



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Friday, 18th March, 2016
at 2.00 pm**

MEMBERSHIP

Councillors

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

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 - 28TH JANUARY 2016</p> <p>To receive and approve the minutes of the meeting held on 28th January 2016.</p>	1 - 8
7			<p>KPMG FULL AUDIT PLAN 2015/16</p> <p>To receive a report of the Deputy Chief Executive which informs members of KPMG's full audit plan for the audit of the Council's accounts and value for money arrangements. The attached report from KPMG highlights the risk based approach to the audit and the main risks they have identified for 2015/16.</p>	9 - 28
8			<p>INTERNAL AUDIT PLAN 2016-17</p> <p>To receive a report of the Deputy Chief Executive which presents the proposed Internal Audit Plan for 2016-17 to the Corporate Governance and Audit Committee for review and approval. This report also includes a summary of the basis for the plan. The plan has been developed in consultation with senior management including the Chief Officer (Financial Services) and the Deputy Chief Executive.</p>	29 - 54

Item No	Ward	Item Not Open		Page No
9			INTERNAL AUDIT UPDATE REPORT 1ST JANUARY TO 29TH FEBRUARY 2016 To receive a report of the Deputy Chief Executive which provides a summary of Internal Audit activity for the period 1st January to 29th February 2016 and highlight the incidence of any significant control failings or weaknesses.	55 - 74
10			ANNUAL BUSINESS CONTINUITY REPORT To receive a report of the Deputy Chief Executive which provides assurance to the Corporate Governance & Audit Committee of the adequacy of the business continuity management arrangements currently in place. The report also provides assurance that LCC maintains compliance with the statutory duties contained within the Civil Contingencies Act 2004.	75 - 84
11			ANNUAL INFORMATION GOVERNANCE REPORT To receive a report of the Deputy Chief Executive which provides the Committee with an annual report on the steps being taken to improve Leeds City Council's information governance in order to provide assurance for the annual governance statement.	85 - 104
12			REVIEW OF FINANCIAL GOVERNANCE AND CONTROL ARRANGEMENTS FOR PARTNERSHIPS To receive a report of the Deputy Chief Executive which aims to update the Committee on work undertaken to identify and review joint-working arrangements with other organisations and to ensure that appropriate financial governance and control arrangements are in place.	105 - 114
13			WORK PROGRAMME To receive a report of the City Solicitor notifying and inviting comment on the 2016/17 forthcoming work programme.	115 - 120

Item No	Ward	Item Not Open		Page No
14			<p>DATE AND TIME OF NEXT MEETING</p> <p>To be confirmed.</p> <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>	

This page is intentionally left blank

Corporate Governance and Audit Committee

Thursday, 28th January, 2016

PRESENT: Councillor G Hussain in the Chair
Councillors P Grahame, R Wood,
J Bentley, P Harrand, K Bruce, A Sobel,
J Illingworth, G Hyde and K Groves (As
Substitute for N Dawson)

Apologies Councillors N Dawson

44 Councillor Hyde

The Chair welcomed Councillor G Hyde as a new Member of the Committee.

45 Appeals Against Refusal of Inspection of Documents

There were no appeals against refusal of inspection of documents.

46 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

47 Late Items

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

48 Declaration of Disclosable Pecuniary and Other Interests'

No declarations were made.

49 Apologies for Absence

Apologies for absence were received from Councillor N Dawson. Councillor K Groves was in attendance as substitute.

50 Minutes - 18th September 2015

RESOLVED – That the minutes of the meeting held on 18th September 2015 be approved as a correct record.

51 Matters Arising

Minute No. 34 Matters Arising From The Minutes

It was confirmed to Members that the Head of Internal Audit had circulated further information relating to Purchasing Cards. Following this Cllr Harrand had submitted supplementary questions requesting more detail with regards to purchasing cards. The questions had been circulated to all Members of the Committee and were addressed by the Head of Internal Audit as follows:

1. With regards to cash withdrawals it was confirmed that that during 2014/15 there were 4 withdrawals made totalling £1,100, The withdrawals were made by International Relations and Schools. So far during 2015/16 there has been 6 withdrawals totalling £1,500 made by one school, International Relations and Adult Social Care hub;
2. In terms of not always being able to confirm that value for money had been achieved, it was explained that this was due to not having evidence of competition which makes value for money hard to assess;
3. It was confirmed that there was a zero tolerance approach to fraud and where it is detected it is always referred to the Police; and
4. The Head of Internal Audit confirmed that two out of eight schools audited, the appropriateness of expenditure could have been challenged.

Minute No 40. Annual Business Continuity Report: Phase 2 Progress Update

The Head of Governance Services confirmed that following the recent Boxing Day floods and the questions raised by Cllr Bentley about the effectiveness of the Business Continuity Plans to the Chair, March's Annual Business Continuity Report will detail how the plans operated during the floods.

The Head of Governance Services also confirmed that all outstanding actions from the minutes of the meeting held on 18th September 2015 had been completed.

52 KPMG Annual Audit Letter 2014/15

The Principal Finance Manager presented a report of the Deputy Chief Executive which provided a summary of the key external audit findings in respect of the 2014/15 financial year. KPMG's letter was attached at Appendix 1 of the submitted report.

Rob Walker (Audit Manager) of KPMG was in attendance to answer Members' questions.

Members discussed the reduction in the general reserve fund and the risks that this posed to the Council with the Head of Corporate Finance and the KPMG representative. It was considered that although reducing the general reserve fund was a risk (which had arisen due to the reduction in Council

funding), the risk was mitigated by having a credible plan in place to manage the risk.

The Committee noted that KPMG's fees had reduced by 25% and wished to establish whether this would alter the scope of the audit conducted. The KPMG representative confirmed that the scope would not alter and that the reduction of the fee was due to the abolition of the Audit Commission which previously received a "top slice" of the audit fee.

Members requested finance officers to provide an up-to-date position on the Collection Fund.

RESOLVED – The Committee resolved to:

- (a) note the conclusions and recommendations arising from the 2014/15 external audit process; and
- (b) Provide the Committee with an up to date position on the Collection Fund.

53 KPMG Certification of Grants Report 2014/15

The Principal Finance Manager presented a report of the Deputy Chief Executive which informed members on the result of the work of auditors in respect of work carried out on the certification of grant claims in 2014/15.

Rob Walker (Audit Manager) of KPMG was in attendance to answer Members' questions.

Members sought confirmation as to which firms had tendered for audit work in relation to grants and whether KPMG had tendered for this work. Members were informed of the companies who had won the tenders and it was confirmed that KPMG had tendered for the work also.

RESOLVED – The Committee resolved to note the conclusions and recommendations arising from their 2014/15 audit work.

54 KPMG Summary External Audit Plan 2015/16

The Principal Finance Manager presented a report of the Deputy Chief Executive which informed members of progress in KPMG's audit planning for the audit of the Council's accounts and Value for Money arrangements. The report attached at Appendix 1 from KPMG highlighted the main risks they have identified for 2015/16.

The report also informed members of the audit scale fees applicable to Leeds for 2015/16 and the proposal for 2016/17.

Rob Walker (Audit Manager) of KPMG was in attendance to answer Members' questions.

Members noted the guidance attached to the submitted report which would be used to form the basis of the External Audit Plan 2015/16 and which would be presented to the committee in March 2016.

RESOLVED - The Committee resolved to note the contents of KPMG's report.

55 KPMG Technical Update Report

The Principal Finance Manager presented a report of The Deputy Chief Executive which introduced a report from KPMG which provided Members with information on several major issues affecting local authorities in general.

Rob Walker (Audit Manager) of KPMG was in attendance to answer Members' questions.

In discussion the Head of Corporate Finance confirmed that issues identified by KPMG are reviewed by finance staff and where new or significant matters are brought to the council's attention these are acted upon.

RESOLVED – That the contents of the report be noted.

56 Report on the recent customer relations issues and trends 2015-16

The Executive Officer Customer/Client relations presented a report of the Chief Officer (Customer Access) which provided an update to the Committee about the Council's complaints and ombudsman cases for the period 1 January 2015 to 31 December 2015. The report being requested by the committee following the annual assurance report for 2014-15 that was discussed at the September 2015 meeting. The report also assessed the overall effectiveness of the council's approach to compliments, complaints and feedback.

The Executive Officer Customer Relations and representatives from directorates were in attendance to answer Members' questions.

Members discussed the outcome of Ombudsman complaints which had generated a financial settlement and where this featured within each department's budget.

Members commented that despite the Council having a 'no wrong door' 'tell us once' approach there appeared to be a number of "silos" and that it was difficult for customers to access the Council with a specific complaint or service request.

Members were concerned to learn from Officers that mistakes in handling customer contact was considered to be inevitable due to the high turnover of staff within the contact centre. The committee also considered whether further more detailed consideration was needed of the effectiveness of the customer contact arrangements, with a particular focus on whether staff have the sufficient knowledge and expertise to fulfil this important role.

Members commented that all contact received by the Council should be capable of being captured and managed consistently across the organisation.

The Committee also discussed methods by which feedback on customer satisfaction can be gathered and that further consideration be given to a simpler method by which this information can be collated.

The committee concluded that future annual assurance reports be presented with a broader scope and include the breadth of contact made to the Council and overall satisfaction of the public with council services.

RESOLVED – The Committee resolved to:

- (a) receive that the report and supporting information provided and the extent of assurances provided;
- (b) Request that the relevant Scrutiny Board consider the issues raised; and
- (c) Request that future annual assurance reports include the wider arrangements for customer contact and satisfaction with Council services.

57 Changes to the statutory timescales for approving the accounts and future arrangements for appointing external auditors

The Principal Finance Manager presented a report of The Deputy Chief Executive which informed members of changes to the statutory timescales for approving the accounts which will come into force for the 2017/18 accounts, changes affecting the public inspection period for the accounts which have come into force for the 2015/16 accounts, and to update members on the latest developments.

Members considered that the Council may require independent advice when appointing an External Auditor, and that before any appointment was made consideration would need to be given to the LGA's proposed national scheme for audit appointments. Members noted that jointly procuring the council's auditors on a West Yorkshire or Leeds City Region basis could be an option

RESOLVED – The Committee resolved to:

- (a) Note the changes to the public inspection arrangements for the 2015/16 accounts, and the reduced statutory timescales for producing the accounts from 2017/18 onwards;

- (b) Note the latest position on the new arrangements for appointing external auditors, and that these are not expected to come into force until the 2018/19 accounts process; and
- (c) Receive and note the report from KPMG giving their views on the future appointment of external auditors.

58 Treasury Management Governance Report 2015

The Principal Finance Manager (Treasury Management) presented a report of The Chief Officer Financial Services which outlined the governance framework for the management of the Council's TM function. This report also reviewed compliance with updated CIPFA guidance notes for practitioners on the Prudential Code for Capital Finance in Local Authorities issued in 2011.

Members requested that the average interest rate on loans paid by other comparable cities to Leeds be circulated to the Committee.

Following discussion Members were assured that externally Leeds was viewed as both a good place to lend money to and to borrow from.

RESOLVED – The Committee resolved to;

- (a) Note that Treasury Management continues to adhere to its governance framework including the CIPFA Code of Practice, the Prudential Code and revised CIPFA guidance notes issued in 2013. All borrowing and investments undertaken have been compliant with the governance framework; and
- (b) request that the average interest rate on loans paid by other comparable cities to Leeds be circulated.

59 Internal Audit Update Report 1st August to 31st December 2015

The Acting Head of Internal Audit presented a report of The Deputy Chief Executive which provided a summary of Internal Audit activity for the period 1st August to 31st December 2015 and highlighted the incidence of any significant control failings or weaknesses.

Members received assurance from the Acting Head of Internal Audit that the audit opinion in relation to the Leeds Grand Theatre were correct and in line with the definitions of assurance detailed at page 193 of the submitted report. The Acting Head of Internal Audit also updated the committee on the Leeds Grand Theatre fraud case. Members were informed that the hearing had been postponed with a future date likely to be in October 2016.

Members discussed the resourcing of the Internal Audit department with the Head of Internal Audit (Acting), specifically with regards to staff secondments.

Draft minutes to be approved at the meeting
to be held on Friday, 18th March, 2016

The Committee discussed the Early Leavers Initiative (ELI) audit, specifically whether the savings made were in line with expectations. The Acting Head of Internal Audit confirmed that the audit had made recommendations to improve the reporting arrangements by including the actual savings achieved as well as the anticipated savings. Members requested further information on the actual savings realised through the Early Leavers Initiative.

Members were advised that the Internal Audit Service is to have an external peer review undertaken in the summer 2016 under the requirements of the Public Sector Internal Audit Standards. The outcome of this is due to be reported towards the end of the calendar year.

In discussing the report Members asked to receive the Spending Money Wisely reports.

Members were invited to consider any areas they felt they would like Internal Audit to review. The following was requested:

- A review of the customer services department to ensure effective governance arrangements are in place in relation to contact received by the Council from its customers; and
- A review of the electoral roll to ensure it is up to date.

RESOLVED – The Committee resolve to:

- (a) to receive the Internal Audit 1st August to 31st December 2015 update report and note the work undertaken by Internal Audit during the period covered by the report;
- (b) Note the issues reported by the Acting Head of Internal Audit
- (c) Request that the suggestions on the coverage of the Audit Plan for 2016/17 made be incorporated into the audit planning process;
- (d) Receive the results of the actual saving made by the ELI process against the anticipated savings as part of the next Internal Audit update report; and
- (e) Receive the Internal Audit Spending Money Wisely reports.

60 Work Programme

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

It was noted that draft dates for meetings for the municipal year 2016/17 would be circulated to Members at the next meeting of the Committee.

RESOLVED – The Committee resolved to note the contents of the work programme attached at Appendix 1 of the submitted report.

61 Date and Time of Next Meeting

2pm, Friday 18th March 2016



Report author: Mary Hasnip
Tel: x74722

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 18th March 2016

Subject: KPMG Full Audit Plan 2015/16

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. In order to discharge their statutory duties, KPMG issue an annual audit plan which covers the Council's accounts and the process for assessing its arrangements to secure value for money in the use of resources. An interim update on their audit planning work was presented at the January meeting of this committee. The attached report from KPMG represents their full audit plan for 2015/16, covering their audit approach, timing of audit work, and the significant audit risks identified to date.

Recommendations

2. Members of the Corporate Governance and Audit Committee are asked to note and agree the nature and scope of the audit plan presented by KPMG.

1 Purpose of this report

- 1.1 To inform members of KPMG's full audit plan for the audit of the Council's accounts and value for money arrangements. The attached report from KPMG highlights the risk based approach to the audit and the main risks they have identified for 2015/16.

2 Background information

- 2.2 KPMG's statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice. As the Council's external auditors, KPMG are required to satisfy themselves that the Council's accounts comply with statutory requirements and that they have been compiled according to proper practices. In addition they are also required to conclude as to whether the Council has arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

3 Main issues

- 3.1 KPMG's audit has two key objectives, to give an opinion on the council's financial statements (including the annual governance statement), and to review and report on the council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Their audit plan sets out their approach to this work and the planned timing of their reporting to the council during the year.
- 3.2 In relation to their audit of the council's statement of accounts, KPMG have identified the valuation of property plant and equipment as an area where there is a significant risk of a material misstatement.
- 3.3 KPMG have also identified two areas of audit focus. These are the council's arrangements for accounting for the Better Care Fund which was introduced in 2015/16, and preparations for changes to infrastructure accounting which will apply from 2016/17.
- 3.4 In relation to their audit of the council's arrangements for securing value for money, KPMG have identified the key risk as being the council's ability to respond to the continuing significant financial pressures which it faces.
- 3.5 The audit plan confirms that KPMG's proposed audit fee for 2015/16 is £232k.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The audit plan 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 This report does not raise any issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and Best Council Plan

- 4.3.1 Under the Committee's terms of reference members are required to agree the nature and scope of the external audit plan.

