Chief Audit Executive as defined by PSIAS is fulfilled by the Head of Internal Audit.

Recommendations

5. Members are requested to approve the Internal Audit Charter (Appendix 1.)
6. Members are requested to note the Quality Assurance and Improvement Programme Framework (Appendix 2.)

1 Purpose of this report

- 1.1 The purpose of this report is to seek approval for the Internal Audit Charter and to note the Internal Audit Quality Assurance and Improvement Programme (QAIP) Framework as defined by the Public Sector Internal Audit Standards (PSIAS.)

2 Background information

- 2.1 A professional, independent and objective internal audit service is one of the key elements of good governance in local government. The foundation of an effective internal audit service is compliance with standards and proper practices.
- 2.2 As reported to the Corporate Governance and Audit Committee in November 2013, the Relevant Internal Audit Standard Setters² adopted a common set of Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or outsourced.
- 2.3 The PSIAS and the Local Government Application Note (the Application Note) together supersede the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (the 2006 Code). The Application Note has been developed as the sector specific requirements for local government organisations within the UK.
- 2.4 The objectives of the PSIAS are to:
- define the nature of internal auditing within the UK public sector;
 - set basic principles for carrying out internal audit in the UK public sector;
 - establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
 - establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 2.5 The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:
- Definition of Internal Auditing
 - Code of Ethics, and
 - International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary.)

² The Relevant Internal Audit Standard Setters are HM Treasury in respect of central government; the Scottish Government, the Department of Finance and Personnel Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health in respect of the health sector in England (excluding foundation trusts) and the Chartered Institute of Public Finance and Accountancy in respect of Local Government across the UK.

3 Main issues

- 3.1 A key requirement of the PSIAS (Attribute Standard 1000) is that the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. The Chief Audit Executive must periodically review the Internal Audit Charter and present it to senior management and the board³ for approval.
- 3.2 In addition, Attribute Standard 1300 requires the Chief Audit Executive to develop and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity.
- 3.3 The Internal Audit Quality Assurance and Improvement Programme (QAIP) and Internal Audit Charter were presented to members at the November 2013 Corporate Governance and Audit Committee meeting as part of the report on the Public Sector Internal Audit Standards. The Committee noted the programme and approved the Charter.
- 3.4 In line with the requirements of PSIAS for periodic reviews, these documents have now been reviewed and updated.

Internal Audit Charter

- 3.5 The Internal Audit Charter has been updated to ensure it reflects all the requirements of the Standards as follows:
- Recognise the mandatory nature of the PSIAS (specifically the Definition of Internal Auditing, Code of Ethics and the Standards)
 - Defines the terms 'Chief Audit Executive', 'Board' and 'Senior Management' for the purposes of internal audit activity.
 - Sets out the responsibility of the 'Board' and also of the statutory officers with regard to Internal Audit as defined in the Council's Financial Regulations.
 - Establish responsibilities and objectives of Internal Audit.
 - Define the scope of Internal Audit activities.
 - Defines the nature of consulting services.
 - Cover the arrangements for appropriate resourcing.
 - Establish the organisational independence of Internal Audit.
 - Establish the accountability, reporting lines and relationships between the Chief Audit Executive (CAE) and:
 - The Board
 - Those to whom the CAE must report functionally
 - Those to whom the CAE may report administratively.
 - Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
 - Set out the arrangements that exist within the organisation's anti-fraud and anti-corruption policies, requiring the CAE to be notified of all suspected or detected fraud, corruption or impropriety, to inform his or her annual internal audit opinion and the risk-based plan.

³ Within Leeds City Council, the role of the Board as defined by the PSIAS is fulfilled by the Corporate Governance and Audit Committee.

- Define the role of internal audit in any fraud-related work.
- Recognise that internal audit's remit extends to the entire control environment of the organisation and not just financial controls.
- Establish internal audit's right of access to all records, assets, personnel and premises, including those of partner organisations where appropriate, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Quality Assurance and Improvement Programme (QAIP) Framework

3.6 The key changes to the QAIP Framework are as follows:

- Clarification in the approaches to internal quality assessment processes (including details of how quality is ensured at both an audit assignment and for the whole team) and external quality assessment processes;
- Removal of the action plan from the QAIP Framework. The results and any Improvement Action Plan from internal assessment processes will be reported to Corporate Governance and Audit Committee as part of the annual Internal Audit report. The results and any Improvement Action Plan for the external assessment process (once every five years) will be reported to Corporate Governance and Audit Committee following the external assessment process.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 There is no requirement to consult or engage with any stakeholders other than Corporate Governance and Audit Committee and senior management (Section 151 officer.)

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 No equality and diversity issues have been identified.

4.3 Council policies and the Best Council Plan

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. The work undertaken by Internal Audit in accordance with its Charter has links with each of the 6 strategic objectives for 2015-16 and has close links with the council's value of spending money wisely.

4.4 Resources and value for money

4.4.1 Conformance with the standards should ensure that all Internal Audit resources are used efficiently and effectively and that a value for money service is delivered.

4.5 Legal Implications, Access to Information and Call In

4.5.1 No legal implications identified.

4.6 **Risk Management**

4.12.1 No risk management issues identified.

5 **Conclusions**

5.1 The updated Internal Audit Charter and Quality Assurance Improvement Programme will enable Internal Audit to meet the requirements of the PSIAS.

6 **Recommendations**

6.1 Members are requested to approve the Internal Audit Charter (Appendix 1.)

6.2 Members are requested to note the Quality Assurance and Improvement Programme Framework (Appendix 2.)

7 **Background documents**

7.1 None.



Leeds
CITY COUNCIL

**Strategy and Resources Directorate
Audit and Investment
Internal Audit**

**Internal Audit Charter
May 2015**

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Executive Summary – Internal Audit Charter

- This document is the Internal Audit Charter for Leeds City Council (LCC) Internal Audit Service.
- The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013. These are the first internal audit standards to apply across the whole public sector.
- The PSIAS is supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note (April 2013.)
- The unified standards intend to ensure sound corporate governance and set out roles and responsibilities with regard to the delivery of internal audit services. The PSIAS require an Internal Audit Charter to be in place which will be reviewed periodically and presented to the Corporate Governance and Audit Committee for approval.
- This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the PSIAS.
- The main objective of Internal Audit is to provide, in terms of the PSIAS, a high quality, independent audit service to the Council which provides annual assurance in relation to internal control and overall governance arrangements.
- The PSIAS recognises that Internal Audit's remit extends to the entire control environment of the organisation and not just financial controls.

1. Background

- 1.1 Prior to 1 April 2013, Internal Audit operated in accordance with the Code of Practice for Internal Audit in Local Government in the UK which was issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2006. A requirement of the Code of Practice was the preparation of a “terms of reference” document by each Internal Audit Section; this set out the purpose, authority and responsibility of Internal Audit.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013. These are the first Internal Audit standards to apply across the whole public sector. The Standards are issued by the Relevant Internal Audit Standard Setters (RIASS) including CIPFA in respect of local government across the UK.
- 1.3 The PSIAS requires that an Internal Audit Charter is in place for each local authority. The Charter must be consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards contained in the PSIAS.
- 1.4 This Internal Audit Charter has been drawn up in line with the PSIAS requirements and is further informed by the CIPFA Local Government Application Note (April 2013) published to assist in the implementation of the PSIAS.
- 1.5 This Internal Audit Charter replaces all previous Internal Audit Terms of Reference.
- 1.6 This Internal Audit Charter is subject to approval by the Corporate Governance and Audit Committee of Leeds City Council on an annual basis, in line with PSIAS requirements.

2. PSIAS Requirements

- 2.1 The PSIAS requires the Internal Audit Charter to reflect the following points (if further clarification is required, reference to the details is shown below):
 - a. Recognise the mandatory nature of the PSIAS (specifically the Definition of Internal Auditing, Code of Ethics and the Standards) [paragraphs 6.1/Appendix 1.]
 - b. Define the terms ‘Chief Audit Executive’, ‘Board’ and ‘Senior Management’ for the purposes of internal audit activity. Definitions for Leeds City Council are noted below in respect of key duties outlined in the PSIAS. As in CIPFA Application Note guidance, the authority will decide for each occurrence which committee/group/individual best fits the role in that situation, considering the need to preserve Internal Audit’s independence and objectivity [sections 3 – 5.]
 - c. Set out the responsibility of the ‘Board’ and also of the statutory officers with regard to Internal Audit as defined in the Council’s Financial Regulations.

- d. Establish responsibilities and objectives of Internal Audit [section 7.]
- e. Define the scope of Internal Audit activities [section 8.]
- f. Defines the nature of consulting services [section 9.]
- g. Cover the arrangements for appropriate resourcing [section 10.]
- h. Establish the organisational independence of Internal Audit [section 11.]
- i. Establish the accountability, reporting lines and relationships between the Chief Audit Executive (CAE) and:
 - The Board
 - Those to whom the CAE must report functionally
 - Those to whom the CAE may report administratively [paragraph 11.3.]
- j. Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities [paragraph 11.4.]
- k. Set out the arrangements that exist within the organisation's anti-fraud and anti-corruption policies, requiring the CAE to be notified of all suspected or detected fraud, corruption or impropriety, to inform his or her annual internal audit opinion and the risk-based plan [section 14.]
- l. Define the role of internal audit in any fraud-related work [section 14.]
- m. Recognise that internal audit's remit extends to the entire control environment of the organisation and not just financial controls [section 8.]
- n. Establish internal audit's right of access to all records, assets, personnel and premises, including those of partner organisations where appropriate, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities [section 15.]

3. Definition of the Chief Audit Executive (CAE)

- 3.1 Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the *PSIAS Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Within Leeds City Council the Head of Internal Audit is the designated 'Chief Audit Executive'

4. Definition of the Board

- 4.1 The PSIAS lays out the role of a Board in relation to specific standards. In a local authority the role of the Board may be satisfied by an Audit Committee. In Leeds City Council the Corporate Governance and Audit Committee fulfils the role of an audit committee and, for the purposes of the key duties laid out in the PSIAS, is the Board.
- 4.2 The key duties of the Board as laid out in the PSIAS are as follows:
- Approve the Internal Audit charter (Standard 1000);
 - Approve the risk based Internal Audit plan including the approval of the Internal Audit budget and resource plan (Standard 1110);
 - Receive communications from the Head of Internal Audit on internal audit's performance relative to its plan and other matters (Standard 2020);
 - Receive an annual confirmation from the Head of Internal Audit with regard to the organisational independence of the internal audit activity (Standard 1110);
 - Receive the results of the Quality Assurance and Improvement Programme from the Head of Internal Audit (Standard 1320);
 - Make appropriate enquiries of the management and the Head of Internal Audit to determine whether there are inappropriate scope or resource limitations.

5. Definition of Senior Management

- 5.1 The PSIAS anticipates the role of Senior Management includes the following:
- Input to the risk based Internal Audit plan (Standard 2010);
 - Receive periodic reports from the Head of Internal Audit on internal audit activity (Standard 2060); that includes follow up reports (Standard 2500);
 - Receive the results of the Quality Assurance and Improvement Programme from the Head of Internal Audit (Standard 1320.)
- 5.2 Within Leeds City Council 'Senior Management' is defined as the Section 151 Officer (Deputy Chief Executive.)

6. Definition of Internal Audit

- 6.1 Leeds City Council has adopted the PSIAS definition of internal auditing as follows:

"Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

7. Purpose, Responsibilities and Objectives of Internal Audit

7.1 Internal Audit is an independent appraisal function established within the authority – as part of the Strategy and Resources Directorate - with the following objectives¹:

- To provide an effective Internal Audit Service, on behalf of the Deputy Chief Executive, in line with legislation and the appropriate audit standards;
- To provide an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations;
- To help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

7.2 It is the responsibility of the Head of Internal Audit to provide an independent and objective opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

7.3 The Head of Internal Audit reports to the Corporate Governance and Audit Committee on a regular basis in line with the agreed work programme for the Committee. There are a number of standard items reported including the annual Internal Audit plan, an annual opinion on the control environment and regular updates on reports issued. The Head of Internal Audit's annual report is presented to those charged with governance and should be used to support the Council's Annual Governance Statement.

7.4 Internal Audit employees will ensure that they conduct work with due professional care and in line with the requirements of the PSIAS and any other relevant professional standards.

7.5 Internal auditors will treat as confidential the information they receive in carrying out their duties. There must not be any authorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of an audit will not be used to effect personal gain.

8. Scope of Internal Audit Activities

8.1 The scope for Internal Audit is the control environment comprising risk management, control and governance. This effectively includes all of the council's operations, resources, services and responsibilities in relation to other bodies. This description shows the wide potential scope of Internal Audit. In order to translate this description into individual audit reviews, a risk assessment methodology is applied that allows high-risk review areas to be prioritised (also see Section 10.)

¹ Financial Regulations – Section 19 'Internal Audit'

8.2 To enable Internal Audit to meet its objectives, it will undertake work within a scope of activities including:

- review of controls within existing systems and systems under development
- compliance with policies and procedures including Financial Regulations
- transactions testing to ensure accuracy of processing
- contract audit
- establishment reviews
- computer audit including data analytics
- anti-fraud work
- investigation of suspected fraud and irregularities
- value for money reviews and transactions testing
- provision of advice to Directorates and establishments including consulting services
- provision of audit services to external clients.

8.3 All Internal Audit work is undertaken in accordance with internal quality procedures incorporated in its quality management system, which has now been ISO accredited for over fifteen years, having first been awarded in 1998. Independent reviews are undertaken on Internal Audit twice yearly by an external organisation to ensure compliance with the ISO standard.

9. Definition of Consulting Services

9.1 The PSIAS defines consulting services as follows: *“Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation’s governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.”*

9.2 The PSIAS requires that approval must be sought from the Board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement (Standard 1130.) Within Leeds City Council significant is defined as any single assignment equivalent to 5% of annual planned days; these will be brought to the Corporate Governance and Audit Committee for approval.

10. Arrangements for Appropriate Resourcing

10.1 As stated in the CIPFA Application Note, “No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence-based opinion. Local factors within each organisation will determine this minimum level of coverage.”

10.2 The annual audit plan lays out the planned audit resources for the year with the objective of giving an evidence-based opinion.

- 10.3 Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate on-going development programme.
- 10.4 In the event that the risk assessment, carried out to prepare the annual plan, identifies a need for more audit work than there are resources available, the Head of Internal Audit will identify the shortfall and advise the Chief Officer (Financial Services) and the Deputy Chief Executive followed by the Corporate Governance and Audit Committee as required to assess the associated risks or to recommend additional resources are identified.
- 10.5 The audit plan will include a contingency allocation to address unplanned work including responding to specific control issues highlighted by senior management during the year.
- 10.6 Internal audit work is prioritised according to risk, through the judgement of the Head of Internal Audit, informed by the Council's risk registers and in consultation with senior management and External Audit.
- 10.7 Internal audit activity is subject to annual review by External Audit.
- 10.8 Achievement of the annual plan is reported to Corporate Governance and Audit Committee on a regular basis throughout the year. Should circumstances arise, during the year, that resources fall or appear to be falling below the minimum level required to provide an annual evidence based opinion the Head of Internal Audit will advise the Chief Officer (Financial Services), the Deputy Chief Executive and the Corporate Governance and Audit Committee.

11. Organisational Independence of Internal Audit

- 11.1 The PSIAS requires that reporting and management arrangements must be put in place that preserve the Head of Internal Audit's independence and objectivity, in particular with regard to the principle that the Head of Internal Audit must be independent of the audited activities.
- 11.2 PSIAS Standard 1110 requires that the Head of Internal Audit to report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities and reporting to the Board is the generally accepted method of helping to ensure that organisation independence is attained. The Head of Internal Audit reports directly to the Corporate Governance and Audit Committee within Leeds City Council.
- 11.3 CIPFA and the Chartered Institute of Internal Auditors expect that the Head of Internal Audit should report to at least corporate management team level. Within Leeds City Council, the Head of Internal Audit reports to the Chief Officer (Financial

Services) who in turn reports to the Deputy Chief Executive. In addition, the Head of Audit is able to report without fear or favour in their own name to the Chief Executive, the Executive Board, the Corporate Governance and Audit Committee, and the Scrutiny Function². Reports can also be made to the Corporate Leadership Team.

- 11.4 The Internal Audit team will ensure that independence and objectivity are maintained in line with the PSIAS including where non-audit work is undertaken. To manage potential conflicts of interest, internal auditors have no operational responsibilities and any independence issues are highlighted at the planning stage for individual audit assignments.
- 11.5 If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed in the first instance to Head of Internal Audit and reported to Corporate Governance and Audit Committee and/or Section 151 officer as appropriate.
- 11.6 Internal Audit will have no executive responsibilities. It is not an extension of, or a substitute for, the function of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to accept and implement audit recommendations or to accept the risk resulting from not taking any action.
- 11.7 The Head of Internal Audit will confirm to the Corporate Governance and Audit Committee on an annual basis, within the Annual Report, the organisational independence of the Internal Audit Service.

12. Planning

- 12.1 The annual audit plan will be submitted to the Corporate Governance and Audit Committee at the beginning of the financial year for approval. The plan will be compiled following consultation with the Deputy Chief Executive, the Chief Officer (Financial Services) and individual Directors and Heads of Finance as appropriate and is documented in the audit plan methodology.
- 12.2 The risk-based plan will outline the audit assignments to be carried out.
- 12.3 The audit plan is dynamic in nature and will be reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. It will be based on a risk assessment that covers financial materiality and business risks as well as any suspected or detected fraud, corruption or impropriety that has come to the attention of the Head of Internal Audit under their remit as laid out in the Council's Policy Statement on Fraud and Corruption, Whistleblowing Policy, Anti-Bribery Policy and Anti-Money Laundering Policy. It will be responsive, containing an element of

² Financial Regulations – Section 19 'Internal Audit'

contingency to accommodate assignments which could not have been reasonably foreseen.

- 12.4 Internal Audit will consult with the Council's external auditor and with other relevant inspection and review bodies, as required, in order to co-ordinate effort and avoid duplication.
- 12.5 As part of the planning process, the Head of Internal Audit will identify other potential sources of assurance and will include in the risk based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 12.6 The plan is prepared based on assurance blocks that each give an opinion on the key control environment elements, targeted towards in year risks.
- 12.7 For each audit assignment, Internal Auditors will develop and document a plan including the objectives of the review, the scope, timing and resource allocations. In planning the assignment, auditors will consider, in conjunction with the auditees, the objectives of the activity being reviewed, significant risks to the activity and the adequacy and effectiveness of the activity's governance, risk management and control processes.

13. Reporting and Follow Up

- 13.1 A written report will be prepared by the appropriate auditor for every audit review and distributed in line with established and agreed reporting protocols. This will include an opinion on the adequacy of controls in the area that has been audited.
- 13.2 The draft report will be discussed with the auditees and a response obtained for each recommendation stating their response to each recommendation along with a timescale for implementation. The final report will include the management responses and will be issued to the relevant Director and other officers in line with directorate protocols.
- 13.3 Any reports where limited or no assurance has been provided for the control environment and/or compliance with the control environment will be subject to a follow up review to determine whether the recommendations made have been implemented.
- 13.4 Regular update reports to Corporate Governance and Audit Committee will show the activity of the Internal Audit Section, progress achieved against plan and a summary of significant audit findings.

- 13.5 The annual report will incorporate the annual opinion, a summary of the audit work that supports the opinion and a statement on conformance with the PSIAS and the results of the Quality Assessment and Improvement Programme (QAIP.)
- 13.6 The PSIAS also requires the Head of Internal Audit to establish a follow up process to monitor and ensure actions have been effectively implemented. This is an established process within Leeds City Council with a follow up review being undertaken on any assignments with limited assurance/no assurance to ensure recommendations have been adopted and suggested controls are working well in practice.

14. Assurances to external organisations

- 14.1 The format and scope of any assurances provided to external organisations will be agreed in advance with the recipient organisation and will be documented in contract terms/service level agreement or equivalent. The work carried out to provide such assurances will be conducted in accordance with Internal Audit's quality procedures and service standards. These will be included in the annual audit plan.

15. Fraud and Corruption

- 15.1 Managing the risk of fraud and corruption is the responsibility of management; Internal Audit will assist management in the effective discharge of this responsibility.
- 15.2 Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have the responsibility for the prevention or detection of fraud and corruption. Internal Audit will, however, be alert in all their work to risks and exposures that could allow fraud and corruption.
- 15.3 In line with Financial Regulations (Section 18 - Fraud and Corruption), whenever any matter arises that involves, or is thought to involve irregularities concerning cash, stores or other property of the council or any suspected irregularity in the exercise of the functions of the council, including bequests, trust and client monies, it must be immediately brought to the attention of the respective Director. Where the irregularity is thought to involve fraud, corruption or impropriety the Director must ensure that the matter is reported to the Head of Internal Audit. If the irregularity or suspected irregularity involves theft or suspected theft of assets, it must also be referred to the Police. In addition where a break-in is suspected, the Police must be informed immediately.

16. Authority of Internal Audit

16.1 Internal Audit is a statutory requirement in local government. The Accounts and Audit (England) Regulations 2015 which came into force on the 1st April 2015 state that:

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(a) make available such documents and records; and

(b) supply such information and explanations;

as are considered necessary by those conducting the internal audit.

(3) In this regulation “documents and records” includes information recorded in an electronic form.

16.2 The statutory role is recognised and endorsed within the Council’s Financial Regulations (Section 19 - Internal Audit), which provides the authority for access as follows:

Directors must ensure that Internal Audit is allowed to:

(a) Enter any council premises or land at all reasonable times:

(b) Access all records, documents, data held on computer media, and correspondence relating to all transactions of the council, or unofficial funds operated by an employee as part of their duties:

(c) Receive such explanations as are necessary concerning any matter under examination.

(d) Require any employee of the council to produce cash, stores or any other property under their control, belonging to the council or held as part of the employee’s duties.

17. Code of Ethics

17.1 All our Internal Auditors must conform to the Code of Ethics (see Appendix 1.) The code promotes an ethical culture in a profession founded on the trust placed in its objective assurance about risk management, control and governance.

17.2 The Code of Ethics includes 2 essential components – the Principles and Rules of Conduct (which are an aid to interpreting the Principles into practical applications.)

17.3 Internal Auditors will adhere to LCC relevant policies and procedures (including the Employee Code of Conduct) and the LCC Internal Audit Quality Procedures Manual.

- 17.4 All Internal Auditors will hold a professional qualification or be training towards a professional qualification.
- 17.5 In addition, all internal auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence. This is fulfilled through the requirements set by professional bodies and through the Council's appraisal and development programme.

18. Review of the Effectiveness of Internal Audit

- 18.1 The Accounts and Audit (England) Regulations 2011 required councils to conduct, at least once a year, a review of the effectiveness of its internal audit. Within Leeds City Council, the internal audit annual report and opinion provides an overview of the work and performance of Internal Audit throughout each year. The annual report, along with independent reviews by the external auditors, provides an assurance of the effectiveness of the Internal Audit service during the year.
- 18.2 These 2011 regulations have now been superseded by the Accounts and Audit Regulations 2015 which maintain the requirement for an effective internal audit function and state that:

*A relevant authority must, each financial year—
(a) conduct a review of the effectiveness of the system of internal control*

- 18.3 Internal Audit will continue to provide assurance on the effectiveness of the function through the annual reporting process.

19. Quality Assurance and Improvement Programme (QAIP)

- 19.1 The PSIAS requires that a quality assurance framework be established, which will include both internal and external assessment of the work of Internal Audit.
- 19.2 The Head of Internal Audit is responsible for providing periodically an internal quality assessment (IQA) on the internal audit activity as regards its consistency with the requirements of the PSIAS. This will be carried out through annual self-assessment using the checklist in the CIPFA Application Note. Results of these IQAs will be communicated to the Chief Officer (Financial Services), the Deputy Chief Executive and the Corporate Governance and Audit Committee.
- 19.3 Internal Audit issues a customer satisfaction questionnaire following each audit assignment. The results are 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.

- 19.4 External quality assessments (EQAs) will be conducted at least once every five years and may be a full external assessment or a self-assessment within independent validation in line with the PSIAS. These reviews will be commissioned in line with the PSIAS and will be agreed by the Corporate Governance and Audit Committee with outputs reported to the Committee by the Head of Internal Audit.
- 19.5 The Head of Internal Audit will continue to report the results of External Audit reviews to the Corporate Governance and Audit Committee.

Appendix 1 – Code of Ethics

- 1.1 A Code of Ethics is necessary for the profession of internal auditing as trust is placed on its objective assurance about risk management, control and governance.
- 1.2 The PSIAS sets out a Code of Ethics around 4 principles which Internal Audit will adhere to. The 4 principles are: **Integrity, Objectivity, Confidentiality and Competency.**

2. Integrity

The principle - The integrity of internal auditors establishes trust and this provides the basis for reliance on their judgement.

Rules of Conduct - Internal auditors:

- Shall perform their work with honesty, diligence and responsibility;
- Shall observe the law and make disclosures expected by the law and the profession;
- Shall not knowingly be a party to an illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- Shall respect and contribute to the legitimate and ethical objectives of the organisation.