4.4 Resources and value for money

- 4.4.1 The report outlines the areas which KPMG will review in assessing whether the Council has proper arrangements for securing value for money.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The report by KPMG outlines how they propose to discharge their responsibilities as defined by in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.
- 4.5.2 As this is a factual report provided by the external auditors none of the information enclosed is deemed to be sensitive or requesting decisions going forward and therefore raises no issues for access to information or call in.

4.6 Risk Management

- 4.6.1 The report identifies the key risks which KPMG have identified in their audit planning process so far.

5 Conclusions

- 5.1 KPMG have provided the Council with a plan for discharging their responsibilities in respect of the external audit of the Council's 2015/16 accounts and for assessing the Council's arrangements for securing value for money. They have also identified what they see as the main risks.

6 Recommendations

- 6.1 Members of the Corporate Governance and Audit Committee are asked to note and agree the nature and scope of KPMG's external audit plan.

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.

This page is intentionally left blank



External Audit Plan 2015/2016

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£20 million**

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£15 million**

Page 14

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as the Valuation of Property Plant and Equipment

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Accounting for Better Care Fund
- Accounting for Infrastructure

See pages 3 to 5 for more details.

Value for Money Arrangements work



The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risk. This is the impact on sustainable resource deployment of the financial pressures facing the Authority.

See pages 6 to 9 for more details.

Logistics



Our team is:

- Trevor Rees – Director
- Andy Smith – Senior Manager
- Rob Walker - Manager
- Liz Middleton - Assistant manager

More details are on **page 12**.

Our work will be completed in four phases and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 11**.

Our fee for the audit is £231,953 compared to £307,800 in 2014/15 see **page 10**.

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

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

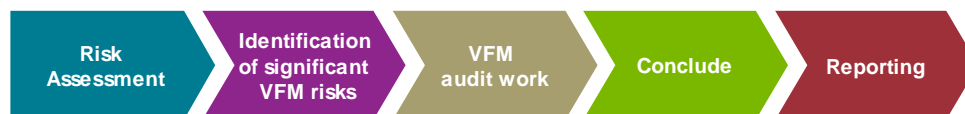
Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16 and the findings of our VFM risk assessment.



Financial Statements Audit Planning

Our planning work takes place during February 2016. This involves the following key aspects:

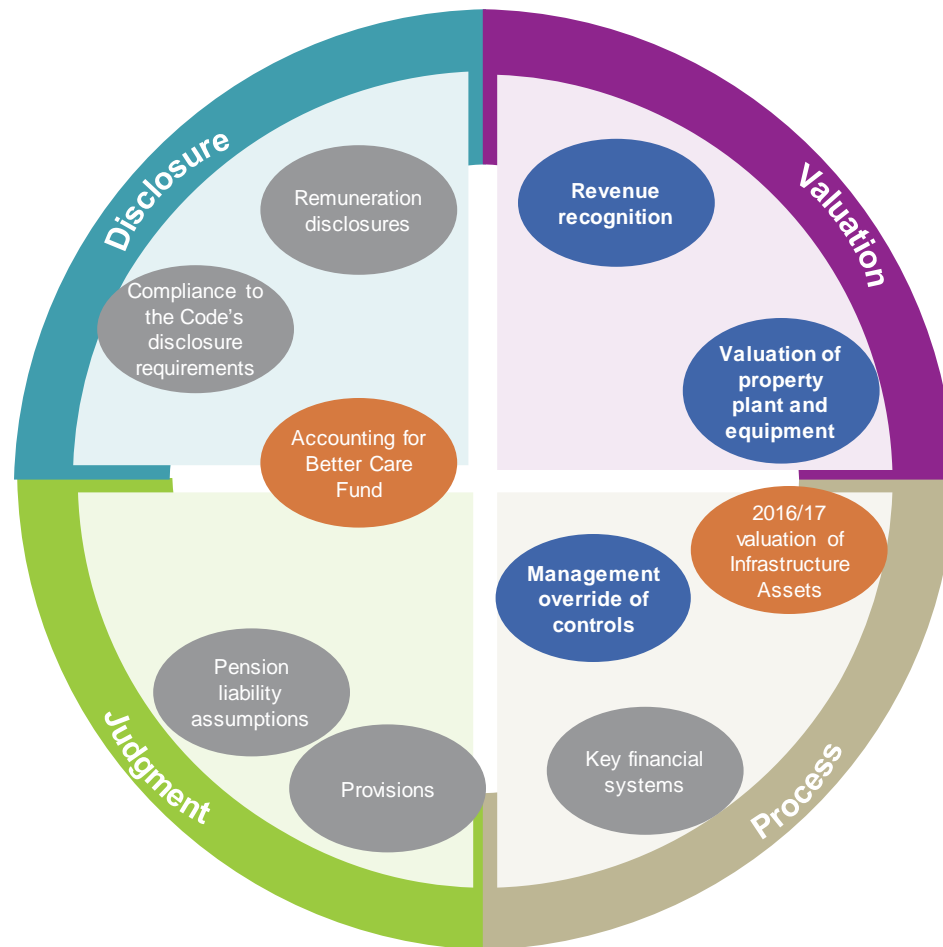
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Valuation of Property Plant And Equipment (PPE)

Risk: In 2014/15 valuation of PPE was £3.9bn. This is a very material value on the balance sheet and is an estimate based on professional judgement by your in-house valuers. We did see changes to the draft accounts in both 2014/15 when the value of schools was amended following an internal review and 2013/14 when the valuation update was not completed before production of the draft accounts in July.

Approach: We will review your approach to re-valuation and impairment of assets and reassess the risk as part of our interim work.

We will assess the reliability of the in-house valuer as management's expert and consider whether we can rely on their work.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Accounting for Better Care Fund

Area: The Better Care Fund (BCF) came into operation on 1 April 2015 with £3.46 billion of NHS England's funding to Clinical Commissioning Groups (CCGs) ring-fenced for the establishment of the fund in 2015/16. The Care Act 2014 requires a pooled fund to be established between CCGs and local authorities in the form of a section 75 agreement. Local BCF arrangements may be complex and varied, involving a number of valid commissioning and accounting arrangements that raise risks of misunderstanding, inconsistencies and confusion between members of a BCF pooled budget.

We understand that the total BCF pooled budget within Leeds is circa £50m.

Approach: As part of our audit, we will:

- understand how the fund operates and the processes in place to capture financial reporting information;
- assess compliance with the 2015-16 Code of Practice and financial reporting implications for the Authority, including agreement of the application of gross and net accounting with the CCG; and
- Check that governance issues have been appropriately considered and disclosed in the Annual Governance Statement.

Accounting for Infrastructure

Area: A major change to the 2016/17 statements is the application of LAAP Bulletin 100 adopting the measurement requirements of the Transport Code. Assets will be revalued from Historic Cost to Depreciated Replacement Cost supported by detailed Asset Management Records. These are required to provide the detail to support the new valuation a significant change to the arrangements. Ensuring that the necessary records are in place during early 2016 is important to ensure delivery of this change. We will continue to monitor progress in setting up the systems to support this change.

Approach: We will continue to monitor progress in setting up the systems to support this change.

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £20 million which equates to 1.1 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

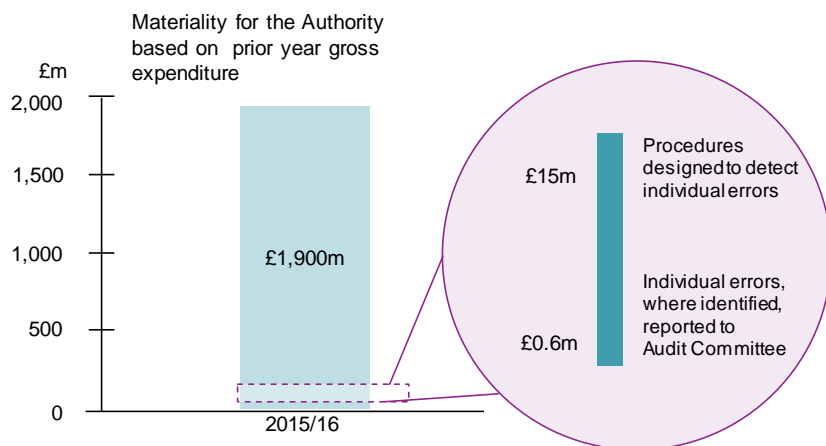
Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.6million.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

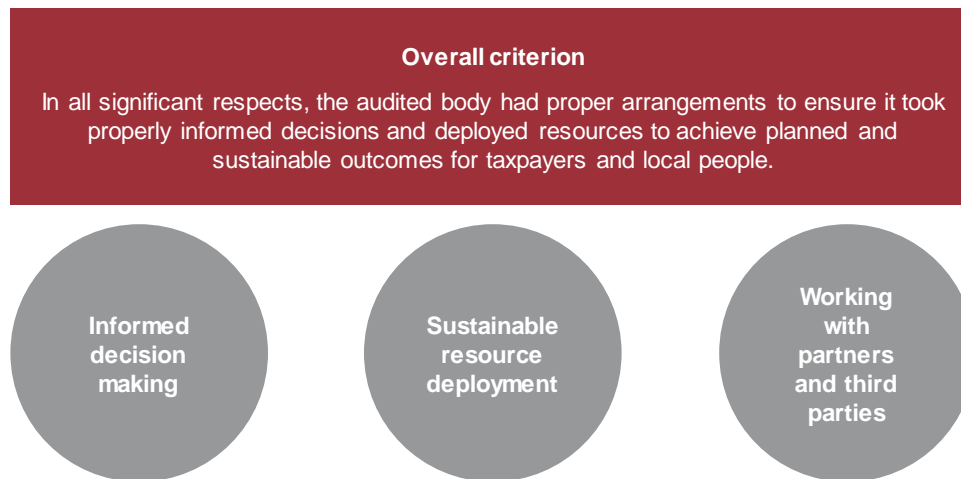


Background to approach to VFM work

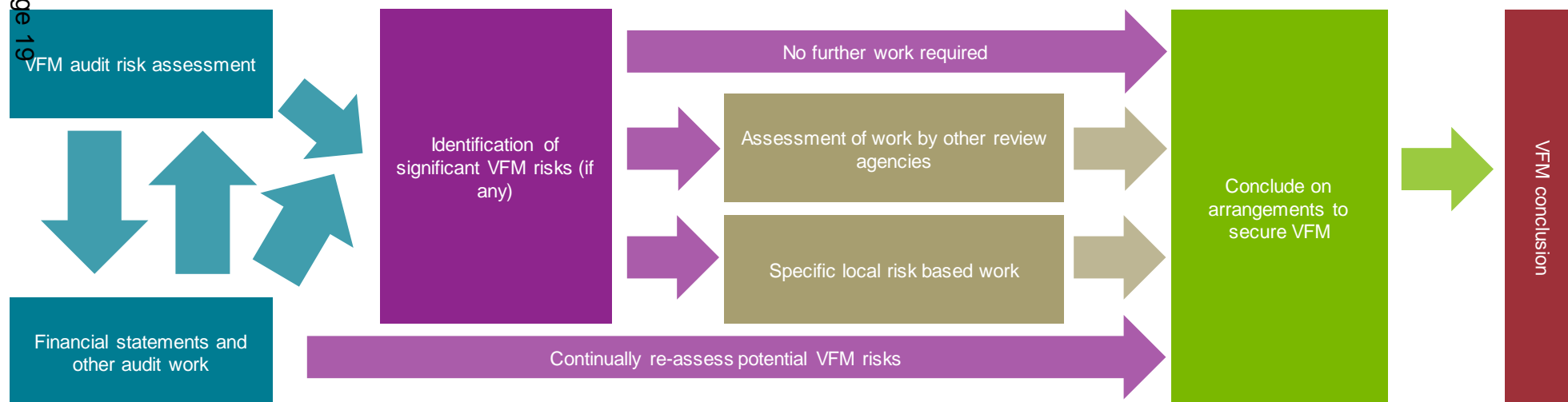
The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Authority. The diagram to the right shows the details of this criteria.



Page 19



VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>



Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

The Financial pressures facing the Authority may impact on sustainable resource deployment

Risk: There are significant financial pressures facing the Authority. General reserves were £29.6 million in 2010/11 and are expected to reduce to £20.9 million by the end of March 2016 and £17.4 million by March 2017. The Authority has dealt with in-year budget pressures in the current year. A small overspending of £0.6 million was reported at Month 9 compared to £4 million in Month 7. The latest budget proposals estimate net revenue budgets to reduce from £527.9 million to £496.4 million, a reduction of £31.5 million with challenging savings targets set to deliver a balanced budget.

Business rate appeals are also creating further pressure on the financial position. The latest Budget Proposal Document recognises that the Authority's share of the collection fund deficit will increase from £6.4 million at the end of March 2016 to £22.2 million in March 2017. Although the full impact is partially off-set by expected growth as a consequence of the Business Rate Retention Scheme, this creates an additional pressure of £12.6 million for the 2016/17 budget.

Approach: In our VFM work we will consider how the Authority is managing its savings plans and we will review key performance indicators to assess whether this has had an unintended adverse impact on service delivery.

We will also assess the level of reserves available at 31st March 2016 against the Authority's reserves policy, taking into account any contingent liabilities which could have a significant impact on the Authority's financial standing if they were to crystallise.