3. Objectivity

The principle – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct - Internal auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Shall not accept anything that may impair or be presumed to impair their professional judgement;
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

4. Confidentiality

The principle – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct - Internal auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties;
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

5. Competency

The principle – Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct - Internal auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills and experience;
- Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing;
- Shall continually improve their proficiency and effectiveness and quality of their services.

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Strategy and Resources Directorate
Audit and Investment
Internal Audit

Internal Audit Quality
Assurance and
Improvement
Programme (QAIP)
Framework
May 2015

Internal Audit Quality Assurance and Improvement Programme (QAIP) Framework

Contents	
Section	Details
1	Introduction and
2	Internal Assessment
2.1	- On-going quality assurance arrangements
2.2	- Periodic Reviews
3	External Assessment
4	Reporting on Quality Assurance and Improvement Programme

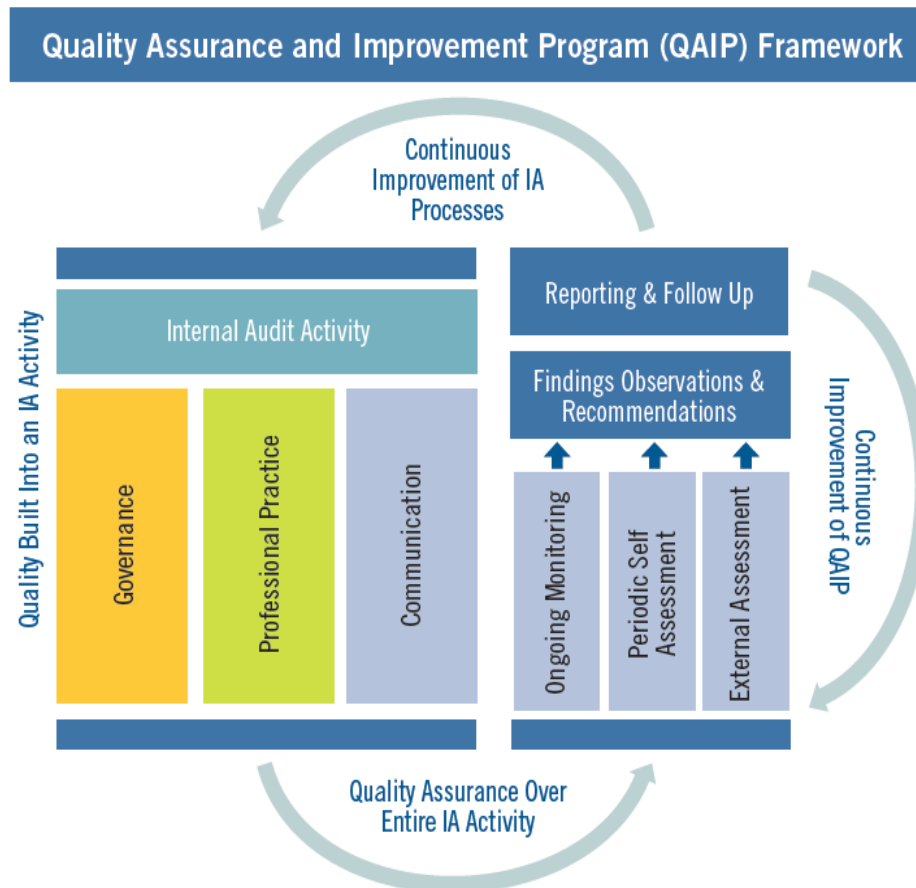
1. Introduction and Background

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into force from 1st April 2013. The standards apply the Institute of Internal Auditors' (IIA) International Standards to the UK public sector.
- 1.2 Attribute standard **1300 - Quality Assurance and Improvement Programme (QAIP)** states that: *'The Chief Audit Executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.'*
- 1.3 The QAIP is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 1.4 The QAIP must include both internal and external assessments.
- 1.5 **Internal assessments** must include:
- On-going monitoring of the performance of the internal audit activity. This is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. On-going monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards; and
 - Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices. Periodic assessments are conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.
- 1.6 **External assessments** must be undertaken at least once every five years by a qualified, independent assessor or assessment team from outside the organisation and may be either a full external assessment or a self-assessment with independent validation. The standards require the Head of Internal Audit¹ to discuss with the Board (within Leeds City Council the Corporate Governance and Audit Committee):
- The form of external assessments;

¹ Within Leeds City Council the role of 'Chief Audit Executive' as defined by the PSIAS is fulfilled by the Head of Internal Audit.

Internal Audit Quality Assurance and Improvement Programme (QAIP) Framework

- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.
- 1.7 Within Leeds City Council, the Head of Internal Audit is responsible for the QAIP, which covers all types of Internal Audit activities. Under the QAIP, quality should be assessed at both an individual audit engagement (assignment) level as well as at a broader internal audit activity level (i.e. covering the internal audit service provision.)
- 1.8 All staff within Internal Audit have responsibility for maintaining quality. The activities outlined in this QAIP involve all staff.
- 1.9 Internal Audit's QAIP is designed to provide reasonable assurance to the various stakeholders of Leeds City Council Internal Audit Service that Internal Audit:
- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
 - Operates in an efficient and effective manner;
 - Is adding value and continually improving its operations.
- 1.10 Internal Audit's QAIP will therefore cover all aspects of the Internal Audit activity. In this regard, a list of the features to be considered for the QAIP:
- Monitors the Internal Audit activity to ensure it operates in an effective and efficient manner (Attribute Standard 1300.)
 - Assures compliance with the Standards, Definition of Internal Auditing and Code of Ethics (Attribute Standard 1300.)
 - Helps the Internal Audit activity add value and improve organisational operations (Attribute Standard 1300.)
 - Includes both periodic and on-going internal assessments (Attribute Standard 1311.)
 - Includes an external assessment at least once every five years, the results of which are communicated to the Board (Attribute standards 1312, 1320.)



Source: IIA International Professional Practice Framework (IPPF) Practice Guide - Quality Assurance and Improvement Program

2. Internal Assessment

Internal Assessment is made up of both on-going reviews and periodic reviews:

2.1 On-going quality assurance arrangements

2.1.1 Leeds City Council Internal Audit maintains appropriate on-going quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the PSIAS).

These arrangements include:

2.1.2 Internal Audit Assignment Level

- The maintenance of a detailed audit procedures manual and quality management system to ensure compliance with applicable planning, fieldwork and reporting standards.
- The objectives, scope and expected timescales for each audit assignment subject to agreement with the client before detailed work commences;

Internal Audit Quality Assurance and Improvement Programme (QAIP) Framework

- The results of all audit testing work documented using the standard working papers;
- Documented review of file/working papers by an Audit Manager/Senior Audit Manager/Principal Audit Manager and sign-off of each stage of the audit process to ensure that:
 - All work undertaken complies with the requirements of professional best practice and appropriate audit techniques have been used;
 - Audit files are complete and properly structured;
 - The objectives of the audit have been achieved;
 - Appropriate levels of testing have been carried out;
 - The findings and conclusions are sound and are demonstrably supported by relevant, reliable and sufficient audit evidence
 - The final audit report is complete, accurate, objective, clear, concise, constructive and timely.
- Supervision of audit engagements;
- Regular 1:2:1 meetings to monitor progress with audit assignments;
- Audits with Limited/No Assurance are reviewed by the Head of Internal Audit with the team carrying out the assignment;
- Customer satisfaction questionnaires are issued with each final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The questionnaire consists of 12 questions which require grading from 1 to 5 where 1 is poor and 5 is excellent;
- Post Audit Assessment forms completed after each audit assignment to evaluate performance against CIPFA's Excellent Internal Auditor (originally developed by LCC Internal Audit) competency framework including performance management and identify any training and development requirements as well as acknowledging any areas of excellent performance;
- Final reports and recommendations are reviewed and approved by the Principal Audit Manager or the Head of Internal Audit.

The results of the on-going quality assurance arrangements at an assignment level will be reported in the regular update reports and annual report to Corporate Governance and Audit Committee. These include the results of customer satisfaction questionnaires and the results of the bi-annual external assessment of the section's quality procedures.

Internal Audit Quality Assurance and Improvement Programme (QAIP) Framework

Internal Audit Activity Level

- The Internal Audit annual plan is produced using a risk based approach as documented in the Internal Audit annual plan methodology;
- The Section's quality management system has accreditation to quality standard ISO 9001:2008 with UKAS. This is reviewed by an external body (SGS) bi-annually;
- The Internal Audit technical manual provides a detailed description of the work of the internal audit service and the way in which work should be carried out. This is a point of reference for staff and guides them through the relevant standards the procedures followed within Internal Audit;
- The Internal Audit Charter provides stakeholders with a formally defined purpose, authority and responsibility of the Internal Audit activity as well as formalising the Code of Ethics for members of the Internal Audit team;
- Continuous development of the internal audit team to ensure it possesses the necessary capacity, skills and knowledge to successfully deliver the annual audit plan including:
 - Job descriptions and detailed competency profiles for each internal audit post;
 - Regular performance appraisals with individual development plans;
 - Training strategy and associated training activities with documented training records;
 - Active encouragement of Continuing Professional Development (CPD) within the Section. In addition as the majority of staff are professionally qualified/training, there is a personal requirement to undertake CPD on an on-going basis;
- Performance against agreed quality targets reported to Corporate Governance and Audit Committee on a regular basis.

Results of the on-going assessments at activity level will be included in the Internal Audit annual report.

2.1.3 Activity reporting to Corporate Governance and Audit Committee

On a regular basis (in accordance with the Committee's agreed work programme), Internal Audit provides the Corporate Governance and Audit Committee with an

Internal Audit Quality Assurance and Improvement Programme (QAIP) Framework

update report summarising the audit activity undertaken during the period. This includes the following:

- Progress against the annual plan in terms of audit days achieved;
- A list of reports issued during the period including details of the opinion provided - assurance provided for the control environment and compliance with the control environment; and the organisational impact. All reports with a major organisation impact are reported to Corporate Leadership Team;
- A summary of the key issues and outcomes from the work undertaken in the period including findings from any reviews reported during the period with limited or no assurance;
- Customer satisfaction results from questionnaires received with any corrective action identified.

2.2 Periodic Reviews

2.2.1 Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments are conducted through:

- Audits of the Section's Quality Management System are undertaken on a scheduled basis for performance in accordance with Internal Audit's Quality Procedures Manual (usually twice a year) by an external assessor (SGS.) SGS provide a conclusion on whether LCC Internal Audit has established and maintained its management system in line with the requirements of the standard and demonstrated that ability of the system to systematically achieve agreed requirements for products or services within the scope and the organisation's policy and objectives;
- Regular reviews to confirm compliance with Information Governance requirements;
- Regular activity and performance reporting to the Corporate Governance and Audit Committee (through their agreed work programme) and Section 151 officer;
- Annual self-review of conformance with the Public Sector Internal Audit Standards. This will be done using CIPFA's 'Checklist for assessing compliance

Internal Audit Quality Assurance and Improvement Programme (QAIP) Framework

with PSIAS and the Local Government Application Note' which was developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme.

- Annual customer survey.

Any resultant action plans will be monitored by Head of Audit on a regular basis.

Annual self-assessment reviews

- 2.2.2 On an annual basis, the Head of Internal Audit will update the Public Sector Internal Audit Standards (PSIAS) self-assessment checklist and obtain evidence to demonstrate conformance with the standards.
- 2.2.3 The results of the PSIAS self-assessment are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Financial Services Service Plan for Internal Audit and/or individual personal development action plans.
- 2.2.4 The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to the senior management and the Corporate Governance and Audit Committee as part of the annual report of the Head of Internal Audit.

3. External assessment

- 3.1 At least once every five years, internal audit working practices are subject to external assessment to ensure the continued application of professional standards. This process will appraise and express an opinion about internal audit's conformance with the Standards, Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.
- 3.2 The assessment is conducted by an independent and suitably qualified person or organisation and the results are reported to the Head of Internal Audit.
- 3.3 Results of external assessments will be reported to the Corporate Governance and Audit Committee and Section 151 Officer at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report. Any specific areas identified as requiring

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further development and/or improvement will be included in the annual Improvement Action Plan for that year.

3.4 The external assessment process will consist of a broad scope of coverage that should include – as a minimum - the following elements of Internal Audit activity:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, and Internal Audit's Charter, procedures, plans, practices and any applicable legislative and regulatory requirements;
- Expectations of Internal Audit as expressed by senior management and operational management;
- Tools and techniques used by Internal Audit;
- The mix of knowledge, experiences and disciplines within the team.
- Whether Internal Audit adds value and improves the organisation's operations.

4. Reporting on Quality and Improvement Programme

Internal Assessments

4.1.1 Results of internal assessments will be reported to the Corporate Governance and Audit Committee and to senior management at least annually. The results of the QAIP and progress against any improvement plans will be included in the annual Internal Audit report.

External Assessments

4.2 Results of external assessments will be provided to senior management and the Corporate Governance and Audit Committee. The external assessment report will be accompanied by an action plan in response to recommendations made in the report.

Follow Up

4.3 The Head of Internal Audit will implement appropriate follow up actions to ensure that recommendations made in the report and action plans developed are implemented in a reasonable timeframe.

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 9th July 2015

Subject: Internal Audit Annual Report and Opinion 2014/15

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 provides the Internal Audit Annual Report and Opinion for 2014/15.
2. The overall conclusion is that on the basis of the audit work undertaken during the 2014/15 financial year, there are no outstanding significant issues arising from the work undertaken by Internal Audit. Furthermore, on the basis of the audit work undertaken during the 2014/15 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. The Internal Audit activity conforms with the International Standards for the Professional Practice of Internal Auditing.

Recommendations

3. The Committee is asked to receive the Internal Audit Annual Report for 2014/15 and note the opinion given that on the basis of the audit work undertaken during the 2014/15 financial year. In particular:
 - That there are no outstanding significant issues arising from the work undertaken by Internal Audit;

- That on the basis of the audit work undertaken during the 2014/15 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice;
- That the Internal Audit team conforms with the International Standards for the Professional Practice of Internal Auditing.¹

¹ The Public Sector Internal Audit Standards is the application of the Institute of Internal Auditors (IIA) International Standards to the UK Public Sector

1 Purpose of this report

- 1.1 The purpose of this report is to bring to the attention of the Committee the annual Internal Audit opinion and basis of the internal audit assurance for 2014/15.
- 1.2 By reviewing, challenging and monitoring such reports the Committee itself is demonstrating sound governance arrangements and enabling it to take appropriate action if needed. It should be noted that Internal Audit will also issue interim reports to the Committee if any significant matters arise which would warrant immediate attention.

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.
- 2.2 On behalf of the Committee and the Deputy Chief Executive, Internal Audit acts as an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.3 The terms of reference of the Committee require that it considers the Council's arrangements relating to Internal Audit. This specifically includes considering the annual report and the opinion on the control environment contained in that report and monitoring the performance of internal audit.

3 Main issues

- 3.1 The Public Sector Internal Audit Standards 2013 require that the Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control and must incorporate:
- The opinion;
 - A summary of work that supports the opinion;
 - A statement on conformance with the Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme.

3.2 For 2014/15, the opinion is:

On the basis of the audit work undertaken during the 2014/15 financial year, there are no outstanding significant issues arising from the work undertaken by Internal Audit.

Furthermore, on the basis of the audit work undertaken during the 2014/15 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice.

However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

The Internal Audit activity conforms with the International Standards for the Professional Practice of Internal Auditing.

3.3 The annual opinion is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year. The report therefore contains a summary of completed jobs along with their individual opinions.

3.4 There are no issues identified by Internal Audit in the Annual Report 2014/15 that would necessitate direct intervention by the Committee.

3.5 Progress on the actions included in the Internal Audit Improvement Plan will be included in future Internal Audit update reports to the Committee.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 This report does 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 the Best Council Plan

4.3.1 The terms of reference for 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. The Internal Audit Plan has links with each of the 6 strategic objectives for 2015-16 and has close links with the council's value of spending money wisely.

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. These will be included in the regular update reports to the Committee.

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 has been and will continue to be 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 The overall conclusion is that on the basis of the audit work undertaken during the 2014/15 financial year, there are no outstanding significant issues arising from the work undertaken by Internal Audit. Furthermore, on the basis of the audit work undertaken during the 2014/15 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. The Internal Audit activity conforms with the International Standards for the Professional Practice of Internal Auditing.

6 Recommendations

6.1 The Committee is asked to receive the Internal Audit Annual Report for 2014/15 and note the opinion given on the basis of the audit work undertaken during the 2014/15 financial year. In particular:

- That there are no outstanding significant issues arising from the work undertaken by Internal Audit;
- That on the basis of the audit work undertaken during the 2014/15 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice;
- That the Internal Audit team conforms with the International Standards for the Professional Practice of Internal Auditing.

7 Background documents

7.1 None.

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Internal Audit

**Annual Report and Opinion
2014 / 2015**

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3. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME AND CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS 2014/15

Appendix 1 – Improvement Action Plans: 2014/15 and 2015/16

Section 1

INTRODUCTION

1.1 The Annual Reporting Process

1.1.1 Management is responsible for the system of internal control and must set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Corporate Governance & Audit Committee and the Deputy Chief Executive, Internal Audit acts as an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.¹

1.1.2 The Corporate Governance and Audit Committee's terms of reference include the consideration of the Council's arrangements relating to internal audit requirements including considering the annual internal audit report and monitoring the performance of the Internal Audit Section.

1.1.3 This report is the culmination of the work during the course of the year and seeks to provide an internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems. In accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit² must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. This annual report incorporates:

- The Head of Internal Audit's opinion on the organisation's control environment;
- A summary of the work that supports the opinion; and
- A statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.

1.2 Requirement for Internal Audit and Internal Audit Standards

1.2.1 A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.

¹ Public Sector Internal Audit Standards definition of Internal Auditing.

² The Head of Internal Audit within LCC is the 'Chief Audit Executive' as defined in the Public Sector Internal Audit Standards. *The Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the 'Definition of Internal Auditing', the 'Code of Ethics' and the 'Standards.'* (PSIAS.)

- 1.2.2 In accordance with the Accounts and Audit Regulations 2015 (which came into force on 1st April 2015), the authority has a duty to ensure that it has a sound system of internal control (Part 2 [3]) and that it undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector auditing standards or guidance (Part 2 [5(1)].)
- 1.2.3 The authority also has a duty to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement (Part 2[6(1)].)
- 1.2.4 1st April 2013 saw the introduction of the United Kingdom Public Sector Internal Audit Standards that apply across the whole of the public sector. PSIAS are based on the Chartered Institute of Internal Auditors (IIA) Standards, with a limited number of additional requirements and interpretations that allow PSIAS to be adapted for the public sector.
- 1.2.5 The objectives of the PSIAS are to define the nature of internal auditing and set basic principles for carrying out this work in the UK public sector; to establish a framework for providing internal audit services and establish the basis for evaluation of performance and drive improvement planning.
- 1.2.6 The requirements of the PSIAS in relation to the annual report are detailed above at 1.1. In addition, the PSIAS require that the Head of Internal Audit must confirm to the Corporate Governance and Audit Committee at least annually, the organisational independence of internal audit activity.
- 1.2.7 The PSIAS require the responsibility for the management of Internal Audit to be set with the Board. In practical terms, this Board responsibility is vested in the Corporate Governance and Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the Council.
- 1.2.8 The Committee were presented with an initial report on the PSIAS during November 2013. This informed members of the new standards, the Internal Audit Quality Assurance and Improvement Programme and the Internal Audit Charter as defined by the Standard. A review of the Internal Audit Charter and the Internal Audit Quality Assurance and Improvement Programme has recently been undertaken and the updated documents are due to be presented to the Committee at the July 2015 meeting.

1.3 Organisational Independence

- 1.3.1 As detailed in the Internal Audit Charter, the Head of Internal Audit must report to a level within the Council that allows Internal Audit to fulfil its responsibilities. Organisational independence is effectively achieved at LCC in that the Head of Internal Audit reports functionally to the Corporate Governance and Audit

Committee. The Head of Internal Audit reports administratively (i.e. day to day operations) to the Chief Officer (Financial Services.)

1.3.2 Examples of functional reporting to the Corporate Governance and Audit Committee include:

- Approval of the Internal Audit Charter;
- The Head of Internal Audit having direct and unrestricted access to the Audit Committee and its Chair;
- Receiving communications from the Head of Internal Audit on Internal Audit's performance and activity.

1.3.3 As set out in the authority's Financial Regulations, Internal Audit is responsible for conducting its work in accordance with professional standards. Financial Regulations state that: *'The Head of Internal Audit must be able to report without fear or favour, in their own name to the Chief Executive, the Executive Board, the Corporate Governance and Audit Committee and the scrutiny function.'*

Section 2

REVIEW OF INTERNAL CONTROL AND OPINION

2.1 Opinion 2014/15

- 2.1.1 The Public Sector Internal Audit Standards (Performance Standard 2450) state that *'the Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.'* This must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems:

On the basis of the audit work undertaken during the 2014/15 financial year, there are no outstanding significant issues arising from the work undertaken by Internal Audit.

Furthermore, on the basis of the audit work undertaken during the 2014/15 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice.

However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

The Internal Audit activity conforms with the International Standards for the Professional Practice of Internal Auditing.³

2.2 How Internal Control is reviewed

- 2.2.1 Internal Audit continues to embrace the risk assessment approach to audit. During the course of the year, the risk map of the Authority has been continually challenged and used to form the basis of Internal Audit's annual audit plan for the coming year. The review process draws on key indicators of risks to the organisation and attempts to ensure that suitable audit time and resources are devoted to review the more significant areas. The Corporate Risk Register is used as a key source of information during this process. The audit plan contains a contingency provision that is utilised during the year in response to unforeseen work demands.

³ The Public Sector Internal Audit Standards is the application of the Institute of Internal Auditors (IIA) International Standards to the UK Public Sector

This risk based approach to audit planning results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the control environment.

2.2.2 The Public Sector Internal Audit Standards define control as “any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.” In practice, the main types of controls which may be present are:

- Segregation of duties
- Organisational
- Authorisation and Approval
- Physical
- Supervision
- Personnel
- Arithmetical and accounting
- Management

2.2.3 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.

2.2.4 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.

2.2.5 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.

2.2.6 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	There are significant control weaknesses that present a high risk to

Control Environment Assurance		
Level		Definitions
	Assurance	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.

2.2.7 Organisational impact is reported as either major, moderate or minor. Any reports with major organisational impacts are reported to Corporate Leadership Team along with the appropriate directorate’s agreed action plan and then to Corporate Governance & Audit Committee as part of the regular update reports.

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.

2.2.8 Specifically for the compliance reviews undertaken, the following definitions have been used to assess the level of compliance in each individual area reviewed:

Opinion for Compliance Audits – Levels of Compliance		
Level		Definitions
1	High	There was significant compliance with agreed policy and/or procedure with only minor errors identified.

Opinion for Compliance Audits – Levels of Compliance		
Level		Definitions
2	Medium	There was general compliance with the agreed policy and/or procedure. Although errors have been identified these are not considered to be material.
3	Low	There was limited compliance with agreed policy and/or procedure. The errors identified are placing system objectives at risk.

2.3 Basis of Assurance

2.3.1 The annual opinion on the adequacy and effectiveness of the control environment for 2014/15 is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year. The 2014/15 plan and audit coverage has followed the same principles as agreed in previous years, i.e. based on assurance blocks that each give an opinion on the key control environment elements, targeted towards in year risks, rather than a more traditional cyclical approach that looks at each system over a number of years. The key areas of assurance are included below.

2.3.2 The methodology used for compiling the annual audit plan on which the annual opinion is based is reported to the Corporate Governance and Audit Committee on an annual basis. This takes into account the Best Council Plan, the Corporate Risk Register and incorporates consideration of local and national risks identified through liaison with Directorates and colleagues from ICT, PPPU/PU, HR and Information Governance and also through consultation with other Core City Authorities.

2.4 Assurance Blocks

a) Key Financial Systems

2.4.1 An annual review of each of the authority's key financial systems is undertaken to provide evidence supporting the internal audit opinion on the adequacy of the organisation's control environment.

2.4.2 As previously, the key financial systems subject to audit were agreed in advance with the authority's external auditors KPMG as they review this work and use this as a key source of assurance on the organisation's control framework. KPMG has reviewed the findings of the majority of Internal Audit's work on key financial systems in 2014/15 and did not raise any concerns over the timeliness and quality.

2.4.3 Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that these controls continue to work well in practice although there are some areas where improvements are necessary. The level of assurance provided for all key financial systems reviews was good or substantial with the exception of the following:

- Sundry Income (Events) - limited assurance was provided on the control environment and acceptable assurance for compliance with controls. Further details on this review is included in the February to May 2015 update report.
- Sundry Income (Lettings) - limited assurance was provided on both the control environment and compliance with controls. As above, further details on this review is included in the February to May 2015 update report.
- Community Care Finance – substantial assurance was provided on the control environment and acceptable assurance for compliance with controls.