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Trevor Rees. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Corporate Governance and Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

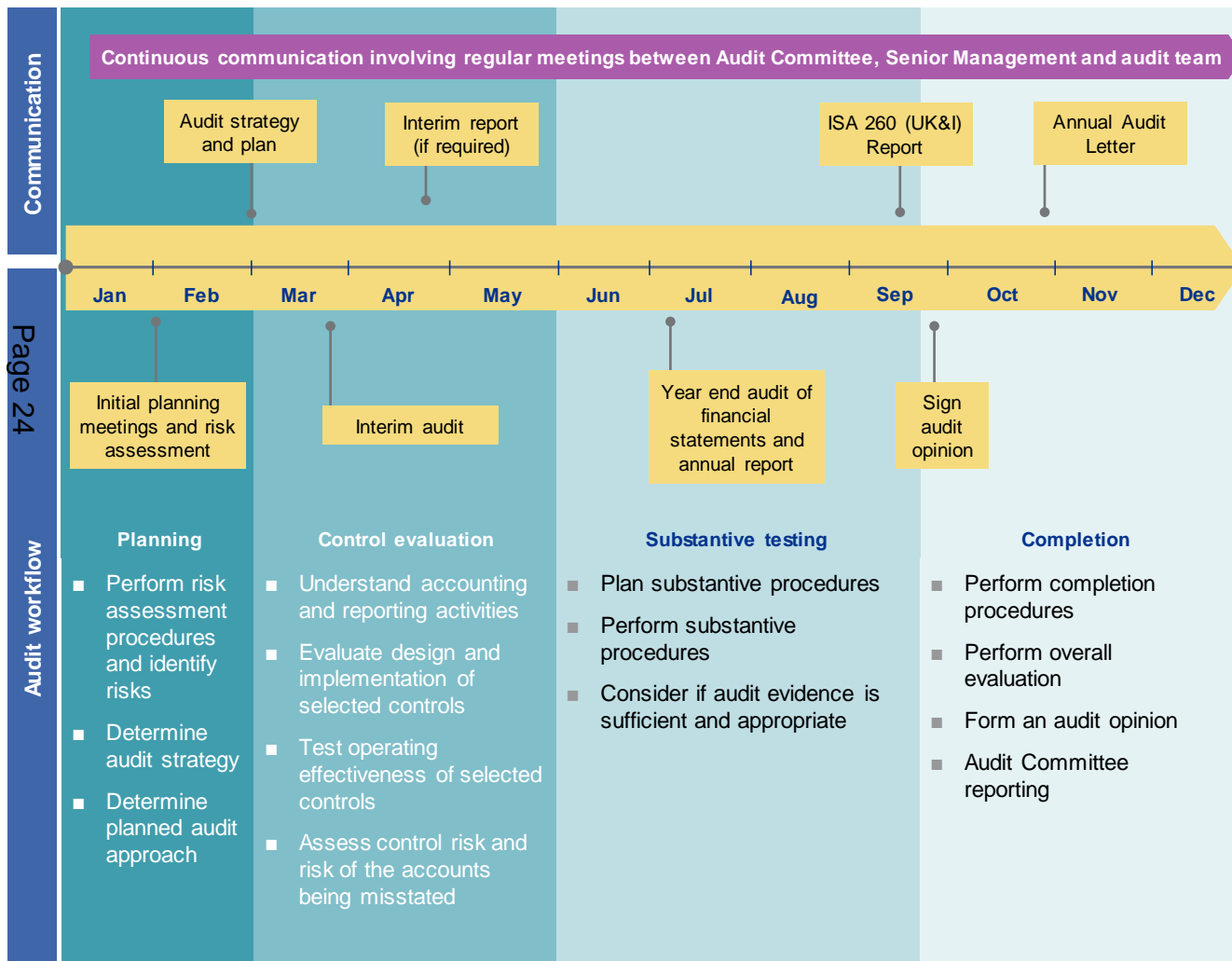
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2015/16 is £231,953. This is a reduction in audit fee, compared to 2014/2015, of £75,847 (25%).

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as fixed assets, payroll and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Your audit team has been drawn from our specialist public sector assurance department.



Trevor Rees

Director

Tel: 07836 318642

Page 25
trevor.rees@kpmg.co.uk

Name	Trevor Rees
Position	Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the corporate Governance and Audit Committee and Chief Executive'</p>



Andy Smith

Senior Manager

Tel: 07798 853924

andrew.smith2@kpmg.co.uk

Name	Andy Smith
Position	Senior Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with partner to ensure we add value.</p> <p>I will liaise with the Deputy Chief Executive'</p>



Lizzie Middleton

Assistant Manager

Tel: 07806 758590

elizabeth.middleton@kpmg.co.uk

Name	Lizzie Middleton
Position	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>



Rob Walker

Manager

Tel: 07912 763085

rob.walker@kpmg.co.uk

Name	Rob Walker
Position	Manager
	<p>'I will manage the on-site delivery and provide technical guidance to the team on a day to day basis</p> <p>I will liaise with key staff in the Corporate Finance Team'</p>

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Governance and Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of February 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



© 2016 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.

Produced by Create Graphics/Document number: CRT053550A

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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, 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 Trevor Rees, 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, Andrew Sayers, by email to Andrew.Sayers@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 3HZ.

This page is intentionally left blank



Report author: Tim Pouncey/
Sonya McDonald
Tel: 74214

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 18th March 2016

Subject: Internal Audit Plan 2016-17

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.
2. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the council to inform its governance statement. The standards also refer to the need for a risk-based plan to take into account the requirement to produce an annual internal audit opinion which includes input from management and the Corporate Governance and Audit Committee¹. Standard 2020 requires that internal audit plans are communicated to senior management and the Committee for review and approval.
3. The terms of reference for the Corporate Governance and Audit Committee include the consideration of the council's arrangements relating to internal audit requirements and specifically, reviewing and approving the risk-based plan and any additional significant work²
4. This report therefore provides members with the proposed Internal Audit Plan for 2016-17.

¹ The Corporate Governance and Audit Committee within LCC is the 'Board' as defined in the Public Sector Internal Audit Standards. *The Board is the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. Typically, this includes an independent group of directors. 'Board' may refer to an audit committee to which the governing body has delegated certain functions.*

² As defined in the Internal Audit Charter

Recommendations

5. The Corporate Governance and Audit Committee is asked to review and approve the proposed Internal Audit Plan for 2016-17.

1 Purpose of this report

- 1.1 The purpose of this report is to present the proposed Internal Audit Plan for 2016-17 to the Corporate Governance and Audit Committee for review and approval. This report also includes a summary of the basis for the plan. The plan has been developed in consultation with senior management including the Chief Officer (Financial Services) and the Deputy Chief Executive.

2 Background information

- 2.1 The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements.
- 2.2 From April 2013 CIPFA and the Chartered Institute of Internal Auditors launched a common set of Public Sector Internal Audit Standards (PSIAS) to be adopted across the public sector. The PSIAS set out the standards for internal audit.
- 2.3 The principles of the PSIAS are consistent with the previous CIPFA Code of Practice for Internal Audit that applied across local government. They include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the Corporate Governance and Audit Committee. Standard 2020 requires that internal audit plans are communicated to senior management and the Committee for review and approval.
- 2.4 The Deputy Chief Executive, as the council's Section 151 Officer, is responsible under the Local Government Act 1972 for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of internal audit is an important source of information for the Deputy Chief Executive in exercising his responsibility for financial administration.

3 Main issues

- 3.1 The report provides the proposed Internal Audit Plan for 2016-17. The report also outlines the planning process undertaken to produce the proposed plan.
- 3.2 The PSIAS require that the Head of Internal Audit³ *'must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.'* Furthermore, the standards state that the risk-based plan should take into account the requirement to produce an annual internal audit opinion and report that is 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. To support this, the risk-based plan needs to include an appropriate and comprehensive range of work. There also needs to be a balance between breadth (taking a broad look at governance and risk

³ 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.)

management) and depth (drilling down into specific areas where internal audit can provide valuable insight.)

- 3.3 The number of days allocated in the plan to specifically provide the Head of Internal Audit with the evidence for the opinion on the control environment is 2,685 days (2015/16 - 3,980 days.) The level of resources required to provide internal audit services to external clients is 197 days and 15 days have also been included in the plan for the external assessment process required by the PSIAS every 5 years (the first assessment must be completed by 31st March 2018 and is currently provisionally scheduled for the summer of 2016.) The total Internal Audit Plan for 2016/17 is therefore 2,897 days (2015/16 – 4,352 days.)
- 3.4 Given the reduction in resources, there will be a need for greater reliance to be placed on management controls within the internal control framework and for a potentially higher level of risk to be accepted. Directorate Leadership Teams must have appropriate arrangements in place to ensure that they have assurance on key risk areas and that the risk management process supports and enables the delivery of objectives. Internal audit resource will need to be focused on the most significant risk areas and on the robustness of financial control.
- 3.5 The above mentioned assurances will continue to be developed and increased and these, taken together with the work of internal audit, will provide the assurance coverage necessary to support the needs of the Corporate Governance and Audit Committee.

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 (including matters such as internal control and risk management.) They also require the Committee to consider the council's arrangements relating to internal audit requirements including reviewing and approving the risk-based plan and any additional significant work.
- 4.3.2 The council's Financial Regulations require that an effective internal audit service is provided in line with legislation and the appropriate audit standards to help the organisation accomplish its objectives.

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 reviews and initiatives in line with the council's value of spending money wisely. These will be included in the regular update reports to the Committee.
- 4.4.2 The Internal Audit Quality Assurance and Improvement Programme and service development work that is reported to the Committee demonstrates that the efficiency and effectiveness of the section is continually improving.

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.
- 4.6.2 The risks relating to the achievement of the Internal Audit Plan will be managed through ongoing monitoring of performance and resource levels. This information will continue to be reported to the Committee.

5 Conclusions

- 5.1 The proposed Internal Audit Plan for 2016-17 has been prepared in line with the PSIAS. A risk-based approach has been used to prioritise internal audit work and ensure there is sufficient coverage and internal audit resource to provide an evidence-based assurance opinion that concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 5.2 The plan is responsive in nature and all efforts will be made to maximise coverage to provide the most effective and agile internal audit service that focuses on those key risks facing the organisation throughout the year.
- 5.3 Progress against the plan will be monitored throughout the year and key issues will continue to be reported to the Corporate Governance and Audit Committee.

6 Recommendations

- 6.1 The Corporate Governance and Audit Committee is asked to review and approve the proposed Internal Audit Plan for 2016-17.

7 Background documents

- 7.1 None.

This page is intentionally left blank



**Internal Audit Plan
2016-17**

CONTENTS

Section 1

- 1.1 Background**
- 1.2 The planning process**
- 1.3 The annual plan**
- 1.4 Assurance blocks**
- 1.5 Resources**
- 1.6 Conclusion**

Section 2

- 2.1 Comparison with Internal Audit Plan 2015-16**
- 2.2 Internal Audit Plan 2016-17**

Section 1

1.1 Background

1.1.1 The definition of internal audit is set out in the Public Sector Internal Audit Standards (PSIAS):

“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.”

1.1.2 Internal audit contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on achieving the key priorities.

1.1.3 Internal audit also supports the Deputy Chief Executive in discharging his statutory duties. The following are two key pieces of legislation that internal audit supports the Deputy Chief Executive to comply with:

- Section 151 of the Local Government Act 1972. The Deputy Chief Executive, as the council’s Section 151 Officer, is responsible under the Local Government Act for ensuring that there are arrangements in place for the proper administration of the authority’s financial affairs. The work of internal audit is an important source of information for the Deputy Chief Executive in exercising his responsibility for financial administration.
- The Accounts and Audit Regulations 2015. The regulations state that ‘A relevant authority must undertake an effective internal audit¹ to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’. The work of internal audit provides a substantial element of this requirement.

1.1.4 The PSIAS came into force on 1 April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The

¹ ‘Effective internal audit’ is defined by the Department for Communities and Local Government as compliance with the Public Sector Internal Audit Standards (PSIAS) and CIPFA’s Local Government Application Note for the PSIAS.

PSIAS set out the standards for internal audit and include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the 'Board'. Within Leeds City Council, the Corporate Governance and Audit Committee fulfils the key duties of the Board laid out in the PSIAS. This document sets out the proposed plan for 2016-17.

1.2 *The planning process*

- 1.2.1 The PSIAS Performance Standard 2010 - Planning states that: 'The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.' Within Leeds City Council, the role of Chief Audit Executive is undertaken by the Head of Internal Audit.
- 1.2.2 The standards refer to the need for the risk-based plan to take into account the requirement to produce an annual internal audit opinion and report that is 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. To support this, the risk-based plan needs to include an appropriate and comprehensive range of work. There also needs to be a balance between breadth (taking a broad look at governance and risk management) and depth (drilling down into specific areas where internal audit can provide valuable insight.)
- 1.2.3 In line with the PSIAS the proposed audit plan has been devised adopting a risk based approach using the following sources:
- the council's risk management processes and the corporate and directorate risk registers;
 - the results of previous internal audit work and our ongoing assessment of the auditable entities within the authority;
 - planned work deferred from 2015-16;
 - awareness of relevant local and national issues;
 - consultation with Corporate Governance and Audit Committee, the council's Section 151 Officer, senior management and colleagues from across the organisation; and
 - regular dialogue with the core cities and authorities within South and West Yorkshire helps to ensure that we are aware of emerging risks within other councils so that they can be considered during audit planning.

1.3 *The annual plan*

- 1.3.1 The outputs from the planning process have been prioritised to produce a plan that balances the following:

- the requirement to give an objective and evidenced based opinion on aspects of governance, risk management and internal control;
- the time required for anti-fraud and corruption activity
- the requirement for internal audit to add value through improving controls, streamlining processes and supporting corporate priorities;
- the need to retain a contingency element to remain responsive to emerging risks; and
- the resource and skill mix available to undertake the work.

1.4 Assurance Blocks

Directorate

- 1.4.1 In previous years, the Internal Audit Plan has included assurance blocks for Compliance, Risk Based Audit and Spending Money Wisely. This year, the work in these areas will be incorporated within an assurance block for each directorate to align with risk registers and accountabilities. These reviews assess the effectiveness of risk management, control, and governance processes within directorates and the central corporate function. Within this area there are specific audits identified for each directorate based on their key risks and priorities.

Continuous Audit

- 1.4.2 The proposed plan features a new cross cutting programme of continuous audit. This assurance block aims to evaluate control effectiveness across key systems on an ongoing basis and highlight high risk transactions or events on a timely basis. This programme of work will inform some of the work undertaken within the anti-fraud and corruption assurance block. This work is an innovative approach to ensuring wider coverage of key transactions in an efficient manner, using technology to mitigate the risks arising from a reduced internal audit resource.

Key Financial Systems

- 1.4.3 This work focusses on the control arrangements within the council's core financial systems to assess whether they are adequate to allow the council to conduct its business appropriately. The work provides the Section 151 Officer with a key element of his assurance that the council has effective arrangements for the proper administration of its financial affairs.
- 1.4.4 Any changes to the key financial systems reviews are discussed with external audit to ensure the audit work of external audit and internal audit are linked as efficiently and effectively as possible.

Procurement

- 1.4.5 Within this assurance block, time has been allocated for a number of cross cutting contract, programme and project reviews. The reviews will cover a variety of goods and services and will incorporate different procurement models, including large scale contracts with single suppliers and those where a framework model is in place with a number of suppliers. The reviews will cover a range of activities including:
- contract monitoring
 - initial procurement
 - contractor performance monitoring
- 1.4.6 Time has also been allocated to support the development of training for staff on Contract Procedure Rules to assist in embedding the council's value of Spending Money Wisely across the organisation.

Anti-Fraud and Corruption

- 1.4.7 The reduction in staff and controls across the council gives rise to a greater risk of fraud and/or not detecting fraud. Fraud risks are considered across the audit planning process within the scope of all relevant audits. In addition to this, the Anti-Fraud and Corruption assurance block allocates resources to proactive and reactive approaches to reinforce the council's zero tolerance approach to fraud and corruption across the organisation.
- 1.4.8 The reactive element covers the risk assessment process for referrals received through whistleblowing channels, with a further allocation of time and resource for investigation where appropriate. The resource allocated to this area will be kept under review throughout the year and may need to be increased depending on the volume and complexity of referrals received as well as the capacity and capability of management within services to conduct investigations with targeted internal audit support.
- 1.4.9 The proactive strand includes exercises and data analytical work to identify potential fraud and misappropriation, alongside a review of the anti-fraud and corruption measures in place across the organisation.

ICT and Information Governance

- 1.4.10 This work focusses on providing assurance that the risks relating to ICT and information governance are being effectively managed. The work includes individual reviews of key computer applications, a review of the business continuity arrangements and an assessment of the central arrangements in place

for the security of information and compliance with the council's Security Management System.