2.4.4 In all cases where the assurance was less than substantial, an action plan has been agreed with the appropriate officers that, if implemented, will give substantial control environment assurance.

b) Compliance Reviews

2.4.5 Coverage in this area is underpinned by an assessment of the Council's framework of internal controls (often supported by policies and procedures) and included a sample of core areas where a high level of compliance is necessary for the Council to carry out its functions properly. This work has included an element of challenge of the existing controls to ensure they are modern, effective and proportionate. The compliance assurance block has provided assurances that are critical to the S151 Officer and, as it provides assurance across all Directorates, underpins the Head of Internal Audit opinion on the control environment.

2.4.6 The plan for 2014/15 included coverage of the following areas:

- Income from areas such as nursery fees, and parking fees through the Park Mobile system;
- Compliance with policies and procedures such as managing attendance, overtime payments, pre-employment background checks, compensation payments, and travel and subsistence claims to ensure that the mileage claimed was reasonable and for business purposes;
- Schools including 6th form funding and bursary payments;
- The security of cash handling arrangements and client monies through unannounced visits at LCC establishments.

2.4.7 No significant non-compliance issues have been identified in the sample testing undertaken during the year. A number of recommendations have been made to improve procedures and controls where weaknesses were identified. For areas where a low assurance opinion was provided, these will subject to a follow up review to ensure that the recommendations made have been implemented.

2.4.8 Of the sample of schools reviewed during the year, three schools were assessed as having low compliance (i.e. limited compliance with policies and procedures.) Two of these have been subject to a follow up review and had made improvements to

controls and procedures. These have now been assessed as having medium compliance with policies and procedures. The follow up review for the remaining school is currently on-going.

c) Spending Money Wisely

2.4.9 As in previous years, there have been 3 strands to the Spending Money Wisely coverage during 2014/15 – the spending money wisely challenge reviews of expenditure, a number of spending money wisely reviews on specific areas of expenditure and the staff ideas service.

2.4.10 **Spending Money Wisely Challenge** - Internal Audit has continued to review samples of transactions from the monthly lists of published payments (over £500) throughout 2014/15. The aim of the reviews is to raise awareness of Spending Money Wisely, embed this in the council’s culture and to act as a deterrent to staff against any spending that does not provide value for money.

2.4.11 The overall opinion for the spending money wisely challenge work for 2014/15 was low compliance with policies and procedures. There were a high number of expenditure transactions which did not fully comply with the council's CPRs, thereby reducing assurance that value for money has been achieved. Further details have been provided in the February to May 2015 update report.

2.4.12 **Spending Money Wisely Projects** - As reported in the update reports to Corporate Governance and Audit Committee, reviews of specific areas of spend have been undertaken during 2014/15 including essential car user allowances and Adult Social Care transport. These highlighted potential opportunities for efficiency savings.

2.4.13 **Staff ideas service** - As reported previously to members, the staff ideas service which is currently run by Internal Audit, provides a formal forum through which staff can share their ideas for saving money and improving services. The ideas service aims to embed a culture of Spending Money Wisely across the authority through reinforcing the ‘doing our best’ behaviours, sharing good practice and encouraging staff to implement their own ideas where appropriate. The service was re-launched in July 2014 and has provided staff with a new Sharepoint site to submit ideas and view progress, as well as a blog to share good news stories and best practice. Other initiatives have included a ‘call to action’ video from the Deputy Chief Executive, workshop sessions delivered at the Manager Challenge Events and initial work to establish a network of champions across the council.

2.4.14 As at May 2015, there had been 181 submissions to the ideas service. 65 (32%) of these relate to ideas that have already been put into practice. The table below shows a summary of the progress made on the ideas received to date:

Status	Number	%
Active: ideas with services for consideration	57	32
Closed: ideas that were already happening	65	36

Status	Number	%
Closed: ideas that have been considered but cannot be taken forward	44	24
To be monitored: ideas that services are looking to take forward	15	8
Total	181	100%

2.4.15 In order to take the ideas service forward during 2015/16, a review of the way in which the service operates has been undertaken with a number of proposals made to Strategy and Resources Leadership Team about how its efficiency and effectiveness can be improved. This will now be discussed at Corporate Leadership Team.

d) Anti-Fraud and Corruption

Approach

2.4.16 The anti-fraud and corruption work undertaken includes both proactive anti-fraud and corruption work (fraud strategies) and reactive work (investigations.)

2.4.17 Internal Audit review the Authority's fraud and corruption arrangements to ensure they are in line with best practice. The team takes a risk-based approach to ensure the risk of fraud is managed effectively with available resources. Proactive fraud exercises, data analytics work and participation in the National Fraud Initiative (NFI) provide assurance that the Authority is taking positive action to detect potential fraud and prevent its recurrence.

2.4.18 As custodians of the council's anti-fraud and corruption policy framework and owners of the fraud and corruption risk, Internal Audit adopts an overarching responsibility for reviewing the council's approach to preventing and detecting fraud. During 2014/15 Internal Audit reviewed the counter fraud activities across the council and the findings of this were reported to the Corporate Governance and Audit Committee in March 2015. The review concluded that the council is operating a robust system of internal controls to prevent, detect and address the risks associated with fraud and corruption.

Whistleblowing

2.4.19 The Council's Whistleblowing Policy and Raising Concerns Policy set out the means by which serious concerns can be brought to the attention of Internal Audit.

2.4.20 The Whistleblowing Policy is available on the intranet and encourages Council employees and Members, who have serious concerns about any aspect of the Council's work, to come forward and voice those concerns without fear of reprisal.

2.4.21 The Raising Concerns Policy is published on the Council website and offers guidance to members of the public that may have concerns around aspects of the Council's work.

- 2.4.22 The promotion and accessibility of these policies helps the Council to be responsive to emerging risks that are identified.
- 2.4.23 Internal Audit continues to act as the custodians of these policies. In 2014/15, Internal Audit received a total of 91 potential irregularity referrals (88 in 2013/14). Of these, 63 were classified under the remit of the Whistleblowing or Raising Concerns policies (64 in 2013/14). All reported irregularities were risk assessed by Internal Audit and investigated by Internal Audit, the relevant directorate or HR colleagues, as appropriate. Where the matter was referred to directorates or HR for investigation, Internal Audit has made follow up enquiries to ensure all aspects of the referral have been addressed.
- 2.4.24 During the year, 56 referrals were investigated and closed. In 13 of these cases, the investigation resulted in disciplinary action being taken or the resignation of the employee concerned. In 18 cases, the investigation resulted in improvements being made to the control environment. In the remaining 25 cases, the investigation found no evidence to support the allegations made.

Fraud Investigations

- 2.4.25 Internal Audit is committed to taking a proactive approach in tackling fraud. During the year, Internal Audit has used various data analytics tools and techniques to proactively identify fraud and error, as recommended in the latest Audit Commission Protecting the Public Purse publication.
- 2.4.26 Last year we reported that proactive fraud work was successful in identifying fraudulent creditor payments at a partner organisation. The fraud was identified after data analytics work highlighted payments, totalling £178k, that had been made to two unrecognised creditors between 2011 and 2013. The audit investigation confirmed that no goods or services had been received for the payments. Since the detection of the fraud, Internal Audit has worked extensively with the partner organisation to improve controls and procedures. The internal investigation into the matter has now been completed and Internal Audit continues to support the police towards the conclusion of legal proceedings.

e) Risk Based Reviews

- 2.4.27 Risk based reviews have been another key element of the assurance on the entire control environment of the authority during the year. These included a number of follow up reviews where limited assurance was provided previously to ensure that the recommendations made had been implemented. For the follow up reviews which were completed, improvements had been made and a higher level of assurance was provided for the systems audited. Each review sought to deliver an assurance on the systems for efficiency, effectiveness and economy.
- 2.4.28 Fifteen reports were issued for risk based reviews during 2014/15. These have provided acceptable assurance or higher over the areas audited with the exception of the review of deputy and appointee procedures where limited assurance was

given. Further details are provided in the internal audit update report covering the period February to May 2015.

2.4.29 The reviews of achievement of strategic objectives, employee conduct – central controls and risk management are included within this assurance block, providing key assurances towards the overall opinion on the control environment. Good or substantial assurance was provided for each of these reviews.

f) Procurement

2.4.30 A sample of 7 high value contracts were reviewed in 2014/15 to ensure that these had been procured in line with Contracts Procedure Rules (CPRs), that appropriate project arrangements were in place where the contract related to a capital scheme, and that the contracts were being managed in line with the requirements of CPRs. Although weaknesses were identified in specific areas for each the contracts reviewed, good opinions were issued for the majority of the reviews, with the remainder receiving acceptable opinions. No limited assurance opinions were issued for the contracts reviewed as part of the 2014/15 coverage.

2.4.31 In addition to contract reviews, the procurement assurance block also includes time for the review of cross-council procurement arrangements. One of the audit reports issued in 2014/15 assessed the implementation of previous audit recommendations in the following procurement areas:

- Continuous Improvement and Training
- Conditions and Extensions
- Monitoring and Assurance Arrangements
- Procurement Strategy

2.4.32 The review concluded that there were good arrangements in place in the form of a robust framework to enable procurement across the Authority to be undertaken in accordance with relevant policies and legislation. As some of the arrangements had only recently been put in place, further work will be carried out in 2015/16 to assess how well these arrangements have been embedded across the council.

g) Information Governance and ICT

2.4.33 ICT coverage for the year has focused on specific business application reviews and information governance reviews. An assurance framework for ICT risks is being developed by Internal Audit during 2015/16 to feed into the planning process for the 2016/17 audit plan to ensure sufficient assurances for ICT risks are obtained.

2.4.34 Assurance on the business applications reviews was acceptable or higher with the exception of the XN System where password control issues and weaknesses in the recording of key actions during the cash-up process were highlighted and limited assurance was given. Further details are included in the internal audit update report covering the period February to May 2015.

2.4.35 Good assurance was provided on the information governance arrangements for post and e-mail within Adult Social Care and Children's Services, however there were weaknesses highlighted in the review of information governance – contracts and commissioning. There were reported to the Committee in the last update report.

h) Housing Partnerships Assurance Framework

2.4.36 Former ALMO services are now provided by Housing Leeds, following the transfer of ALMO functions to the Council in 2013/14. Internal Audit has carried out a number of audits within Housing Leeds during this realignment process. Time is also included within the Housing Leeds plan to provide certain assurances in relation to the management of the assurance framework for BITMO.

2.4.37 Although recommendations have been made within the Housing Leeds audits, in general audit reports have been issued with either good or acceptable opinions. There were three audit limited opinion reports issued during the year, details of which have previously been reported to CGAC:

- Former Aire Valley Homes Gas Data Integrity
- Former East North East Homes Managed Stores
- Former East North East Homes Direct Labour Organisation

2.4.38 Follow up reviews will be carried out in 2015/16 to ensure that the recommendations have been adopted and the suggested controls are working well in practice.

i) Grants and Other Head of Audit Assurances

2.4.39 The number of grant claims requiring certification by Internal Audit continues to increase. This work has provided assurance on the authority's arrangements for submitting accurate, evidence based grant claims that are in accordance with grant conditions or requirements of the grant provider.

j) External Work

2.4.40 As in previous years, during 2014/15 Internal Audit has carried out audits for several external clients and partners and has continued to take advantage of opportunities to develop this external service. This work generates income for the council. Positive feedback has been obtained from clients in terms of the quality and value added nature of Internal Audit's work.

2.5 Areas of Weakness

2.5.1 For each area of assurance, there have been instances where the control environment was not strong enough or complied with sufficiently to prevent risks to the organisation. In these cases, Internal Audit has made recommendations to

further improve the systems of control and compliance. Although significant to the control environment in place for the individual system areas that have been audited, these weaknesses are not material enough to have a significant impact on the overall opinion on the adequacy of the Council’s control environment at the year end. Furthermore for the reviews undertaken during 2014/15, if the risks highlighted materialised, it was concluded in each of these reviews that these would not have a major impact on the organisation as a whole. Further reviews in each area where limited assurance has been given are scheduled to be completed to ensure that the recommendations have been adopted and the suggested controls are working well in practice.

2.6 Other Work

2.6.1 Internal Audit has continued to provide advice on a wide range of issues including interpretation of Contract Procedure Rules and Financial Procedure Rules, and on risks and controls within individual systems or processes. Internal Audit provides clear, risk based recommendations with a view to reducing bureaucracy whilst still maintaining a robust control environment. There have been 29 such requests for advice during the year.

2.7 Summary of Completed Audit Reviews

This section provides a summary of all reports issued since 1st June 2014. Audit reviews completed from 1st April 2014 to 31st May 2014 were reported in the Internal Audit Annual Report for 2013/14. All reviews up to 31st January 2015 where the audit opinion was limited for either the control environment or compliance with procedures have already been highlighted to CG&AC in the internal audit update reports throughout the year. Reports with limited audit opinions issued in the period 1st February to 31st May 2015 will be included in the internal audit update report covering that period.