Housing Leeds (funded work)

- 1.4.11 Housing Leeds has indicated that they require the same level of audit coverage as in previous years. The detailed plan for this area will be developed in quarter 1 of 2016-17 in conjunction with the Senior Leadership team within Environment and Housing.

Contingency

- 1.4.12 The audit plan contains a contingency provision that is utilised during the year in response to unforeseen work demands and emerging risks that arise. This includes the provision of ad-hoc advice and responding to queries from directorates and service areas across the council. Where new risks emerge the work will be undertaken initially through the use of contingency or through substituting other audits in the plan on a risk basis.

1.5 *Resources*

- 1.5.1 The audit plan needs to be deliverable within available resources. There are 2,897 days available for audit assignments for 2016-17. 197 days of this relates to income generating work for external clients. This compares to 4,217 days at the start of 2015-16, and represents a reduction of 31% against 2015-16 planned resources.
- 1.5.2 Actual productive resources for 2015-16, however, are likely to be 3,440 days (projected figure as at February 2016) due to a number of staff changes that occurred in-year. Planned resources for 2016-17 are therefore 16% less than the projected actual productive resources for 2015-16.
- 1.5.3 The proactive measures taken to minimise the impact of the reduction in internal audit resources include the following:
- A number of the internal audit team undertook training on data analytics and computer aided audit techniques during 2015-16. This has increased the assurance we can achieve from each audit day for a number of audit assignments. The introduction of the continuous auditing programme in 2016-17 will further develop this method of gaining assurance;
 - The ongoing risk assessment work ensures that resources are targeted to the highest priority areas; and

- The quality assurance and improvement programme and service development work demonstrates that our efficiency and effectiveness is continually improving.

- 1.5.4 Given the reduction in resources, there will be a need for greater reliance to be placed on management controls within the internal control framework and for a potentially higher level of risk to be accepted. Directorate Leadership Teams must have appropriate arrangements in place to ensure that they have assurance on key risk areas and that the risk management process supports and enables the delivery of objectives. Internal audit resource will need to be focused on the most significant risk areas and on the robustness of financial control.
- 1.5.5 The above mentioned assurances will continue to be developed and increased and these, taken together with the work of internal audit, will provide the assurance coverage necessary to support the needs of the Corporate Governance and Audit Committee.

1.6 Conclusion

- 1.6.1 The proposed Internal Audit Plan for 2016-17 has been prepared in line with the PSIAS. A risk-based approach has been used to prioritise internal audit work and ensure there is sufficient coverage and internal audit resource to provide an evidence-based assurance opinion that concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.6.2 The plan is responsive in nature and all efforts will be made to maximise coverage to provide the most effective and agile internal audit service possible that focuses on those key risks facing the organisation throughout the year.
- 1.6.3 Progress against the plan will be monitored throughout the year and key issues will continue to be reported to the Corporate Governance and Audit Committee.

Section 2

2.1 Comparison with Internal Audit Plan 2015-16

Assurance Block	2016/17 Plan		2015/16 Plan		2015/16 Projected Actual	
	Days	% of total assurance days	Days	% of total assurance days	Days	% of plan
Anti Fraud and Corruption	358	13%	694	17%	530	16%
Grants / Head of Audit Assurances	92	3%	108	3%	95	3%
Continuous audit	150	6%	0	0%	0	0%
Housing Leeds	250	9%	250	6%	250	8%
ICT and Information Governance	115	4%	245	6%	176	5%
Key Financial Systems	455	17%	718	18%	544	17%
Procurement	235	9%	315	8%	222	7%
Schools	30	1%	60	2%	57	2%
Schools - 6th Form Funding	0	0%	40	1%	17	1%
Follow up	85	3%	95	2%	111	3%
Cross cutting / Directorate	770	29%	1155	29%	966	30%
General Contingency	145	6%	300	8%	275	8%
Total Assurance Days	2685	100%	3980	100%	3243	100%
Other						
External Contracts	197		237		197	
Secondments	0		135		303	
PSIAS External Assessment	15		0		0	
Total Other	212		372		500	
Total Days	2897		4352		3743	

2.2 Internal Audit Plan 2016-17

Internal Audit Plan for 2016/17		
Audit	Overview of Assurance	Audit Days
Anti Fraud and Corruption		
Whistleblowing hotline and reactive work	Risk assessment and investigation of allegations and referrals.	100
Anti-fraud and corruption strategies and proactive work	Risk-based proactive work to prevent and detect fraud.	243
Anti-fraud and corruption policy update	Update of anti-fraud and corruption policies.	15
		358
Grants and Head of Audit Assurances		
Local Transport Capital Block Funding Grant (Integrated Transport and Highway Maintenance) Claim	Independent examination of accounts and /or assurance that the grant has been spent in accordance with the grant determination.	9
Flood and Coastal Risk Management Growth Fund Allocation (DEFRA) Grant Claim		6
West Yorkshire Combined Authority Treasury Management Assurance		2
Leeds City Region Core Cities Green Deal Grant Claim		7
Local Authority Bus Subsidy Ring-Fenced (Revenue) Grant Claim		5
Troubled Families Grant Claim		15
Schools Central Financial Controls		15
Education Funding Authority (EFA) 6th Form Funding and 16-19 Bursary Fund Grant Claim		4

Internal Audit Plan for 2016/17		
Audit	Overview of Assurance	Audit Days
Cycling Ambition Grant Claim		5
West Yorkshire Plus Transport Fund Grant Claim		5
Disabled Facilities Grant Claim		4
Assessed and Supported Year in Employment (AYSE) Grant Claim		5
Leeds City Region		10
		92
Continuous Audit		
Programme of continuous audit	Evaluation of control effectiveness across key systems on an ongoing basis, highlighting and reviewing high risk events or transactions. The programme will be updated throughout the year to include emerging risk areas and will include purchasing cards, creditor payments, manager self serve areas and overtime payments.	150
Housing Leeds		
Housing Leeds Assurance Framework Reviews	This is fully funded assurance work to inform the Housing Leeds Assurance Framework.	250
ICT and Information Governance		
System developments	To gain assurance that projects are managed in line with the approved strategy and the key risks are being managed effectively.	20
Business applications	Individual reviews of the key computer applications looking at system access and administration, input, processing and output controls.	30
Business continuity arrangements	To gain assurance that business continuity plans are in place that meet appropriate standards and are communicated effectively. The review will also assess whether systems for recovery have been risk ranked and plans have been tested and updated where necessary.	25

Internal Audit Plan for 2016/17		
Audit	Overview of Assurance	Audit Days
Data security	To gain assurance that adequate controls are in place and operating correctly for data capture and entry, user access management, equipment security, data storage, data transfer and availability.	20
Information governance - central arrangements	The review will assess the corporate arrangements in place for the security of information and compliance with the council's Security Management System.	20
		115
Key Financial Systems		
Housing Benefits - Accounting and Subsidy	System and compliance audits to provide assurance over the effectiveness of the council's key financial systems.	5
Housing Benefits - Assessment and Payments		30
Housing Benefits - Local Welfare Support Scheme		10
Benefits Counter Fraud		5
Universal Credit roll-out		14
Council Tax		30
Business Rates		45
Capital Programme		10
Financial Management Central Controls		10
Treasury Management and Bankline		23
Housing Rents		25
Sundry Income Central Controls		15
Sundry Income - Directorate Reviews		20
Income Management System		14
Payroll Central Controls		50
Creditors Central Controls (including duplicate		50

Internal Audit Plan for 2016/17		
Audit	Overview of Assurance	Audit Days
payments)		
Central Purchasing Card Controls		10
Bank Reconciliation and Cash Book		24
Key Financial Systems Year End Reconciliations		40
Total Repairs		25
		455
Procurement		
Procurement data analytics	Development of a programme of work to obtain procurement assurances through data analytics. This may include contract extensions, accurate estimation of contract costs, expenditure on expired contracts, and procurement fraud.	30
Procurement governance arrangements	The review will aim to provide assurance that central and directorate procurement arrangements are fit for purpose, regularly reviewed and communicated; that their effectiveness is monitored and reported; and that action plans are in place to improve performance where necessary.	40
Contract extensions	To gain assurance that decisions on whether to extend a contract are undertaken in a timely manner, VfM assessments of the options have been carried out, the contract extension has been approved before the contract expires, and if the contract was not extended then spend with the supplier has ceased.	25
Contract reviews	Individual reviews of contracts to gain assurance that they have been procured and managed in order to provide value for money.	70
Contract Procedure Rules training	Training for staff to improve awareness of Contract Procedure Rules.	10
Joint ventures	To provide assurance on the governance of joint ventures and assess how effectiveness is monitored.	20

Internal Audit Plan for 2016/17		
Audit	Overview of Assurance	Audit Days
Programmes and complex projects	To gain assurance that high risk projects are being managed in line with the council's project management methodology and best practice.	40
		235
Schools		
Schools	Individual audits of LCC maintained schools undertaken on a risk basis.	30
		30
Follow up		
Follow up audits	Individual follow up audits of areas that have previously been given a low assurance audit opinion.	85
		85
Adult Social Care		
Community Care Finance	To provide assurance that payments are only made in relation to people with an assessed need, have been correctly processed and are net of any client contribution. The review will also provide assurance on the adequacy of controls for identifying changes in circumstances.	35
Risk Management and Business Continuity Arrangements	To gain assurance that directorates are managing identified risks in line with the council's risk management process.	25
Safeguarding arrangements	To review the adequacy of assurances obtained by the council in respect of the safeguarding arrangements in place for vulnerable adults.	30
Commissioning arrangements	To provide assurance that there are effective commissioning arrangements in place.	25
Direct Payments and Personal Budgets	To ensure that appropriate arrangements are in place for the administration and monitoring of direct payments and personal budgets.	20

Internal Audit Plan for 2016/17		
Audit	Overview of Assurance	Audit Days
Payments to providers of home care	To provide assurance that payments are for service users with eligible needs and are in line with approved support plans.	20
Payments to carers - Care Act	The review will aim to provide assurance over the payments to carers processes.	10
Unannounced visits	Individual establishment visits to provide assurance on cash handling arrangements, including the safeguarding of service user monies.	25
Information governance - directorate controls	To gain assurance on the security of personal data within the directorate and any relevant third parties.	20
Spending Money Wisely Challenge	These reviews assess how well staff are complying with the requirements of the council's Contract Procedure Rules and tests whether value for money can be evidenced for payments that are not linked to a contract.	10
		220
Public Health		
Public Health commissioning and contracts	To review the commissioning arrangements in place, including compliance with Contract Procedure Rules and governance arrangements.	30
		30
Children's Services		
Safeguarding arrangements	To review the adequacy of assurances obtained by the council in respect of the safeguarding arrangements in place within Children's Services.	30
Risk Management and Business Continuity Arrangements	The review aims to provide assurance that the directorate is managing identified risks in line with the council's risk management process.	25
Budget Strategies and Action Plans	To gain assurance on the robustness of action plans to address budget pressures.	30
Leaving Care	The review will aim to provide assurance on leaving care expenditure and the adequacy of existing policies and procedures.	20

Internal Audit Plan for 2016/17		
Audit	Overview of Assurance	Audit Days
Grants and payments to organisations	To gain assurance that organisations in receipt of grant income are achieving expected outcomes and contributing towards LCC priorities.	20
Information governance - directorate controls	To gain assurance on security of personal data within the directorate and any relevant third parties.	20
Spending Money Wisely Challenge	These reviews assess how well staff are complying with the requirements of the council's Contract Procedure Rules and tests whether value for money can be evidenced for payments that are not linked to a contract.	10
		155
Strategy and Resources		
Spending Money Wisely Ideas Service	On-going maintenance of the staff ideas service including responses to submissions and the transfer of information to directorate contacts.	20
Financial Governance and Control Arrangements for Partnerships	To review the Financial Governance and Control Arrangements for Partnerships register and ascertain assurance requirements.	20
Employee declaration of interests	An ethics-related audit that will assess the council's arrangements in place to ensure that any relevant employee interests are declared and appropriately managed. The audit will also test compliance with the policy.	10
Employee gifts and hospitality	An ethics-related audit that will assess the council's arrangements in place for promoting appropriate conduct in respect of gifts and hospitality and compliance with the policy.	10
Spending Money Wisely Challenge	These reviews assess how well staff are complying with the requirements of the council's Contract Procedure Rules and tests whether value for money can be evidenced for payments that are not linked to a contract.	10
Decision Making	To gain assurance that the scheme of delegation is being followed appropriately.	20

Internal Audit Plan for 2016/17		
Audit	Overview of Assurance	Audit Days
Central Risk Management	To ensure the risk management arrangements in place are in line with best practice and operating effectively.	20
Central Performance Management	The review will aim to give assurance that the Performance Management Framework is operating effectively to drive improvement and support effective decision making.	20
Insurance	To gain assurance that the council's insurance cover is based on complete and up to date information, addresses regulatory requirements, is risk assessed and provides VfM; that changes that have an impact on insurance are notified by directorates; that services are aware of and comply with insurance policy requirements; that claims are promptly notified to the insurance section and dealt with effectively.	20
		150
Citizens and Communities		
Community Asset Transfers	To ensure the processes in place meet with legislative requirements.	20
Customer Contact and Satisfaction	The review will focus on the arrangements in place within the council to capture service user satisfaction including the processes for handling complaints.	30
Electoral Roll	To review the arrangements in place that provide assurance over the integrity of the information contained within the electoral roll.	10
Spending Money Wisely Challenge	These reviews assess how well staff are complying with the requirements of the council's Contract Procedure Rules and tests whether value for money can be evidenced for payments that are not linked to a contract.	10
		70

Internal Audit Plan for 2016/17		
Audit	Overview of Assurance	Audit Days
City Development		
Community Infrastructure Levy	To gain assurance over the arrangements in place to ensure income is identified and collected, and that the monies are used in line with the intended purpose.	10
Flooding Grants	The review will provide assurance on the arrangements in place to pay grants to businesses and households following the December 2015 floods.	20
European Investment Fund	To gain assurance on the arrangements in place to address risks for LCC as the accountable body.	20
Spending Money Wisely Challenge	These reviews assess how well staff are complying with the requirements of the council's Contract Procedure Rules and tests whether value for money can be evidenced for payments that are not linked to a contract.	10
Planning Enforcement	The audit will review the governance structure in place to support decisions upon how the council will investigate and respond to breaches of planning control.	20
		80
Environment and Housing		
Key performance indicators	Individual compliance audits to provide assurance that performance indicators are correctly calculated and reported, and corrective action is taken where necessary to address any performance issues identified.	15
Spending Money Wisely Challenge	These reviews assess how well staff are complying with the requirements of the council's Contract Procedure Rules and tests whether value for money can be evidenced for payments that are not linked to a contract.	10
		25

Internal Audit Plan for 2016/17		
Audit	Overview of Assurance	Audit Days
Civic Enterprise Leeds		
Spending Money Wisely Challenge	These reviews assess how well staff are complying with the requirements of the council's Contract Procedure Rules and tests whether value for money can be evidenced for payments that are not linked to a contract.	10
Spending Money Wisely Review - Catering	To assist Civic Enterprise Leeds in the review of the Catering Service.	15
Spending Money Wisely Review - Passenger Transport	To assist Civic Enterprise Leeds in the review of the Passenger Transport Service.	15
		40
Contingency		
Contingency	Time reserved for new emerging risks and unplanned work.	145
		145
Total Assurance Days 2016-17		2685

This page is intentionally left blank



Report author: Tim Pouncey/
Sonya McDonald
Tel: 74214

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 18th March 2016

Subject: Internal Audit Update Report 1st January to 29th February 2016

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 January to 29th February 2016 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 Update Report covering the period from 1st January to 29th February 2016 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 January to 29th February 2016 and highlight the incidence of any significant control failings or weaknesses.

2 Background information

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

3 Main issues

- 3.1 The report details the work undertaken by the Internal Audit Section. The report also contains a summary of completed reviews along with their individual audit opinions.
- 3.2 There are no issues identified by internal audit in the January to February 2016 Internal Audit Update Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.
- 3.3 The following audits have resulted in a limited assurance opinion during the reporting period: Taxi and Private Hire Licensing (DBS renewals); Bank Accounts – Electoral Services Accounts and the Spending Money Wisely Challenge. In each case, an action plan is in place to address the issues identified.
- 3.4 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.
- 4.4.2 The Internal Audit Quality Assurance and Improvement Programme and service development work that is reported to the Committee demonstrates that the efficiency and effectiveness of the section is continually improving.

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.
- 4.6.2 The risks relating to the achievement of the Internal Audit Plan are managed through ongoing monitoring of performance and resource levels. This information is reported to the Committee.

5 Conclusions

- 5.1 There are no issues identified by internal audit in the January to February 2016 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 Internal Audit Update Report covering the period from January to February 2016 and note the work undertaken by internal audit during the period covered by the report.

7 Background documents

- 7.1 None.

This page is intentionally left blank



**Internal Audit
Update Report
1st January to
29th February 2016**

CONTENTS

Section

1. INTRODUCTION

Background

Progress against the Operational Plan

How Internal Control is Reviewed

**Progress against the Operational Plan –
Individual Reviews**

2. SUMMARY OF AUDIT ACTIVITY AND KEY ISSUES

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 January to 29th February 2016.

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 January to 29th February 2016.
- 1.2.2 As reported previously, the projected level of overall resources for the year are less than when the annual audit plan was presented to the Corporate Governance and Audit Committee in March 2015. The projected shortfall in audit days for the financial year against the original projection is approximately 600 days due to a number of staff leaving the internal audit section. This has resulted in a corresponding saving on the internal audit expenditure budget that is being factored in to the regular monthly reporting to Executive Board on the overall financial position of the authority. A number of audit assignments of relatively lower risk have been removed and have been considered in the planning process for inclusion in the 2016/2017 audit plan. These assignments are predominantly in areas where there has already been some internal audit coverage during the year. We have also achieved efficiency savings in areas such as the Key Financial Systems assurance block which will result in fewer days being required to deliver the agreed coverage.
- 1.2.3 Internal audit is continuing 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 annual opinion on the authority's control environment. As reported previously, the internal audit work plan for the final quarter of the year has a greater focus in the areas of Key Financial Systems, ICT and Procurement. This will bring the percentage completion figure in line with expectations across all assurance blocks at the end of the year.

Assurance Block	Total Days per Audit Plan 2015/16	Days spent at 29 th February 2016	% completion at February 2016
Spending Money Wisely	400	364	91%
Anti-Fraud and Corruption	694	497	72%
Key Financial Systems	718	465	65%
Grants and Other Head of Audit Assurances	108	89	82%
Compliance	460	311	68%
Procurement	315	194	62%
Risk Based Audits	490	353	72%
ICT	245	152	62%
Housing Leeds	250	210	84%
Total Financial Resource Risks	3680	2635	72%
<u>Contingency</u>			
General Contingency	300	238	79%
Total Contingency	300	238	79%
Total Audit Days	3980	2873	72%

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

Assurance Block	Total Days per Audit Plan 2015/16	Days spent at 29 th February 2016	% completion at February 2016
External Contracts	237	165	70%
Secondments	135	290	215%
Total Days	372	455	122%

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 The third element is assessing the corporate impact of the findings of the first two elements. This then determines whether any further substantive work is required and the level of escalation needed.

- 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.
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 a major organisational impact will be reported to CLT along with the relevant 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.

1.4 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 January and 29th February 2016:

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment Assurance	Compliance Assurance	Organisational Impact		
Key Financial Systems					
Council Tax	Substantial	N/A	Minor	Citizens and Communities	13/01/2016
Business Rates	Substantial	N/A	Minor	Citizens and Communities	21/01/2016
Sundry Income – Bereavement Services	Good	Good	Minor	Environment and Housing	29/01/2016
Payroll and HR Administration	Substantial	Good	Minor	Civic Enterprise Leeds	08/02/2016
Risk Based Reviews					
ICT					
XN System Follow Up Review	Good	N/A	Minor	City Development	26/01/2016
Procurement					
Public Health Contract Review	N/A	Substantial	Minor	Public Health	05/01/2016
Contract Extensions	Good	Acceptable	Minor	Strategy and Resources/Cross Cutting	02/02/2016
Other					
Bank Accounts – Electoral Services Accounts	Limited	Acceptable	Minor	Citizens and Communities	08/01/2016
Section 48 House Searches, Appointees and Deputies Follow Up	Acceptable	Acceptable	Minor	Strategy and Resources	15/01/2016
Collective Agreement December 2014 Payroll Terms and Conditions	N/A	Good	Minor	Strategy and Resources	19/01/2016
Total Repairs	Good	Acceptable	Minor	Environment and Housing	21/01/2016
Taxi and Private Hire Licensing	Acceptable	Other Controls – Substantial	Moderate	Citizens and Communities	27/01/2016
		DBS Renewals - Limited			
Spending Money Wisely					
Spending Money Wisely Challenge	N/A	Limited	Minor	City Development	08/01/2016
Spending Money Wisely Challenge	N/A	Limited	Minor	Environment and Housing	13/01/2016
Spending Money Wisely Challenge	N/A	Limited	Minor	Strategy and Resources	19/01/2016
Compliance Reviews					

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment Assurance	Compliance Assurance	Organisational Impact		
Pudsey Area Office Follow Up Review	N/A	Good	Minor	Adult Social Care	27/01/2016
Travel and Subsistence	N/A	Good	Minor	Environment and Housing	08/02/2016
Travel and Subsistence	N/A	Good	Minor	City Development	08/02/2016
Travel and Subsistence: Processing	N/A	Substantial	Minor	Civic Enterprise Leeds	08/02/2016

Report Title	Results/Opinion	Directorate	Date Issued
Grants and other Head of Audit Assurances			
Building Hope Accounts 2014/15	Independent Examination of Accounts	Strategy and Resources	04/01/2016
Lawnswood School Voluntary Fund	Certification of Account Balances	Children's Services	13/01/2016
St. Aidan's Trust Accounts 2014/15	Independent Examination of Accounts	Strategy and Resources	19/01/2016
Troubled Families Grant Claim January 2016	Audit testing provides assurance that the results detailed on the grant claim will satisfy the DCLG requirements of reasonableness.	Children's Services	28/01/2016
Templenewsam Halton Primary School Voluntary Fund	Certification of Account Balances	Children's Services	03/02/2016

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

- 2.1.1 We are on target to complete the key financial systems audits by the end of the financial year with one exception. The Community Care Finance (CCF) Audit has been postponed until the first quarter of 2016/17. This is due to the implementation of a new IT system (Client Information System) and staffing commitments within CCF to ensure that the service is embedding the new arrangements and any issues are being appropriately resolved.
- 2.1.2 Efficiencies have been made on the key financial systems audits that have enabled us to achieve the required level of coverage within the individual areas using fewer resources. This has been largely due to an increase in our use of data analytics, which gives greater assurance than traditional sample testing. Our use of data analytics will be further developed and refined during 2016/17.
- 2.1.3 The audit reports issued since the last update report to the Corporate Governance and Audit Committee are shown in the table at 1.4 above. They are Council Tax, Business Rates, Bereavement Services Sundry Income and Payroll.

2.2 Spending Money Wisely

Spending Money Wisely Challenge

- 2.2.1 Spending money wisely is one of the council's five values and is about using the council's limited resources in the right way. The council's Contract Procedure Rules (CPRs) support staff in demonstrating that they have given due consideration to this value as CPRs set out the key responsibilities and actions that must be followed when undertaking procurements. The Spending Money Wisely Challenge reviews assess how well staff are complying with the requirements of CPRs and tests whether value for money can be evidenced for payments that are not linked to a contract.
- 2.2.2 It is important to note that the majority of the council's expenditure is made on-contract with assurance taken that the primary considerations of achieving value

for money have been addressed during the procurement of the contract. The Spending Money Wisely Challenge reviews specifically target a restricted population of payments that are not linked to a contract.

- 2.2.3 The latest Spending Money Wisely Challenge included a sample of payments made by four directorates. The reviews found that compliance levels have not improved, with similar issues being identified to those previously reported. At the previous Corporate Governance and Audit Committee meeting, Members requested copies of the latest audit reports on this area. The final audit reports have been issued for three of the four directorates reviewed and these will have been circulated to the Committee before the meeting in March. The remaining report will be circulated to the Committee when this has been finalised with the directorate.
- 2.2.4 As a result of these reviews, action has been agreed with the directorates which should help to improve compliance with CPRs moving forwards. These include discussion of the audit report with management teams and working with the Procurement Unit.
- 2.2.5 Internal audit resource has been allocated in the proposed Annual Internal Audit Plan for 2016-17 to continue work in this area and progress on this will be reported to Members.

2.3 *Information Governance and ICT*

XN System Follow Up Review

- 2.3.1 The XN System is used at leisure centres by the Membership Services Team and Lotherton Hall. It is a till system that is used to manage income for bookings and memberships. The original review of the XN System 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.
- 2.3.2 A follow up review has now been undertaken and an improved audit opinion of good assurance has been provided for the control environment. All recommendations made regarding system access being appropriately restricted and those covering the input, authorisation and processing of data have been addressed.

2.4 *Risk Based Audits*

Bank Accounts 2015/16 Electoral Services Accounts

- 2.4.1 This review focused on the four bank accounts managed by Electoral Services. These accounts are primarily used to receive funding and deposits in relation to

the General and European elections prior to being transferred to LCC, Central Government or returned to election candidates as appropriate.

- 2.4.2 We had selected this area for review as the council's Integrity Forum had queried the lack of controls operating over these accounts.
- 2.4.3 The audit resulted in a limited assurance opinion overall for the control environment as there were insufficient controls in place to record, support, approve and oversee transactions processed through these accounts. This includes a lack of fund records, failure to retain supporting documentation and no independent overview or reconciliation. Whilst the accounts are used infrequently (i.e main activity once every five years) the lack of proportionate controls in these areas increase the risk that fraudulent or inappropriate transactions could be processed and go unnoticed. However, the audit provided assurance that these risks did not occur. We performed full testing on all transactions processed through the accounts since February 2014 and the results of this testing were satisfactory.
- 2.4.4 All recommendations made following the review were agreed by the service area and it has been confirmed that once claims have been finalised for the European and General Elections, only one external bank account will be retained for receipt/repayment of deposit for candidates for General/European elections.

Taxi and Private Hire Licensing

- 2.4.5 A review of taxi and private hire licensing in Leeds has been completed and we have concluded that existing policies and procedures are in line with, and sometimes exceed, Department for Transport (DfT) good practice requirements. As part of the "fit and proper person" checks by TPHL, all licence holders are required to satisfactorily complete a disclosure and barring service (DBS) check at the point of application and, as part of a new policy, subsequently renewed every year thereafter. All licence holders are recorded as having had a DBS check and sample testing verified the accuracy of data held within the management information database, IDOX.
- 2.4.6 In December 2014, the Licensing Committee approved the introduction of DBS checks being renewed on an annual basis, exceeding good practice requirements. Taxi and Private Hire Licensing advised that the implementation of this process was intended to be managed over a three year period.
- 2.4.7 Based upon data at the time of the audit, 8.2% of licensed taxi and private hire drivers had a DBS check within the last 12 months and 21.3% had one completed within the last three years (as recommended by the Department for Transport). Therefore, limited assurance was provided for compliance with expected controls.

- 2.4.8 Since the conclusion of the audit, good progress is being reported by the Service on implementing this policy. The Service has advised that it is anticipated that all licensed drivers and operators will be enrolled on the on-line DBS update service by January 2017. The latest position and timetable for completion has been reported to, and endorsed by, the Executive Board in December 2015.
- 2.4.9 As at the 23rd February 2016, the Service has reported that 25.8% licence holders have now enrolled in the on-line DBS update service and a further 28.5% have submitted an application to be enrolled. Taxi and Private Hire Licensing anticipate that all of the remaining licence holders will be enrolled by January 2017.
- 2.4.10 The Taxi and Private Hire Licensing Section will report progress against the plan to the Licensing Committee on a half-yearly basis. We will undertake the follow-up audit in the first quarter of 2016/17 to review progress in this area.

Section 48 House Searches, Appointees and Deputies Follow up

- 2.4.11 We have recently undertaken a follow up audit of recommendations made during previous audits of Section 48 house searches, appointees and deputies.
- 2.4.12 The audit focused on the council's duty to safeguard the money and other assets of individuals who are not able to manage their affairs themselves, or who have died with no known next of kin. Where an individual has died with no known next of kin, the council also has a duty to arrange a public health burial and pass details of the estate to the relevant government department to enable the assets to be claimed. These responsibilities are fulfilled by the Estates Team within Adult Social Care Financial Management. The nature of this work means that the team will deal with valuable assets and information, and it is therefore important that procedures are in place to safeguard these.
- 2.4.13 The follow up review confirmed that some improvements have been made, and as a result an opinion of acceptable assurance has been given for both the control environment and compliance with the control environment. Improvements had been made in several areas, including record keeping, procedures governing staff conduct, accounting procedures and the closure of bank accounts.
- 2.4.14 Recommendations were made to implement formal management checks and to create procedures for information sharing and the handling of the estates of individuals who have died with no known next of kin. The service has agreed to implement these recommendations.

Early Leavers Initiative

- 2.4.15 At the Corporate Governance and Audit Committee meeting on 28th January, Members requested to 'receive the results of the actual saving made by the ELI process against the anticipated savings'. The Head of Human Resources (Strategy and Resources) and the Head of Corporate Finance advised that *'between 2010 and December 2015 some 2,837 business cases have been approved showing a net saving after costs of some £262m across the period.'*
- 2.4.16 The Head of Corporate Finance has further advised that *'between March 2010 and March 2016, the Council's annual pay bill has reduced in cash-terms by £53m on a like for like basis, saving some £4.4m per month which has been largely achieved through the Early Leaver Initiative together with the impact of natural staff turnover'.*

2.5 Counter Fraud and Corruption

Reports Issued

- 2.5.1 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 one such investigation report during this period.
- 2.5.2 Previously, members have 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.

Section 3

AUDIT PERFORMANCE 2015/16

At 29th February 2016

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 were reported to Corporate Governance and Audit Committee in the annual Internal Audit Report for 2014/15 on the 9th July 2015.