Further reviews in each area where limited assurance has been provided are scheduled to be completed to ensure recommendations have been adopted and suggested controls are working well in practice.

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Key Financial Systems					
Income Management System Year End Reconciliation	Substantial	Substantial	N/A	Strategy and Resources	06/06/2014
Year End reconciliation of Civica (Sundry Income System) to Financial Management System	Substantial	Substantial	N/A	Strategy and Resources	06/06/2014
Adult Social Care Creditors	Substantial	Good	Minor	Adult Social Care	06/06/2014
Council Tax Year End Reconciliation	Substantial		N/A	Citizens and Communities	02/09/2014

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Business Rates Year End Reconciliation	Substantial		N/A	Citizens and Communities	02/09/2014
Reconciliation of Creditors Module Financial Management System (FMS) to Ledger Module (FMS)	Substantial		N/A	Strategy and Resources	15/09/2014
Housing Rents Year End Reconciliation	Substantial		N/A	Environment and Housing	24/10/2014
Year End Reconciliation of Housing Benefit and Council Tax Benefit	Substantial		N/A	Strategy and Resources	05/11/2014
Payroll Year End Reconciliation	Substantial		N/A	Strategy and Resources	19/11/2014
Bank Reconciliation and Cash Book	Substantial	N/A	Minor	Strategy and Resources	21/11/2014
Capital Programme Central Controls	Good	Good	Minor	Strategy and Resources	15/12/2014
Central Sundry Income	Substantial	Substantial	Minor	Strategy and Resources	16/01/2015
Income Management System	Substantial	N/A	Minor	Strategy and Resources	16/01/2015
Business Rates	Substantial	Substantial	Minor	Strategy and Resources	10/02/2015
West Yorkshire Combined Authority Treasury Management Assurance	Substantial	Substantial	Minor	Strategy and Resources	13/02/2015
Housing Rents	Substantial	N/A	Minor	Environment and Housing	13/02/2015
Treasury Management	Substantial	Substantial	Minor	Strategy and Resources	20/02/2015
Business Support Centre – Payroll and Human Resources Administration	Substantial	Substantial	Minor	Strategy and Resources	20/02/2015
Business Rates Pooling Arrangements	Substantial	Good	Minor	Strategy and Resources	04/03/2015
Benefits - Reconciliations	Substantial	N/A	Minor	Citizens and Communities	09/03/2015
Council Tax	Substantial	Substantial	Minor	Citizens and Communities	23/03/2015
Benefits – Assessments and Payments	Substantial	N/A	Minor	Citizens and Communities	31/03/2015
Local Welfare Support Scheme	Good	Substantial	Minor	Citizens and Communities	31/03/2015
Corporate Financial Management Central Controls	Substantial	N/A	Minor	Strategy and Resources	07/04/2015
Sundry Income – Events Team	Limited	Acceptable	Minor	City Development	15/04/2015
Sundry Income Lettings – Civic Enterprise	Limited	Limited	Minor	Strategy and Resources/Civic Enterprise	27/04/2015
Capital Programme Central Controls	Substantial	Substantial	Minor	Strategy and Resources	28/04/2015
Central Payments System – City Development	Substantial	Good	Minor	City Development	12/05/2015
Central Payments System – Children’s Services	Substantial	Good	Minor	Children’s Services	13/05/2015
Community Care Finance	Good	Acceptable	Moderate	Adult Social Care	15/05/2015

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Spending Money Wisely					
Essential Car User Allowances	Opportunities for efficiencies identified			Strategy and Resources	10/07/2014
Spending Money Wisely Challenge – October 2013 transactions	N/A	Low	N/A	Cross Cutting	12/08/2014
Spending Money Wisely Challenge – November 2013 transactions	N/A	Medium	N/A	Cross Cutting	12/08/2014
Spending Money Wisely Challenge – September 2013 transactions	N/A	Low	N/A	Cross Cutting	12/08/2014
Software Licences Follow Up Review	Assessment of progress towards implementation – further recommendations made.			Strategy and Resources	13/08/2014
Published Payments and Redactions	Good	Good	Moderate	Strategy and Resources	08/10/2014
Adult Social Care Transport	Series of recommendations made with the aim of ensuring that local authority transport is only provided for clients with recorded eligible needs in line with the policy.			Adult Social Care	24/10/2014
Spending Money Wisely Challenge – December 2013 to March 2014	N/A	Medium	N/A	Cross Cutting	19/11/2014
Spending Money Wisely Challenge – April 2014 to December 2014	N/A	Low	N/A	Cross Cutting	13/05/2015
Risk Based Reviews					
Procurement					
Youth Offer – Targeted Information, Advice and Guidance Contract Review	Substantial	Substantial	Minor	Children’s Services	07/07/2014
Assisted Living Leeds (formerly Assistive HUB Technology) Contract Review	Good	Good	Minor	Adult Social Care	24/07/2014
Bio Diesel Contract Review	Acceptable	Good	Minor	Civic Enterprise Leeds	04/09/2014
Prevention of Procurement Challenge	Good	N/A	Minor	Strategy and Resources	08/10/2014
Approved Framework Contracts	Substantial	N/A	Minor	Strategy and Resources	08/10/2014
Contract Extensions	N/A	Medium	N/A	Strategy and Resources	06/11/2014
Procurement – Follow Up Review	Good	N/A	Minor	Strategy and Resources	06/11/2014
Adel Beck Secure Unit Children’s Home Capital Contract Review	Good	Good	Minor	Children’s Services	11/02/2015
Inner Ring Road Woodhouse Tunnel Phase 2 Capital Contract Review	Good	Good	Minor	City Development	11/02/2015
Little London and Beeston Hill PFI Scheme Capital Contract Review	Good	Good	Minor	Environment and Housing	25/03/2015
Allerton Bywater Primary School Contract Review	Acceptable	Acceptable	Minor	Strategy and Resources/ Children’s Services	09/04/2015
Other Risk Based Reviews					
Wellbeing Fund – Inner North West Area	Substantial	Substantial	Minor	Citizens and Communities	06/11/2014
Wellbeing Fund – Inner East Area	Substantial	Good	Minor	Citizens and Communities	06/11/2014

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Leaving Care Payments – Follow Up Review	Acceptable	N/A	Minor	Children’s Services	18/12/2014
Blue Badge Eligibility Review	Substantial	N/A	Minor	Citizens and Communities/ Adult Social Care	13/01/2015
Governance Arrangements	Acceptable	Good	Moderate	Public Health	22/01/2015
Income from Service Users (fairer charging assessment)	Substantial	Substantial	Minor	Adult Social Care/Strategy and Resources	06/05/2015
Learning Disability Pooled Budget Arrangements	Acceptable	Acceptable	Minor	Adult Social Care	06/05/2015
Quality assurance process for the assessment of need and approval of care options	Substantial	Acceptable	Minor	Adult Social Care	06/05/2015
Review of deputy and appointee procedures	Limited	N/A	Moderate	Adult Social Care	06/05/2015
Semi-Supported Independent Living	Acceptable	Acceptable	Moderate	Children’s Services	06/05/2015
Achievement of Strategic Objectives	Substantial	N/A	Minor	Strategy and Resources	12/05/2015
Extended Schools Income – Kippax North Junior, Infant and Nursery School	Good	Acceptable	N/A	Children’s Services	15/05/2015
Extended Schools Income – Weetwood Primary School	Good	Good	N/A	Children’s Services	15/05/2015
Corporate Risk Management	Good	N/A	Minor	Strategy and Resources	26/05/2015
Employee Conduct – Central Controls	Good	N/A	Minor	Strategy and Resources	31/05/2015
Information Governance and ICT					
Information Governance – Contracts and Commissioning	Limited	Acceptable	Moderate	Strategy and Resources	15/01/2015
XN System	Limited	N/A	Minor	Strategy and Resources/City Development	19/02/2015
Business Applications Audit - FMS	Acceptable	N/A	Moderate	Strategy and Resources	18/05/2015
Business Applications Audit – Other Key Financial Systems	Good	N/A	Minor	Strategy and Resources	18/05/2015
Business Applications Audit – Academy	Substantial	N/A	Minor	Citizens and Communities	18/05/2015
Information Governance – Post and Email	Good	Good	Moderate	Adult Social Care/Children’s Services	19/05/2015
Housing Partnerships Assurance Framework Reviews					
Former Aire Valley Homes Leeds - Contractor Data Integrity	Limited	Acceptable	Moderate	Environment and Housing	20/08/2014
Former East North East Homes Leeds – Managed Stores	Limited	Acceptable	Minor	Environment and Housing	25/09/2014
Belle Isle Tenant Management Organisation Business Continuity	Substantial	N/A	Minor	Environment and Housing	09/09/2014
Former West North West Homes Leeds – Gas Data Accuracy	Acceptable	Good	Moderate	Environment and Housing	08/10/2014

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Former East North East Homes Leeds – Direct Labour Organisation	Limited	Acceptable	Minor	Environment and Housing	30/10/2014
Commercial Contracts Management – Procurement 2011 Operational Contract Manual	N/A	N/A	N/A	Environment and Housing	22/12/2014
Commercial Contracts Management Review	Acceptable	N/A	Minor	Environment and Housing	22/12/2014
Orchard Direct Works	Acceptable	Acceptable	Minor	Environment and Housing	29/04/2015
Contractor Quality Systems	Good	Acceptable	Minor	Environment and Housing	06/05/2015
Contractor Gain Share Process	Good	N/A	Minor	Environment and Housing	08/05/2015

Compliance Area	Report Title	Level of Compliance Assurance	Directorate	Date Issued
Compliance Reviews				
Policies and Procedures	Travel and Subsistence	Medium	Cross Cutting	19/06/2014
	Pre-Employment Background Checks	High	Cross Cutting	30/06/2014
	Overtime Payments	Medium	Cross Cutting	10/07/2014
	Compensation Payments	Medium	Legal Services and Democratic Services	07/08/2014
	Managing Attendance	Medium	Citizens and Communities	01/10/2014
	Managing Attendance	Medium	Children's Services	08/10/2014
Schools	St Matthews CE Aided Primary School	Low	Children's Services	10/07/2014
	Lawnswood School	Low	Children's Services	17/07/2014
	Pudsey Grangefield School	Medium	Children's Services	21/07/2014
	Allerton Grange School	High	Children's Services	19/11/2014
	Calverley Parkside Primary School	Low	Children's Services	11/02/2015
	St Matthews CE Aided Primary School Follow Up Review	Medium	Children's Services	17/02/2015
Schools 6 th Form Funding and Bursary	Lawnswood School	Medium	Children's Services	23/02/2015
	Allerton High School	Medium	Children's Services	21/07/2014
Unannounced Visits	John Smeaton Leisure Centre	High	City Development	13/08/2014
	Knowle Manor Home for Older Persons	Medium	Adult Social Care	20/08/2014
	Spring Gardens Home for Older Persons	Medium	Adult Social Care	28/08/2014
	Leeds Visitor Centre	High – Banking and Cash/Medium – Stock Controls	City Development	15/09/2014
	Tropical World	High	Environment and Housing	23/09/2014
	Aireborough Leisure Centre	Low	City Development	02/10/2014
	Morley Leisure Centre	High	City Development	05/11/2014
	Holt Park Leisure Centre	Medium	City Development	25/02/2015
	Lotherton Hall	Medium	City Development/ Environment and Housing	06/03/2015
	Pudsey Area Office	High	Adult Social Care	25/03/2015

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Compliance Area	Report Title	Level of Compliance Assurance	Directorate	Date Issued
	Wetherby Leisure Centre	Medium	City Development	18/05/2015
Income	Income from Park Mobile	High	Environment and Housing	13/01/2015
	Nursery Fees	Low – Rothwell Children’s Centre	Children’s Services	05/02/2015
		Medium – Swarcliffe Children’s Centre	Children’s Services	05/02/2015