3.2 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

Improvement Action Plans

- 3.2.1 The Quality Assurance and Improvement Action Plans for 2014/15 and 2015/16 were reported to the Corporate Governance and Audit Committee in the annual Internal Audit Report for 2014/15 at the meeting on 9th July 2015. There were a number of actions which had been implemented in the 2015/16 Action Plan. The actions which are still in progress are as follows:

Improvement Action Plan for 2015/16			
	Action	Timescale	Status
1	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	In progress. A test version of the software has been made available and User Acceptance Testing on this is currently being carried out. Once this is complete the software will be moved across to the Council servers and further User Acceptance Testing will be undertaken. The new version of the software will then be rolled out to staff.
2	Ensure the recommendations made in the Information	30 th September 2015 – high priority	In progress. High priority

Improvement Action Plan for 2015/16			
	Action	Timescale	Status
	Governance review of Audit and Investment have been fully implemented. The review covered information risk management, collecting, creating and storing information, sharing and disposing of information and using systems securely.	recommendations; 31 st March 2016 (revised timescale) – low and medium priority recommendations.	recommendations - implemented. Low and Medium priority recommendations - currently in progress (Mainly regarding electronic record retention).

- 3.2.2 The only action which remains outstanding from the 2014/15 Improvement Action Plan is the external assessment process for conformance with the Public Sector Internal Audit Standards which needs to be completed by 2017/18 at the latest. This is planned to be undertaken during the summer of 2016 in conjunction with the Core Cities Chief Auditors Group.

3.3 ENSURING QUALITY

- 3.3.1 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.
- 3.3.2 All our work is undertaken in accordance with our quality management system. We have now been ISO accredited for over fifteen years.
- 3.3.3 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.
- 3.3.4 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.
- 3.3.5 As at 29th February 2016, 37 completed Customer Satisfaction Questionnaires had been received in relation to audit reports issued since 1st April 2015.

Results from Customer Satisfaction Questionnaires

Question	2015/16 Actual to date at 29 th February 2016 - % Score 3 or above	2015/16 Average Score at 29 th February 2016
Notice	100%	4.69
Scope	97%	4.46
Understanding	100%	4.41
Efficiency	97%	4.68
Consultation	100%	4.51
Professional/Objective	100%	4.69
Accuracy of Draft	100%	4.53
Opportunity to comment	100%	4.75
Final Report - Clarity & Conciseness	100%	4.51
Final Report – Prompt	91%	4.29
Recommendations	100%	4.23
Added Value	100%	4.31
Overall Average Score		4.51

- 3.3.6 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.

This page is intentionally left blank

Report of Deputy Chief Executive

Report to Corporate Governance & Audit Committee

Date: 18th March 2016

Subject: Annual Business Continuity 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. The Civil Contingencies Act 2004 made it a statutory duty of all Category 1 responders (which includes local authorities) to have in place Business Continuity Plans and arrangements to be able to continue to deliver critical aspects of their day to day functions in the event of an emergency.
2. The purpose of this annual report is to provide the Corporate Governance & Audit Committee with assurance relating to the adequacy of business continuity management arrangements currently in place in LCC.

Recommendations

3. The Committee to consider the assurances provided by this report and note that the business continuity arrangements are fit for purpose, up to date, are routinely complied with, have been effectively communicated and are monitored.

1 Purpose of this report

- 1.1 To provide assurance to the Corporate Governance & Audit Committee of the adequacy of the business continuity management arrangements currently in place. The scope of the report includes:
- Maintenance of Business Continuity Plans (Annual Management Review)
 - Directorate Resilience Groups
 - The impact of Storm Eva on LCC's most critical services
 - Commissioned service provider assessments
 - Provision of advice and assistance to business and voluntary sector
 - Public awareness and warning and informing
 - Exercising
- 1.2 To provide assurance that LCC maintains compliance with the statutory duties contained within the Civil Contingencies Act 2004.

2 Background information

- 2.1 The Civil Contingencies Act 2004 made it a statutory duty of all Category 1 responders (which includes local authorities) to have in place Business Continuity Plans and arrangements to be able to continue to deliver critical aspects of their day to day functions in the event of an emergency. Business Continuity Plans have been in place in LCC since the publication of the Act, however in 2012 good practice guidance was published; ISO 22301 'Business Continuity Management System Requirements'.
- 2.2 In 2012, to coincide with the introduction of ISO 22301, a centrally managed Business Continuity Programme was initiated to review LCC's critical services, develop new and refresh existing Business Continuity Plans.
- 2.3 With the support of the Corporate Governance & Audit Committee and Corporate Leadership Team, the Business Continuity Programme was successfully delivered in September 2015. There are currently x83 Business Continuity Plans developed and implemented with each plan being subject to an annual management review in order to maintain currency.
- 2.4 New plans will be developed as further services and functions are identified as critical.

3 Main issues

- 3.1 Maintenance of Business Continuity Plans (Annual Management Review)
- 3.2 Once developed and implemented, Business Continuity Plans are subject to an annual management review which is triggered by the date that the plan was originally approved/published. The review (completed by the management team responsible for the Business Continuity Plan) provides the opportunity for

management to evaluate the continuing suitability, adequacy and effectiveness of the plan. Experience following a response to a disruptive incident should also inform the review, for example; was the plan activated, and if activated how effective was it? It is not necessary to review all elements of the plan at each review, and the review process may take place over a period of time.

- 3.3 Completion of the annual management review may result in the identification of changes to the scope of the plan, improvements required to enhance the plans effectiveness and updates to contact lists and changes to associated controls.
- 3.4 Of the x83 Business Continuity Plans implemented, x77 have completed an annual management review in the last 12 months with x6 services currently undertaking a review at the time that this report was produced.
- 3.5 The annual management review is coordinated and monitored centrally by the Resilience & Emergencies Team with reminders issued and outstanding reviews chased.
- 3.6 There are no concerns relating to the annual management review process and ongoing maintenance of Business Continuity Plans.
- 3.7 **Leeds School Emergency Plan.** As a result of recent bomb hoaxes at schools throughout England (including 6 in Leeds) plans are in place to review the Leeds School Emergency Plan and Guidance Document. The documentation includes sections for schools to complete their own emergency and business continuity plans. The review has been initiated by the Schools Inspector from West Yorkshire Fire & Rescue Service and includes all five West Yorkshire Local Authorities. The inspector has recognised that the LCC documentation is “far in front of other districts” and could positively contribute both to West Yorkshire Fire & Rescue Service and all of the West Yorkshire Local Authorities to achieve a co-ordinated and robust approach to emergency and business continuity planning. The initial review meeting is to be held 24 February 2016.
- 3.8 **Directorate Resilience Groups**
- 3.9 Each directorate has a Directorate Resilience Group to oversee and contribute to the implementation of business continuity and emergency planning arrangements. The aim of the Directorate Resilience Groups is to enhance the resilience and response of the directorate, organisation and city to disruptive events and emergencies. As a minimum, meetings are held every six months, unless otherwise requested i.e. after an incident, or to deliver a specific piece of work. The Directorate Resilience Groups report into their Directorate Leadership Team.
- 3.10 In relation to business continuity, each Directorate Resilience Group ensures that annual management reviews are completed for the Business Continuity Plans within their directorate. The Directorate Resilience Groups also have a role in identifying new service areas and functions that require development of Business Continuity Plans.
- 3.11 Currently all directorates have a fully functioning Directorate Resilience Group, meeting regularly with good levels of engagement, priority setting and identifying and progressing resilience issues.
- 3.12 **The impact of Storm Eva on LCC’s most critical services**

- 3.13 On Saturday 26 and Sunday 27 December 2015 Leeds experienced an unprecedented flooding event in various parts of the city resulting in a significant impact on residents and businesses in the areas affected.
- 3.14 The impact of Storm Eva on LCC's most critical services was fortunately minimal, with only one significant impact. The four examples which follow are the services which did activate their Business Continuity Plans (other critical services were affected to varying degrees but did not need to invoke plans):

Assisted Living Leeds (Adult Social Care). Prior to Storm Eva, Assisted Living Leeds were in the process of merging their two existing Business Continuity Plans (Leeds Community Equipment Store *and* Tele Care) into a single plan for Assisted Living Leeds. Although this work had not been completed by the time Storm Eva impacted the service, the existing plans were invoked and proved beneficial particularly in relocating the Tele Care service to its disaster recovery site at Cross Green. Due to flooding, communications essential to the operation of Tele Care failed. Around 16000 people are supported by Tele Care, however due to appropriately implemented business continuity planning arrangements no calls to the Tele Care service were missed during and following the flooding. Leeds Community Equipment Service was relocated to vacant premises at Roseville Enterprises and the efforts of staff and the salvage of equipment ensured as normal service as possible was maintained – there was no impact on hospital discharges over the Christmas period. A project team was quickly established to manage business continuity and site recovery and their work going forward will include completion of the Assisted Living Leeds Business Continuity Plan taking account of lessons to be learned from the incident.

Emergency Duty Team (Adult Social Care). The Emergency Duty Team activated their Business Continuity Plan during two periods of difficulty resulting from Storm Eva. In both cases this was in relation to staff shortages. The Business Continuity Plan was invoked and supported timely liaison between officers, management and partner agencies to provide Leeds with a continuing social care service out of hours.

ICT Services; Service & Infrastructure (Strategy & Resources). The flooding resulting from Storm Eva affected two Vodafone data centres located in Leeds and resulted in a loss of power to both. Eventually, the UPS batteries supporting the data centres failed, taking them off-line. This resulted in LCC (and many other agencies and partners in the city) losing all internet connectivity causing the loss of internet, website and email functionality. On 27.12.15 Business Continuity and ICT Disaster Recovery Plans were invoked and a decision made to fail-over services to Virgin Media. Services began to be restored during the afternoon of 28.12.15. From a positive note, the incident provided confidence in the ability of staff (and business continuity/disaster recovery arrangements) to be able to successfully recover from such a significant incident including fail-over of services to an alternative provider. The experience of Storm Eva will be used to inform a review of the Service & Infrastructure business continuity/disaster recovery arrangements.

ICT Services also supported Assisted Living Leeds with invoking their Business Continuity Plan to relocate Tele Care to Cross Green and reinstating the Leeds Community Equipment Service network and telephony systems to Roseville Road.

Cleaning & Guarding Services (Civic Enterprise Leeds). The service was involved with the response in the aftermath of Storm Eva with teams helping the clear-out/clean-up and relocation of Assisted Living Leeds and also at Thwaite

Mills. The impact of the response did put the service behind with business as usual workload; however workload was prioritised as per the Business Continuity Plan with resource diverted to complete critical work as usual.

- 3.15 A summary report of the impact of Storm Eva on LCC's most critical services has been produced.
- 3.16 The message from the experience of Storm Eva is the importance of continuing to maintain the annual management review of business continuity plans ensuring that plans are maintained up to date and at readiness to manage any unforeseen incident.
- 3.17 **Commissioned service provider assessments**
- 3.18 Since 2013, annual assessments on the quality of commissioned service provider Business Continuity Plans have been completed on behalf of Adult Social Care. The assessments are completed using the good practice guidance contained within ISO 22301 'Business Continuity Management System Requirements'. The assessments are documented and include comments and recommendations which are returned to the provider organisation. Each assessment is rated High (green), Medium (amber) and Low (red) relating to the level of confidence achieved. If the provider organisation implements the recommendations, then subsequent assessments will show an improved level of confidence rating. To date, x58 assessments have been completed covering x35 provider organisations for front line accommodation based services for people with learning disabilities, physical and sensory impairment, mental health and residential care and supported living services.
- 3.19 Those assessments completed year on year nearly all show an improvement in the quality of the Business Continuity Plans. This provides Adult Social Care with the confidence that our commissioned front line service providers are developing and maintaining continuity arrangements to be able to effectively manage emergency and disruptive incidents and maintain services.
- 3.20 Other directorates such as Children's Services and Public Health complete their own review of commissioned service provider business continuity arrangements in line with LCC procurement contract terms and conditions.
- 3.21 **Provision of advice and guidance to business and voluntary sector**
- 3.22 The Civil Contingencies Act 2004 requires local authorities to provide advice and assistance to those undertaking commercial activities and voluntary organisations in relation to business continuity management. This is provided via the LCC Business Continuity (BC) Network. The BC Network currently has over x1000 members registered through Leeds Alert (Leeds Alert is a system used by the Resilience & Emergencies Team and West Yorkshire Police to provide warning and informing messages to businesses and organisations in the Leeds area).
- 3.23 LCC host twice yearly BC Network Events in the Lord Mayors Banqueting Suite. All registered with Leeds Alert receive an invitation. The most recent BC Network Event was in December 2015 at which there were around 150 attendees. Topics covered by guest speakers included; Electricity Resilience (Northern Power Grid) ID Verification (North East Counter Terrorism Unit), Business Support (West Yorkshire Fire & Rescue Service) and Business Interruption (Portakabin Ltd).
- 3.24 An additional event in conjunction with the West Yorkshire Resilience Forum was held in January 2016 specifically relating to Cyber Resilience. This was a full day

event providing an introduction to cyber resilience and included a mix of presentations and discussion.

3.25 Leeds Alert/BC Network registrations continue to increase along with attendance at BC Network Events providing compliance with the provision of advice and guidance requirements of the Civil Contingencies Act 2004.

3.26 Another key forum for providing advice and guidance is through the Local Resilience Group meetings. The meetings bring together representation from partner organisations and provide a forum to facilitate communication and partnership working in order to enhance the resilience of Leeds and potentially the wider West Yorkshire Combined Authority area. Meetings are chaired by LCC and held 4 times per year. The membership is open and fluid and can include; West Yorkshire Police, West Yorkshire Fire & Rescue, British Transport Police, Public Health England, Leeds Community Healthcare, Leeds Teaching Hospitals Trust, Yorkshire Ambulance Service, North East Counter Terrorism Unit, Environment Agency, Leeds & Bradford International Airport, Network Rail, Yorkshire Water, Northern Powergrid and representatives from other organisations as required.

3.27 **Public awareness and warning and informing**

3.28 The Civil Contingencies Act 2004 includes public awareness and warning and informing as two distinct duties for Category 1 responders – advising the public of risks before an emergency and keeping it informed during an emergency. In order to comply with the requirements of the Civil Contingencies Act 2004, the Resilience & Emergencies Team have the following arrangements in place to warn and inform the public:

- A number of distribution groups established for email and text messaging and the Leeds Alert @leedsemergency Twitter account are all used to warn and inform the public of events and incidents in the Leeds area. The distribution groups and Twitter were used to communicate messages relating to flood warnings during Storm Eva.
- Information published on the leeds.gov.uk website 'Preparing for Emergencies' pages.
- The Resilience & Emergencies Team undertake a number of public engagement events during the course of the year, usually at One Stop Centres and Markets, and also at the Emergency Services Show and Safety Ranger events in conjunction with the West Yorkshire Fire & Rescue Service.

3.29 The Resilience & Emergencies Team also liaise with the Press & Communications Team during an incident to provide information to the public and the media following correct protocols.

3.30 **Exercising**

3.31 The individual managers owning the Business Continuity Plans are responsible for testing and exercising their own plans and arrangements. However, Directorate Resilience Groups also arrange exercises involving scenarios that encompass and test several service areas and functions. In the last 12 months such exercises have been held for:

- Citizens & Communities, Strategy & Resources and Legal Services with a multiple scenario including loss of access to buildings, shortage of staff and a cyber-attack causing loss of ICT.

- City Development specifically for Highways Network Management with a severe weather scenario (snow/high winds) and a leaking chlorine tanker involving a Police cordon/road closures.

- 3.32 An exercise is currently being designed to test the new Assisted Living Service Business Continuity Plan and arrangements, likely to focus on flooding as a scenario, including loss of premises and staff.
- 3.33 Recently a LCC Gold and Silver exercise was held to test the incident management structure in response to, and recovery from a major incident using a terrorist firearms attack scenario. As well as the primary aim of testing LCC Gold and Silver command, control and communication arrangements, both the response and recovery elements included opportunity for managers to consider how LCC's critical services might respond to as well as maintain services during such an incident.
- 3.34 Representatives from LCC attended a national Local Authority Cyber Attack exercise facilitated by the LGA (20.01.16). This provided a morning of presentations on cyber resilience and a three scenario exercise during the afternoon. A LCC Cyber Resilience Working Group has been established to take forward the learning from the exercise.
- 3.35 An emergency incident could require a multi-agency response involving Police, Fire & Rescue, NHS, and Environment Agency etc. In preparation for this a number of training events have been attended, such as Joint Decision Model/Shared Situational Awareness, and Joint Emergency Services Interoperability Principles (JESIP). Following on to test the multi-agency response there has been a number of exercises held (exercises Bremner, Tannery and Autumn) with planning currently underway for two further multi-agency exercises (exercise Leyland and Linus in February and March 2016). Although these exercises are focussed on emergency response, there are opportunities to consider business continuity arrangements, particularly for LCC services likely to be required to provide a response.
- 3.36 Playing into the exercises (both LCC and multi-agency) provide valuable learning in a safe environment, an opportunity to develop participants competency and awareness and identify areas for improvement including further development of Business Continuity Plans and arrangements.

4 Consultation and Engagement

- 4.1 There are no proposals contained within this report that have a significant impact on communities.
- 4.2 There are no proposals in relation to amendments required to policies comprising the Budget and Policy Framework.

5 Equality and Diversity / Cohesion and Integration

- 5.1 Delivery and on-going development and maintenance of the BC Programme takes account of any potential impacts for staff and/or customers who may have general or specific requirements - in particular those characteristics protected by the Equality Act 2012.

6 Council policies and the Best Council Plan

6.1 The LCC Business Continuity Policy sets out the business continuity requirements placed upon all directorates and services.

6.2 Business continuity is linked to the outcomes and priorities of the Best Council Plan and City Ambitions.

7 Resources and value for money

7.1 There are no financial or resource implications arising from this report.

8 Legal Implications, Access to Information and Call In

8.1 The Civil Contingencies Act 2004 requires Category 1 responders (which includes local authorities) to maintain Business Continuity Plans and arrangements to ensure that they can continue to perform their key services and functions in the event of an emergency, so far as is reasonably practicable.

8.2 Many of the LCC services covered by Business Continuity Plans have a duty of care or a regulatory requirement to provide their service. This extends to maintaining services during an emergency or disruptive incident.

9 Risk Management

9.1 The corporate risks, LCC 1 City Resilience and LCC 2 Council Resilience are both 'standing' risks on the Corporate Risk Register 'unlikely to ever go away'. CLT require quarterly assurances on how these risks are being mitigated and managed.

9.2 The West Yorkshire Community Risk Register compiled and maintained by the West Yorkshire Resilience Forum informs the development of emergency and business continuity plans and arrangements.

10 Conclusions

10.1 The information contained within this Annual Business Continuity Report aims to demonstrate to the Corporate Governance & Audit Committee that: LCC continues to have arrangements that are up to date, fit for purpose, effectively communicated, routinely complied with and monitored and that the arrangements meet LCC's statutory duties as required by the Civil Contingencies Act 2004.

This is being achieved by:

- Implementation of Business Continuity Plans for LCC's most critical services and functions.
- Maintaining the currency of Business Continuity Plans through the annual management review cycle.
- Active engagement of Directorate Resilience Groups.
- Learning lessons from emergency incidents and disruptions.
- Rigorous assessment of commissioned service provider Business Continuity Plans.
- Hosting BC Network Events for the provision of advice and assistance to businesses and voluntary sector organisations.

- An established and growing warning and informing system in Leeds Alert.
- A rolling and developing cycle of public awareness initiatives.
- Engagement with and learning from exercises and training events.

11 Recommendations

11.1 The Committee to note this report for information.

12 Background documents¹

12.1 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.

This page is intentionally left blank



Report author: Andrew Nutting
Tel: 07891 276168

Report of Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 18th March 2016

Subject: Annual Information Governance 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 checked="" type="checkbox"/> Yes	<input 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 work required to address the recommendations of the Information Commissioners Audit report has been completed or is underway. Delivery against the remaining recommendations is being carried out by a small team of Information Governance professionals and completion is expected by March 2017.
2. Significant, strategic work on Information Management and Information Governance is being undertaken to strengthen management of information in support of the business of the council, to respond to external requirements and to identify opportunities for efficiency and other value gains in the management of information.
3. The council is establishing a Cyber Resilience Working Group to deliver against the Government's recently published ten steps to Cyber Resilience and to build on existing control and contingency plans to enable the council to avoid or recovery quickly from any cyber-attack.
4. The council continues to handle and process requests for information in accordance and compliance to appropriate legislation such as the Data Protection Act and Freedom of Information Act.
5. There is a growing risk about the council's ability to meet the INSPIRE Regulation requirements within prescribed deadlines. The issue centres on the council's capability and ability to publish the required datasets. Discussions are progressing about the

development of a corporate capability to manage GIS, which in turn, would provide a focus on INSPIRE work and help to mitigate against risk of non-compliance.

Recommendations

1. Corporate Governance and Audit Committee is asked to consider the contents of this report and the assurance provided as to the Council's approach to information governance.

1 Purpose of this report

- 1.1 To provide Corporate Governance and Audit Committee with an annual report on the steps being taken to improve Leeds City Council's information governance in order to provide assurance for the annual governance statement.

2 Background information

- 2.1 Leeds City Council recognises the need to protect its information assets from both accidental and malicious loss and damage. Information Governance is taken very seriously by the council and this is evidenced by the on-going work to improve the management and security of our information as outlined in this report.
- 2.2 The report provides Committee Members with an update on the more strategic and cross-council activity on-going to provide assurance on our approach to information governance.

3 Main issues

3.1 ICO Audit

- 3.1.1 Auditors from the Information Commissioner's Office (ICO) visited the Council in October 2013 to carry out an audit of its processing of personal data following enforcement action at the Council in 2012. Whilst, the audit provided the ICO with reasonable assurance about our data protection practices, auditors provided a list of 32 recommended improvements to current practice for the council to implement. Members of this Committee received a detailed report on 21st January 2014 regarding the audit, and a further report was considered on 20th March 2015 outlining progress made to date. Appendix A to this report contains a summary and further update against these recommendations
- 3.1.2 Work on twenty two of the thirty two recommendations is now complete and actions embedded into information governance standards and/or practice. Of the outstanding ten recommendations work is due to be completed on a further five by 30th June 2016. The remaining five recommendations constitute an investment in some fairly significant work. There is a small core of professional IG officers delivering against these recommendations who are managing delivery of this programme against a backdrop of competing priorities. However, the ICO are no longer monitoring progress, and will only take a further interest should the council be subject to a reportable information incident. The last recommendation is scheduled for completion by 31st March 2017 and the Executive Officer (Information Governance) will continue to monitor progress.

3.2 Overall arrangements for Information Assurance

- 3.2.1 In line with recommended practice for public authorities in the UK, the Council has established demonstrable arrangements which will ensure that information assurance is addressed along with other aspects of information governance.

- 3.2.2 The council has an established and fully trained Senior Information Risk Owner, the Deputy Chief Executive, who has overall ownership for information risk management across the council.
- 3.2.3 The SIRO is supported by the Chief Information Officer who has delegated decision making powers for information governance. The Chief Information Officer chairs the council's Information Management Board which ensures good standard information management practice is embedded into business processes, and information standards and policy are fit for purpose and kept up to date. Decisions made by the Chief Information Officer at the Information Management Board are effectively communicated across each Directorate through their respective Information Management and Technology Team.
- 3.2.4 The Director for Adult Social Care is the council's Caldicott Guardian. This is a strategic role responsible for protecting the confidentiality of patient and service-user information and enabling appropriate information sharing across Health and Social Care.
- 3.2.5 A Corporate Information Governance Team with responsibility for information strategy and policy provides support to the SIRO and the Chief Information Officer. In turn this Corporate Team is supported by a range of Information Governance officers across Directorates.
- 3.2.6 The Chief Information Officer is undertaking a review of how Information Governance is to be delivered across the council in an intelligent, agile, flexible and committed way. This review of the delivery of Information Governance has accepted that there should be an Information Governance Service within the Council and that it should be shaped to face future challenges, including the need to integrate and work with partner organisations in the City.
- 3.2.7 Significant features of this review include a review of the structure of Information Governance teams across the council and a review of Information Governance policies, and associated procedures and processes
- 3.2.8 Both the review of the Information Governance service and the review of policies are being undertaken to reflect how the internal and external environment has changed over the past five years, and to take into account use of new 'non-traditional' technologies such as the Cloud, Google Docs and file sharing; provide assurance against new risks to our information assets such as Cyber-crime; and reflect changes to legislation and regulations, such as the EU Data Protection Regulation.
- 3.2.9 There have been a number of high profile cyber incidents over the last twelve months, including incidents at Ashley Madison, Talk Talk and Lincolnshire County Council. The Council has begun establishing an approach to "Cyber Resilience". Cyber resilience is the capacity an organisation has to prevent, identify and mitigate the impact that a cyber-incident has on the information assets within an organisation. The risk of cyber-attacks has increased from criminals, hackers, hacktivists, terrorists, spies and innocents in the form of phishing, Trojan horses, hacking, stealing, sabotage and prevalent mistakes by employees.

- 3.2.10 The Government has recently produced guidance on what it calls 'cyber resilience'; this is all about identifying and managing these risks and the persistent threat they present. The guidance recommends ten steps that can help organisations to mitigate or prevent attacks. The Council's Corporate Leadership Team received and considered a report in February outlining where we are in relation to each of the ten steps, along with our improvement plans where needed. Following this, CLT have requested that all senior officers are provided with awareness and information regarding cyber resilience.
- 3.2.11 Leeds City Council is broadly maturing in its approach to information and to Cyber Security although in certain areas significant work remains to be followed through. To put this in perspective, this hard work is being recognised nationally and LCC were one of a small number of local authorities invited to take part in a cyber-resilience exercise hosted by the LGA; OGSIRO; and, CERT-UK on 20th January. The exercise tested each authority's current capability to respond to a cyber-incident through a series of interactive sessions covering cyber preparedness and the 10 cyber steps. Informal feedback received to date suggests that LCC did well in the exercises.
- 3.2.12 In order to provide on-going assurance within Leeds City Council, a Cyber Resilience Working Group has been organised to build on existing controls and contingency plans so that the council is able to avoid or recover quickly from such attacks, and to develop plans to further embed necessary actions against the ten steps. This work links with similar work undertaken by other public authorities across the Yorkshire and Humber Region under the auspices of a group known as the Warning, Advice and Reporting Point (WARP). In the event of a cyber-attack a regional response would be invoked proportionally to the circumstance. A chapter on cyber resilience is being included in the revised content for the staff level one mandatory training programme to be launched in June this year.
- 3.2.13 Information legislation provides rights for citizens to access information held by the council. In respect of the Data Protection Act (DPA) this provides a statutory right for citizens to access information held about them within forty calendar days of submitting a request. Under the Freedom of Information Act (FOIA) citizens have a right to request information held by a public organisation, such as the council, and unless an exemption applies, the council is under a duty to provide this information within twenty working days of receiving a request.
- 3.2.14 The need to be able to locate and retrieve information is essential, both to enable the council to operate effectively and efficiently and to respond to information requests within the statutory timescales prescribed. The risk to the council of non-compliance would be enforcement action from the Regulator, the Information Commissioner's Office (ICO). The ICO has a range of enforcement actions it can impose, including issuing monetary penalty notices of up to £500,000 for serious breaches of the DPA; the issue of undertakings committing an organisation to a particular course of action in order to improve its compliance (DPA/FOIA); serve enforcement notices and 'stop now' orders on organisations (DPA/FOIA); and, prosecute those who commit criminal offences under the Act (DPA/FOIA).
- 3.2.15 A team of Information Practitioners ensure that all requests for information to the council are processed and dealt with according to respective legislation and within

statutory timescales, and handle complaints from citizens and enquiries from the ICO. The ICO monitors the performance of all public authorities to ensure that they are compliant with legislation. Therefore it is important the council performs well in dealing with citizens requests for information, and continues to improve information governance practice in information processes, systems and networks to improve access and availability of information. The table below outlines the numbers of requests received and handled by the council for both the DPA and FOIA during 2013/14, 2014/15 and figures to date for 2015/16:

	2013/14	% compliance to statutory timescale	2014/15	% compliance to statutory timescale	2015/16 to Feb 2016	% compliance to statutory timescale
DPA – Subject Access Requests	453	78.5	466	81.6	394	86.0
FOIA – Requests for Information	2066	93.6	1986	92.9	1476	95.5

3.2.16 There is an embedded Information Security Incident Management and Reporting process across the council, which is coordinated by Information Compliance Officers. Since the Information Commissioner's audit in 2013, the council has a continued improved record and not experienced any incidents which have required involvement by the Information Commissioner. Staff awareness and training on information governance remains an important and integral part of the council's information strategy and is delivered through a series of training programmes. The Level One training is mandatory to all staff, and during 2014/15, over 96% accessed the training programme. Mandatory training is provided every two years, and content for 2016/17 training is being finalised for a launch in June 2016. The ICO recommend regular staff training, as this helps to, not only make staff aware of their responsibilities for information, but mitigate against information incidents. Member Management Committee has recently approved the development of Information Governance training and awareness programme for elected Members so that they understand basic information governance practice around information security and information sharing.

3.2.17 In September 2014 the Government published a new version of the Local Government Transparency Code making it a mandatory requirement to publish named datasets. There are 16 datasets that the council must publish and within each dataset there is mandatory information that must be published. The Code also recommends further information which is optional to publish in addition to the mandatory requirements. The council is fully compliant with the Code as it publishes

all mandatory data, including the new section on Social Housing introduced in September 2015. The council's focus has been on ensuring that it complies with the mandatory requirements. However, when the opportunity presents itself, additional information recommended in Section Three of the Code will be published.