Report Title	Results/Opinion	Directorate	Date Issued
Grants and Other Head of Internal Audit Assurances			
Troubled Families Grant Claim (May 2014/15)	Audit testing provides good assurance that the results detailed on the grant claim will satisfy the DCLG requirements of reasonableness.	Children’s Services	01/06/2014
Adoption Reform Grant	Audit testing provides good assurance that the results detailed on the grant claim will satisfy the Department of Education’s requirements of reasonableness. The statement of grant usage, in all material respects, fairly presents the eligible expenditure in the period 1/4/13 to 31/3/14 in accordance with the definitions and conditions for this grant.	Children’s Services	01/06/2014
Cycling Ambition Grant	Grant conditions complied with	City Development	01/07/2014
Local Transport Capital Block Funding Grant (Integrated Highway and Transport Maintenance)	Grant conditions complied with	City Development	01/07/2014
West Yorkshire Plus Transport Fund	Expenditure incurred meets criteria on schemes specified	City Development	01/07/2014
Bus Operators Grant October 2013 – March 2014	Assurance provided that the service is approximately in-line with the previous grant provision, records used to calculate this figure can be substantiated back to prime records held on site and that there is assurance that the expenditure of the service is covered by the grant.	Civic Enterprise Leeds	07/08/2014
Troubled Families Grant Claim (August 2014/15)	Good Assurance that the results detailed on grant claim will satisfy the DCLG requirements of reasonableness	Children’s Services	19/08/2014
Building Hope Charity	Independent examination of the Accounts	Strategy and Resources	30/10/2014
Troubled Families Grant Claim (November 2014/15)	Good Assurance that the results detailed on grant claim will satisfy the DCLG requirements of reasonableness	Children’s Services	18/11/2014
Troubled Families Grant Claim (February 2014/15)	Good assurance that the results detailed on the grant claim will satisfy the DCLG requirements of reasonableness.	Children’s Services	17/02/2015
Lord Mayor’s Appeal Fund – Independent Examination of Accounts 2013/14	Independent examination of the Accounts	Strategy and Resources	23/03/2015
Leeds City Region Enterprise Zone – Building Foundations for Growth Capital Grant Claim	Audit testing provides good assurance that the grant conditions have been met and will satisfy DCLG’s requirements	City Development	24/03/2015

The Annual Internal Audit Report 2014/15

Report Title	Results/Opinion			Directorate	Date Issued
Flood and Coastal Risk Management Growth Fund Allocation Grant Claim	Audit testing provides good assurance that the grant conditions have been met and will satisfy Defra's requirements			City Development	24/03/2015
Troubled Families Grant Claim (May 2015/16)	The audit confirmed that information from reliable sources was held to support that the 'continuous employment' result had been achieved and that the families claimed for were eligible to be on the programme. Audit testing provides good assurance that the results detailed on the grant claim will satisfy the DCLG requirements of reasonableness.			Children's Services	29/05/2015
External Work					
Shakespeare Primary School Voluntary Fund Audit	Certification of Account Balances			Children's Services	01/06/2014
Bramley St Peters School Voluntary Fund Audit	Certification of Account Balances			Children's Services	01/06/2014
Swarcliffe Primary School Voluntary Fund Audit	Certification of Account Balances			Children's Services	09/07/2014
Whitecote Primary School Voluntary Fund	Certification of account balances			Children's Services	07/11/2014
Holy Name Primary School Voluntary Fund	Certification of account balances			Children's Services	18/11/2014
Boston Spa School Voluntary Fund	Certification of account balances			Children's Services	19/11/2014
St Matthews C of E Primary School Voluntary Fund	Certification of account balances			Children's Services	21/11/2014
Leeds Grand Theatre – Budgetary Control	Acceptable	N/A	N/A	External	01/09/2014
Leeds Grand Theatre - Creditors	Acceptable	Acceptable	N/A	External	01/09/2014
Leeds Grand Theatre – Key Policies	Acceptable	N/A	N/A	External	01/09/2014
Temple Moor High School Science College Voluntary Fund 2014/15	Certification of Account Balances			Children's Services	02/12/2014
Templenewsam Halton Primary School Voluntary Fund 2013/14	Certification of Account Balances			Children's Services	03/12/2014
Lawnswood School Voluntary Fund 2014/15	Certification of Account Balances			Children's Services	13/01/2015
Seacroft Grange Primary School – School Financial Value Standard	Satisfactory assurance regarding compliance with standard			Children's Services	27/03/2015
Central financial controls of local authority maintained schools	Good	N/A	Minor	Strategy and Resources	06/05/2015

Section 3

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME AND CONFORMANCE WITH PSIAS 2014/2015

3.1 Review of the Year

3.1.1 Reports to the Audit Committee

An important part of the Internal Audit Service is to inform the Corporate Governance and Audit Committee about the adequacy of the Council's governance and internal control systems and an important role of the Committee is to oversee the performance of the Internal Audit Service. The table below summarises the information the Committee has received from Internal Audit during the last year.

Reports from Internal Audit to Corporate Governance and Audit Committee
(for the period 1st April 2014 – 31st March 2015)

<i>Report</i>	<i>Purpose</i>
Internal Audit Update Reports	Provided regular summaries of the work undertaken by IA and allowed the Committee to review the performance of Internal Audit
Update of the Whistleblowing Policy and the Raising Concerns Policy	Informed the Committee of the revisions in accordance with the changes to Public Interest Disclosure legislation, and provides an opportunity to comment on the current proposals.
Fraud Briefing	To provide further information to the Committee on the Leeds City Council Fraud Briefing 2014 and summarise the council's counter-fraud activities and performance throughout 2013/14.
Annual Audit Plan 2015/16	Informed the Committee of the impending work programmes and provided the opportunity for comments and observations.
Annual Report 2013/14	Given the Committee an overview of the work undertaken by IA and gave the Head of Internal Audit Opinion in respect of the Council's overall control environment for the financial year 2013/14.

3.1.2 Achievement of the Annual Audit Plan 2014/15

The following table shows achievement of the Audit Plan for the period 1st April 2014 to 31st March 2015. Achievement against the Total Audit Days element of the

audit plan was 93%. This is mainly due to more resources being allocated to secondments in order to support corporate priorities than were anticipated at the start of the year. In addition, more external work has been undertaken than originally anticipated. This includes more requests for schools' voluntary fund audits than planned which generates income for the council.

Assurance Block	Total Days per Audit Plan 2014/15	Actual Days 2014/15	% Completion
Spending Money Wisely	680	587	86%
Anti-Fraud and Corruption	694	639	92%
Financial and Other Key Systems	755	760	101%
Grants and Other Head of Internal Audit Assurances	89	95	107%
Compliance	295	331	112%
Procurement	322	279	87%
Risk Based Audits	360	306	85%
ICT	230	233	101%
Housing Leeds	250	205	82%
Total	3675	3435	93%
Continuing Development			
Professional Liaison	18	6	35%
Training and CPD	100	99	99%
Quality Assurance and Improvement Programme	20	22	109%
Total Continuing Development	138	127	92%
Contingency			
General Contingency	365	339	93%
Total Contingency	365	339	93%
Total Audit Days	4178	3901	93%

In addition, the audit plan for 2014/15 included days for the following:

Assurance Block	Total Days per Audit Plan 2014/15	Actual Days 2014/15	% Completion
External	172	281	163%
Secondments	366	663	181%
Total Days	538	944	175%

3.2 Quality Assurance and Improvement Programme

a) Customer Feedback

- 3.2.1 Internal Audit is committed to delivering a quality product to the highest professional standards that adds value to our customers and actively monitors performance in a number of areas and encourages feedback from customers.
- 3.2.2 A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the client's opinion on a range of issues with an assessment

ranging from 5 (for excellent) to 1 (for poor). The results for the 35 questionnaires received – as shown in the table below - are based on the percentage of those assessments that are 3 (satisfactory) or above. The results are 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. The table below also shows the percentage scores of 4 or above (good and excellent) to further identify marginal areas for improvement.

Results from Customer Satisfaction Questionnaires 2013/14 and 2014/15

Question	Actual 2013/14	Actual 2013/14	Actual 2014/15	Actual 2014/15
	% Score 3 or above	% Score 4 or above	% Score 3 or above	% Score 4 or above
Notice	94	91	100	100
Scope	94	91	100	97
Understanding	100	94	97	91
Efficiency	100	91	100	94
Consultation	100	94	100	100
Professional/Objective	100	100	100	100
Accuracy of Draft	100	100	100	97
Opportunity to comment	100	97	100	100
Clarity & Conciseness	100	91	100	97
Final Report – Prompt	100	94	94	91
Recommendations	100	94	100	97
Added Value	100	94	100	97

3.2.3 Feedback from customer satisfaction questionnaires continues to be very positive. These results are again extremely encouraging, particularly as the nature and complexity of work undertaken by Internal Audit continues to change. The results for 2014/15 show improvements in a number of areas. It is particularly pleasing to note client’s perception of the professionalism and objectivity of the Internal Audit team continues to be excellent – with all clients who responded scoring the auditor as good or very good in this area. Work remains on-going within Internal Audit to agree revised reporting protocols with Directorates with the aim of improving the timeliness of issue of final reports and meeting clients’ expectations in this area.

3.2.4 Internal Audit has been part of the core cities benchmarking club for over ten years – consistently being a high performer across a whole range of key cost and quality measures. Examples include cost per audit day and percentage of productive time as well as customer questionnaires and perceptions of added value.

b) Conformance with Public Sector Internal Audit Standards (PSIAS)

3.2.5 The Internal Audit Service works to a Charter approved by the Audit Committee. This Charter governs the work undertaken by the service, the standards it adopts and the way it interfaces with the Council. Internal Audit colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards. It has adopted, and substantially complied with the principles contained within the PSIAS, and has fulfilled the requirements of the Account and Audit Regulations 2015.

3.2.6 In accordance with the requirements of PSIAS, chief audit executives are expected to report conformance on the PSIAS in their annual report. In addition, the results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

2014/15 Quality Assurance and Improvement Action Plan

3.2.7 The Committee were presented with a report during November 2013 which included a self-review against the PSIAS. The purpose of this was to inform members of the new standards, to provide an assurance on conformance with these, to seek approval for the Internal Audit Charter and to note the Internal Audit Quality Assurance and Improvement Programme as defined by the Standards. This concluded that, on the whole, Internal Audit complies with the standards, whilst recognising that a number of new requirements had been introduced (including the Internal Audit Charter and the Quality Assurance and Improvement Programme.)

3.2.8 The November 2013 report outlined two areas for which there was no associated action and for which Internal Audit were proposing to accept the residual risk. This was because after close analysis of the requirement and a review of current controls already in place relating to the requirement, the implementation of an action to meet the requirement would be unworkable and disproportionate. Existing controls in place are sufficient and operating well. The two areas of non-compliance are:

- The Chief Executive does not undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit.
- Feedback is not sought from the Chair of the Corporate Governance and Audit Committee for the Head of Internal Audit's performance appraisal.

3.2.9 The two areas of non-conformance have been assessed as having a low residual risk and based on discussions with other Internal Audit teams, these two areas of non-conformance are replicated in numerous other local authorities throughout the

country. The Committee resolved to note the associated Quality Assurance and Improvement Action Plan which was included in the report.

3.2.10 The majority of actions within the 2014/15 Quality Assurance and Improvement Programme Action Plan have been implemented as shown in Appendix 1. The key action which remains outstanding is the external assessment process. A methodology for this will be developed during 2015/16. In addition, further work is due to be completed on the assurance mapping framework.

3.2.11 Prior to the external assessment, and in order to conform to PSIAS requirements, the Head of Audit will need to be able to demonstrate that:

- The pros and cons for the different types of external assessment ('full' or self-assessment plus 'independent validation');
- That the proposed form of the external assessment and the qualifications and independence of the assessor/assessment team has been discussed with CGAC (the board);
- Agreement of the scope of the external assessment with an appropriate sponsor, such as the chair of the CGAC, the Chief Financial Officer or the Chief Executive;
- That the assessor or assessment team has demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process and that the Head of Audit is satisfied there is sufficient competence; and,
- That the external assessor or assessment team has no real or perceived conflicts of interest with the organisation they are assessing.

2014/15 PSIAS Conformance Self – Assessment Review

3.2.12 The annual self-assessment exercise to assess conformance with the PSIAS was undertaken by Internal Audit during February 2015.

3.2.13 In order to assist in the self-assessment exercise, 2 separate checklists have been developed by the leading bodies:

- The Chartered Institute of Internal Auditors (CIIA) checklist. This requires the assessor to verify if there is evidence of 'General Conformity' (GC), 'Partial Conformity' (PC) or 'Does Not Conform' (DNC) against PSIAS. The assessment is against the definition of internal auditing, code of ethics and 46 specific standard requirements; and,
- The Chartered Institute of Public Finance and Accountancy (CIPFA) checklist, which requires the assessor to establish whether there is full, partial or no compliance against 344 separate requirements linked to PSIAS. This checklist is therefore more prescriptive than the CIIA checklist.

- 3.2.14 For the 2015 self-assessment, the CIPFA checklist has been used on the basis that it is more comprehensive and for consistency purposes as it had been used for the previous self-assessment in November 2013.
- 3.2.15 The self-assessment against the CIPFA checklist has demonstrated that the Internal Audit function for Leeds City Council significantly conforms to the PSIAS requirements.
- 3.2.16 All areas of non-conformance or partial conformance have been assessed and either accepted for action or deemed as having a low residual risk after the application of existing controls and therefore the risk of non-conformance has been accepted. The areas of non-conformance are those included at 3.2.8.
- 3.2.17 The improvement action plan for 2015/16 is shown at Appendix 1. This includes a number of improvements highlighted from on-going quality assessments as part of the Quality Assurance and Improvement Programme during the year.

c) Resourcing

- 3.2.18 During 2014/15, there were a number of staff changes. As a result, there were on average 31 members of audit staff in post (27 full time equivalent [FTE]) and available for audit work during the year.
- 3.2.19 At the end of the financial year, the number of FTE Internal Audit staff was 25.
- 3.2.20 Resources were sufficient during the year to provide the annual internal audit opinion for 2014/15.

d) Training and Continuing Professional Development

- 3.2.21 In a rapidly changing environment it is important that all Internal Auditors are kept abreast of the latest audit and accounting methodologies, changes in legislation and best practice as well as changes to the public sector arena so they have the necessary skills and knowledge to perform their role to a high standard. This is done via Continuing Professional Development (CPD), which the Section continues to support and promote via in-house training courses and external CPD events such as CIPFA seminars. Much of this CPD is done in officers own time showing a personal commitment to continual improvement of the Team.
- 3.2.22 The Public Sector Internal Audit Standards (Standard 1230) require that: *'Internal Auditors must enhance their knowledge, skills and other competencies through continuing professional development.'* At Leeds, evidence of professional training and development activities must be retained and individual/group training needs identified.
- 3.2.23 Internal Audit has continued to provide support for other corporate priorities which over the last year has seen a staff secondment to an external partner organisation,

one member of staff assisting with closedown within Financial Services and another member of staff assisting on projects within Civic Enterprise Leeds. In addition, the Section has continued to provide a representative to support the Strategy and Resources Staff engagement group. As well as supporting corporate priorities, this has also assisted individual members of staff with their own personal and professional development.

e) Experience and Qualifications

3.2.24 The following information about qualifications and experience of staff available for audit work demonstrates the experience and qualification mix:

Experience 2014/15

Years of Experience – local government auditing	Number of staff	%
Up to 1 year	0	0%
1 – 5 years	10	32%
5 – 10 years	5	16%
Over 10 years	16	52%
Total Number of Staff	31	100%

Qualifications

Qualification	Number of staff	%
CIPFA	11	36%
Other CCAB – ACCA, ICAEW	5	16%
IIA	6	19%
AAT	4	13%
CIPFA Trainees	3	10%
IIA Trainees	1	3%
AAT Trainees	1	3%
Total Number of Staff	31	100%

3.2.25 The skill level available remains high based on the substantial number of staff with over 10 years’ experience.

3.2.26 All members of the Internal Audit team are either qualified or studying towards a recognised qualification. In addition, one of the CIPFA qualified Audit Managers is studying towards the ISACA Certified Information System Auditor (CISA) qualification which should allow the Section to further develop its in-house ICT auditing skills.

f) Quality Standard Accreditation

3.2.27 All Internal Audit work is undertaken in accordance with internal quality procedures incorporated in its quality management system, which has now been ISO accredited for over fifteen years, having first been awarded in 1998. During January 2015, an

independent review was undertaken of Internal Audit's quality system to ensure compliance with the ISO 9001:2008 standard. The review team conducted a process-based audit, focusing on significant aspects/ risks/ objectives required by the standard and concluded that:

"..... the organisation has established and maintained its management system in line with the requirements of the standard and demonstrated the ability of the system to systematically achieve agreed requirements for products and services within the scope and the organisations' policy and objectives."

3.2.28 The next review visit is due in July 2015.

Appendix 1 – Improvement Action Plans

Internal Audit Improvement Action Plan for 2014/15				
	Action	Original Timescale	Status	Comments
1	Internal Audit Charter to be presented to Corporate Governance and Audit Committee (CG&AC) for approval. <i>(New requirement)</i>	8 th November 2013 meeting	Implemented	The Committee resolved to approve the Internal Audit charter at the meeting on 8 th November 2013. The Charter will be reviewed and updated where necessary on an annual basis and reported to CG&AC.) The updated Internal Audit Charter (2015) is due to be presented to CG&AC at the July 2015 meeting.
2	External assessment mechanism for review of Internal Audit against PSIAS requirements to be put in place. This will include: <ul style="list-style-type: none"> - Analysis of different mechanisms of assessment and preferred option identified; - Scope of work re assessment to be defined and agreed between parties; - Ensure assessor appropriately qualified and competent; - Identification of any conflicts of interest. The outcome of the above, including the preferred option and assessor will be reported to CG&AC and approval sought. <i>(New requirement)</i>	By 2017/18 at the latest	Outstanding	This needs to be done at least every 5 years. First external assessment to be undertaken by 2018 at the latest.
3	Quality Assurance and Improvement Programme (QAIP) to be developed. <i>(New requirement)</i>	September 2013	Implemented	QAIP developed and is now operational. This will be updated regularly (at least on an annual basis.) The updated QAIP (2015) is due to be presented to CG&AC at the July 2015 meeting.
4	The annual reporting process will now include the following in the annual report: <ul style="list-style-type: none"> a) Annual review of Internal Audit Charter; b) Confirmation that the Internal Audit function is organisationally independent; c) Results of QAIP, associated improvement plans and 	2013/14 Annual Report and annually thereafter	Implemented	These areas were included in the Annual Reports for 2013/14 and 2014/15. There were no significant deviations from the PSIAS to consider for inclusion in the governance statement. The updated Internal Audit Charter and QAIP will be presented to CG&AC at the July 2015 meeting.

The Annual Internal Audit Report 2014/15

Internal Audit Improvement Action Plan for 2014/15				
	Action	Original Timescale	Status	Comments
	<p>progress against improvement plans;</p> <p>d) Statement that Internal Audit activity conforms with the PSIAS, provided results of support this;</p> <p>e) Any instances of non-conformance with the PSIAS;</p> <p>f) Consideration to including any significant deviations from the PSIAS within the governance statement.</p> <p>The annual report will continue to be presented to the CG&AC for approval.</p> <p><i>(New requirement)</i></p>			
5	<p>The audit plan 2014/15 will set out how it incorporates local and national issues and risks.</p> <p><i>(This requirement has been enhanced from previous standards.)</i></p>	2014/15 Annual Audit Plan process	Implemented	The reports to CG&AC for the Audit Plans 2014/15 and 2015/16 set out how risks have been taken into consideration. A documented methodology for compiling the Audit Plan was prepared to support the 2015/16 Plan.
6	<p>Assurance mapping will continue to be developed and evolve during the 2014/15 annual planning process.</p> <p><i>(This requirement has been enhanced from previous standards.)</i></p>	2014/15 Annual Audit Plan	Partly implemented	Partly implemented - Assurance mapping continues to evolve and a documented framework for assurance mapping will be formalised during 2015/16 and used for the 2016/17 planning process. This will also include consideration of directorate assurance arrangements.
7	<p>The following audits will be added to the audit universe:</p> <ul style="list-style-type: none"> - LCCs ethics related objectives, programmes and activities. <p>The following audits will be prioritised for the 2014/15 annual audit plan:</p> <ul style="list-style-type: none"> - Risk Management processes; - Achievement of LCC strategic objectives; - LCCs ethics related objectives, programmes and activities. <p><i>(This requirement has been enhanced from previous standards.)</i></p>	2014/15 Annual Audit Plan process	Implemented	The audits of Risk Management processes; achievement of LCC strategic objectives; and LCC ethics related objectives, programmes and activities (central controls) were added to the Audit Plan for 2014/15. Audits of these areas within Directorates have been included in the 2015/16 Audit Plan.

The Annual Internal Audit Report 2014/15

Internal Audit Improvement Action Plan for 2015/16				
	Action	Timescale	Status	Comments
1	Performance information to be included in the regular update reports to CG&AC will be discussed and agreed with members of the Committee. This will be included in the reports on an on-going basis.	9 th July 2015 On-going		
2	Review and update the Section's quality procedures and ensure these are fit for purpose and effective.	31 st July 2015		
3	Investigate options for integrated Audit Management Software (timesheets and working papers) including business case and implement new automated working practices/documentation.	By 31 st March 2016		
4	Review and update audit reporting protocols with Directorates.	31 st July 2015		
5	Review and update the Internal Audit Technical Manual to ensure this reflects current working practices and meets the requirements of PSIAS.	31 st July 2015		
6	Ensure the recommendations made in the Information Governance review of Audit and Investment have been fully implemented.	30 th September 2015		

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Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 9th July 2015

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

1 Purpose of this report

1.1 The Purpose of this report is to notify Members of the Committee of the draft work programme for the 2015/16 year. 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 the draft work programme attached at Appendix 1 and determine whether any additional items need to be added to the work programme.

3.2 Members are asked to consider and note the provisional dates for meetings of the Committee in the 2015/16 municipal year; these have been set out in such a way as to enable the Committee to fulfil its functions and responsibilities in a reasonable and proportionate way.

3.3 Corporate Considerations

3.1 Consultation and Engagement

3.1.1 This report consults seeks Members views on the content of the work programme of the Committee, so that it might meet the responsibilities set out in the committee's terms of reference.

3.2 Equality and Diversity / Cohesion and Integration

3.2.1 There are no equality and diversity or cohesion and integration issues arising from this report.

3.3 Council policies and the Best Council Plan

3.4 The work programme provides a balanced number of reports and assurances upon which the committee can assess the adequacy of the council's corporate governance arrangements.

3.5 Resources and value for money

3.5.1 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.

3.5.2 Legal Implications, Access to Information and Call In

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

3.6 Risk Management

3.6.1 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.

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

4 Conclusions

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

5 Recommendations

5.1 Members are requested to:

5.2 (a) consider the work programme attached at Appendix 1 and determine whether any additional items need to be added to the work programme; and

6 Background documents¹

¹ The background documents listed in this section are available to download from the Council's website,

6.1 N/A

unless they contain confidential or exempt information. The list of background documents does not include published works.

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**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME**

18th September 2015		
KPMG – Report to Those Charged With Governance	To receive a report giving the opinion on the financial statements, value for money conclusion and audit certificate.	Chief Officer (Financial Services) Doug Meeson
Approval of LCC Accounts	To receive a report requesting approval of the LCC Accounts	Chief Officer (Financial Services) Doug Meeson
Annual Governance Statement	To receive and approve the Annual Governance Statement	Head of Governance Services Andy Hodson
Internal Audit Update Report	To receive the Internal Audit update report	(Acting Head Of Internal Audit) Sonya McDonald
Compliments and complaints Annual summary report	To receive the annual compliment and complaints summary report	Chief Officer (Customer Access) Lee Hemsworth
Annual Financial Management Report (Incorporating Capital)	To receive the annual report reviewing the Financial Planning and Management Arrangements at the Council	Chief Officer (Financial Services) Doug Meeson
Business Continuity Report (Phase 2 Plans)	To receive a report reviewing the Councils Business Continuity planning in relation to Phase 2 Plans	(Chief Officer Strategy and Improvement) Mariana Pexton
Annual Report on Performance and Risk Management	To receive a report regarding the Council's risk management arrangements.	(Chief Officer Strategy and Improvement) Mariana Pexton
28th January 2016		

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

KPMG – Annual Audit Letter – including opinion	To receive a report certifying grants and returns and to consider the Audit Fee letter.	Chief Officer (Financial Services) Doug Meeson
KPMG – Certification of Grant Claims and Returns	To receive a report certifying grants and returns and to consider the Audit Fee letter.	Chief Officer (Financial Services) Doug Meeson
KPMG – Approval of External Audit Plan	To receive a report requesting approval of the external audit plan	Chief Officer (Financial Services) Doug Meeson
Internal Audit Update Report	To receive the Internal Audit quarterly report	(Acting Head Of Internal Audit) Sonya McDonald
Treasury Management Annual Report	To receive the annual Treasury Management Report providing assurance on the processes used by the department	Chief Officer (Financial Services) Doug Meeson
External Audit Appointment Requirements	To receive a report updating the Committee on the requirements in place for appointing an External Auditor for the Council	Chief Officer (Financial Services) Doug Meeson
18th March 2016		
Internal Audit Plan	To receive a report informing the Committee of the Internal Audit Plan for 2016/17	(Acting Head Of Internal Audit) Sonya McDonald
Internal Audit Update Report	To receive the Internal Audit quarterly report	(Acting Head Of Internal Audit) Sonya McDonald
Information Security Annual Report	To receive a report on the Council's Information Security arrangements.	(Chief Officer Strategy and Improvement) Mariana Pexton

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME**

Annual Business Continuity Report	To receive the annual report reviewing the Councils Business Continuity planning.	(Chief Officer Strategy and Improvement) Mariana Pexton
Annual Report of the Committee	To receive the Annual report of the Committee reviewing the work completed over the last year	Head of Governance Services Andy Hodson

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