- 3.2.18 Leeds City Council is required to make all INSPIRE* related data (as is) and metadata available to view and download. This phase should have been completed by December 2013. The council has since procured a software package using funds from DEFRA to enable it to publish the first 'most common' 20 datasets – an approach adopted by many local authorities. From October 2015 any **newly created** datasets should be published to INSPIRE standards – this ensures comparisons of data can be made across all 28 EU Members States. All existing datasets need to be transformed from their current format to exacting INSPIRE standard formats by December 2020.
- 3.2.19 At present, the council has published 4 of the first 20 datasets. There is an issue around the lack of resources to focus on this work and the absence of a corporate GIS team. There will be a significant amount of work required by GIS users across the council who manage data which may fall under this directive not only to publish it in its current format, but also ensure it is transformed by the 2020 deadline.
- 3.2.20 Discussions are progressing about the development of a corporate capability to manage GIS, which in turn, would provide a focus on INSPIRE work and help to mitigate against risk of non-compliance.
- 3.2.21 In 2013 the council was subject to an undertaking by the Information Commissioner in respect of an inadequately drafted contract under which the council required a supplier to process personal data its behalf. The undertaking required the council to embed measures to ensure that all contracts are properly drafted in line with the Data Protection Act when the contracts involve the processing of personal data on its behalf. All council contracts were checked as part of this undertaking and an interim measure was applied wherever required.
- 3.2.22 The responsibilities and liabilities of the Data Protection Act fall on the council (data controller) to ensure that a supplier processing personal data on its behalf (data processor) does so within the Acts requirements while fulfilling the main contract. This means the contract has to include, where necessary, specific instructions to supplement the terms and conditions. It is a feature of the current Data Protection Act that the data processor is not subject to the Data Protection Act when processing data on behalf of the data controller and is not liable for non-compliance except under contract.
- 3.2.23 Since the undertaking was issued, comprehensive measures have been designed and put into place. Standard procurement rules were revised in 2013 and they now include instructions and processes for capturing information governance requirements and incorporating them into contracts. Contract management plans are now an obligatory part of the contract preparation process. These measures have been followed through and it was found that staff required further training on some aspects which were difficult to interpret. Advice has now been written and is being delivered in a series of training sessions to all procurement and commissioning staff during spring and early summer 2016. This work will pre-empt

non-compliance by suppliers which may result in harm to an individual and/or financial sanctions on and reputational damage to the council.

4 Consultation and Engagement

- 4.1 Consultation on the development of strategies, policies, procedures and standards are extensively undertaken across a broad range of stakeholders including information management professionals, representatives from all Directorates via representatives of Information Management and Technology Teams and Information Management Board members.

5 Equality and Diversity / Cohesion and Integration

- 5.1 Equalities, diversity, cohesion and integration are all being considered as part of delivering the Information Management Strategy. This refers to the way training is being delivered as well as how policies will impact on staff and partners.

6 Council policies and City Priorities

- 6.1 The policies support the Information Management Strategy and contain areas of legal requirement. Furthermore, the implementation of the Information Management Strategy will improve the quality of the council's policy framework by ensuring the authenticity, integrity and security of the information contained therein.
- 6.2 Under the Code of Corporate Governance in Part Five of the council's Constitution, the fourth principle (taking informed and transparent decisions which are subject to effective scrutiny and risk management) requires decision making processes and enables those making decisions to be provided with information that is relevant, timely and gives clear explanation of technical issues and their implications.

7 Resources and value for money

- 7.1 Capacity within Directorates to deliver, embed and monitor compliance to information governance and information risk management practice is been resourced through the implementation of Information Management and Technology (IM&T) teams within each Directorate. Information Governance FTE's are included in each of the IM&T teams.
- 7.2 The way Information Governance is structured and organised is currently being reviewed with a view to ensuring that the way information management is deployed and delivered across the organisation and city takes account of the Better Business Management Principles: Standardise; Simplify and Share.
- 7.3 Internal Audit have allocated 60 days each year for Information Governance related audits. In 2014/15 an audit was carried out in relation to some follow up work on the programme of checks on contracts required by the ICO Undertaking issued to the council in 2012. In 2015/16 Internal Audit is undertaking a review of the Information Security Management System (ISMS), producing a control risk assessment and assessing council compliance against it at a high level. This will allow for an audit programme to be developed and will help inform decisions on both future

information governance internal audit coverage and areas of the ISMS requiring attention before a detailed review.

8 Legal Implications, Access to Information and Call In

- 8.1 Delegated authority sits with the Deputy Chief Executive and Senior Information Risk Owner and has been sub-delegated to the Chief Information Officer under the heading “Knowledge and information management” in the Deputy Chief Executives Sub-Delegation Scheme.
- 8.2 There are no restrictions on access to information contained in this report.

9 Risk Management

- 9.1 The risk associated with not implementing information governance policies, procedures and practice across the Council leaves the organisation more susceptible to breaches of legislative, regulatory and contractual obligations, affecting the confidence of its citizens, partners, contractors and third parties when handling and storing information.
- 9.2 Information risk is being systematically addressed by joining up the approach to risk required by information security standards, the need for the senior information risk owner to be clear about the risks he/she is accountable for and the council’s standard approach to risk management.
- 9.3 Further work is being undertaken in conjunction with the Corporate Risk Manager to embed the recording and reporting of information risk monitoring and management. The Information Asset Register exercise will generate information required and an automated dashboard will be produced to report risk assessments to the SIRO. This will provide the assurance required by the SIRO from the business and will allow risk mitigations to be prioritised.

10 Conclusions

- 10.1 The work of the previous year, reported to this Committee on 20th March 2015, has been continued.
- 10.2 The establishment of information governance practice and procedures outlined in this report provides a level of assurance to Committee that the range of information risk is managed both in its scope and through to service delivery. It allows the council to work with partner organisations, third parties and citizens in a clear, transparent, but safe and secure way. It helps to protect the council from enforcement action and mitigate the impact of cyber incidents aimed at attacking and/or bringing down council information systems.

11 Recommendation

- 11.1 Corporate Governance and Audit Committee is asked to consider the contents of this report and the assurances provided as to the Council’s approach to information governance.

Background documents1

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

Appendix A

Leeds City Council actions against recommendations made by the Information Commissioner

No	Recommendation	Current position as at February 2016	Status	Completion
1.	A6. Ensure IAOs are trained in line with proposed plans. Further advice on IAO training is available from The National Archives.	<p>Council's Corporate Leadership Team has approved the nomination of Information Asset Owners who will be responsible for managing information risk within their services and ensuring compliance with internal policy and external regulatory requirements.</p> <p>A Project plan has been developed and approved by the Information Management Board to refresh the Information Asset Owner role and to provide a full engagement programme to train IAIO's and support staff.</p> <p>A digital database has been developed and tested for use by IAO's to record their information assets, and thereby automate the Information Asset Register. A training and engagement programme has been developed.</p> <p>Resources now deployed and work is currently under way in Environment & Housing And Adult Social Care to create a Register by 30th June. Work is expected to begin in remaining Directorates through the course of this year.</p>	Partially Complete	31 December 2016
2	A10. It would be advisable to have a permanent resource	Training Officer now in place	Complete	

	within the IG Team to ensure that this essential training is developed, maintained and delivered over the long term.			
3	A11. Members of the IG team should be suitably qualified to enable them to carry out their role effectively. It would therefore be advisable for the Council to provide relevant professional training.	<p>Work has begun on a staff competency framework and workforce development plan, which will include IG requirements for IG staff. The competency framework is based on IM&T service functions and strategy and will be aligned to career families. It will identify competency/skills gaps; build competency frameworks into staff appraisals; exploit cross-service coaching, mentoring and training opportunities; and recognise qualification requirements.</p> <p>The staff competency framework work is linked in with the ongoing review of Information Governance Service across the council.</p>	Partially Complete and Ongoing	31 st December 2016
4	A12. To comply with the Local Public Services Data Handling Guidelines, the Council should provide suitable CESG training for the ITSO.	Training now completed	Complete.	July 2015
5	A13. The Council should ensure regular IG refresher training is mandated and monitored to ensure staff knowledge is kept up to date and relevant.	<p>Regular mandatory IG refresher training is provided to all staff every two years. The latest refresh was in 2014 and more than 96% of staff have undertaken the training.</p> <p>New content is being finalised for the second version of the IG refresher training to be launched in June 2016.</p>	Complete. Actions Ongoing.	Embedded practice every two years.
6	A21. Provide digital key safes for use within social services	Adult Social Care and Children's Services Directorates have refreshed their practices around	Complete	June 2015

	teams to ensure that records are always accessible when required.	the storing and accessing of records and the implementation is being monitored. Environment And Housing are adopting the same practices		
7	A22. Provide a lockable storage solution for social workers taking manual personal records off site on client visits, such as lockable document holders, bags and/or car boot safes.	Adult Social Care and Children's Services Directorates have refreshed their practices around the storing and accessing of records and the implementation is being monitored. Environment and Housing are adopting the same practices.	Complete	June 2015
8	A23. Introduce a standard procedure for signing files out of the office and ensure the file returns are monitored.	A new corporate standard and procedure for tracking and tracing of files has been developed and agreed and is currently being implemented .	Partially Complete	30 June 2016
9	A27. Regularly monitor boxes and files which have been removed from the RM storage facility to ensure files are returned in a timely manner and enable the early identification of any missing records.	Current processes enable the movement of records that are within the control of the corporate records management facility to be tracked and traced although a new process containing improvements is about to be installed. The new database (Phase One E-workplace Programme) is likely to be deployed by 31 st May 2015 that will address this issue.	Complete	31 Dec 2015
10	A28. Ensure all visitors to office buildings containing sensitive personal data are recorded in a visitor's book and ensure codes for doors with pin code access are regularly changed and this is recorded.	In a review of buildings from which council services operate, 21 high risk buildings were identified and 25 medium risk. A small core team of IG professionals began auditing in 2015 and have now completed audits of 17 of the high risk buildings and 15 of the medium risk. Auditing continues of the remaining high and medium risk buildings. During the audit the procedures relating to visitors have been reviewed and updated where necessary.	Partially Complete	30 June 2016

		Further work on other council buildings deemed low risk is to be carried out by Directorate IM&T teams throughout 2016..		
11	A29. Implement a procedure for routine spot checking of compliance with the clear desk policy.	A plan to introduce routine spot checking for staff compliance with the council's Clear Desk/Clear Screen policy has been developed and implemented based on annual routine s	Complete and procedure on-going.	30 April 2015
12	A30. Ensure all manual records containing personal data are locked away at the end of the day.	Revenues and Benefits have provided lockable cupboard in visitor office and have provided assurances paperwork containing personal data is locked away at the end of the day.	Complete	
13	A37. Wherever available ensure that follow me printing is enabled. For devices which do not have follow me capabilities, introduce a system of spot checks to ensure information is not left on printers for any longer than necessary.	A new contract for Print Services across the council was awarded to an external contractor in July 2014. PIN printing was a default requirement in the contract specification. Contract has been rolled out in full.	Complete	31 October 2015
14	A39. Ensure that the protective marking scheme is implemented as soon as is practicable.	<p>The requirement on Local Authority's is unclear and advice has changed at a national level. The full requirement appears to be narrower than originally envisaged. Where the requirement is clear this has been implemented. Clarification is being sought on the remainder of the requirement.</p> <p>The actual implementation of this appears to be unlikely to be acceptable/feasible/cost effective within Leeds City Council at the current time.</p>	Complete	31 July 2015

15	A42. Ensure that the retention schedule is finalised and implemented as soon as is practicable.	The retention schedule is now complete and signed off by Legal Services and is now in use across the council.	Complete	30 th June 2015
16	A44. Ensure that offices which are using unsecured confidential waste bags are provided with the standard lockable containers which are part of the confidential waste contract.	<p>The council developed an action plan to deliver against recommendations A28, A44 and A46.</p> <p>An audit of buildings has taken place and we have a better understanding of the off-contract position across the council. Issues uncovered have been and will be dealt with as part of that exercise which is now moving towards completion</p> <p>The plan is now, in combination with work to deliver against A28 and A46, to issue a questionnaire to buildings managers to identify current practice in relation to use of shredders and alternative confidential waste providers and to work towards moving these onto the council's confidential waste contract. The aim is to deliver against this action</p>	Partially Complete	30 June 2016

		plan by July 2016.		
17	A46. Carry out an audit of shredders and consider the introduction of cross-cut shredders for sensitive personal data, or the use of locked confidential waste bins with subsequent secure in-house or third party destruction.	As per A 28 & A44.	Partially Complete	30 June 2016
18	A47. Ensure ESCR files transferred to new casework systems are appropriately weeded in line with the Council's retention schedule.	The weeding process has been completed and has been transferred to the new system	Complete	June 2015
19	A48. Ensure that RM KPIs are routinely communicated to appropriate boards, including IGMB, from relevant sub groups.	KPIs have been agreed by IMB and a dashboard for reporting initially to IMB has been built	Complete	30 April 2015
20	A49. Establish suitable RM KPIs for all directorates and ensure these are appropriately reported within the IG structure.	Key Performance Indicators have been developed and, following a formal consultation process with key stakeholders, approved and included in the Information Services Service Plan 2014/15.	Complete	
21	A51. Ensure that PIAs are embedded across the Council at the implementation stage of any projects involving the processing of personal data.	<p>There is a new framework for the delivery of projects and programmes and also contracts and contract management. Council PIA's to be implemented as part of the process.</p> <p>The use of PIA's has been mandated by IMB.</p> <p>Training in their use in contracts has been organised for delivery by the end April 2016 and then</p>	Partially Complete	31 st December 2016

		cascaded and a guidance resource on InSite is in production. This will then be updated for project and programme management methodology.		
22	B4. Formalise a process for ensuring IG KPIs are reported to the IGMB from its sub-boards and these are recorded and formally reported back to both the SIRO and the Risk and Performance Board and/or Internal Audit.	<p>Key Performance Indicators have been agreed by IMB and a dashboard for reporting to IMB has been built.</p> <p>The SIRO is appraised throughout the year through monthly meetings with the Executive Officer (Information Governance).</p>	Complete	5
23	B6. Consider making the IT Security Officer a permanent member of the IKM /ICT Liaison Group so there is a clear reporting line to the SIRO, as recommended in the Local Public Service Data Handling Guidelines.	The IT Security Officer was made a member of the ICT/IKM Liaison Group. However subsequent to this, The Corporate Information Governance Team have moved under the management of the Chief Officer for ICT (Chief Information Officer). As such the Executive Officer (Information Governance) now sits on the Management Team and all IG/IT issues are shared at this forum. Following this reorganisation, the ICT/IKM Liaison Group has been disbanded. Furthermore, the Executive Officer (Information Governance) and the IT Security Officer now report to the same Head of Service, which has strengthened collaboration between the two areas on matters relating to PSN Connectivity, IG Toolkit, and Information Security policy .	Completed	1 st April 2014
24	B13. Ensure a formal information security risk assessment and management programme for all information assets on the Information Asset Register has been documented, is implemented by Information Asset Owners and regularly monitored and	<p>See action 1 above</p> <p>Preparation work is underway with the Corporate Risk Manager and a dashboard will be required to consolidate risk assessments to provide "heat maps" at various level of the council. It will also act as an action tracker at service level.</p>	Partially Completed	31 March 2017

	reviewed.			
25	B15. Ensure on-going IG work continues to address actions identified in the 2011/12 Internal Audit follow-up review of the effectiveness of the IG team.	A review has been undertaken of the 2011/12 Internal Audit actions, and those recommendations not completed have been accommodated into the Corporate IG Team Work Programme for 2014/15 – February 2014.	Completed	1 st April 2014
26	B17. Ensure the cover sheet of all IG policies is completed with the latest review date.	Undertaken in December 2013	Completed	31 st December 2013
27	B18. Ensure the ISP is linked to the relevant suite of IG policies to ensure staff are clear which policies are associated with it.	Undertaken in December 2013.	Completed	31 st December 2013
28	B26. Continue the review of all Council contracts to ensure that data protection requirements are appropriately specified within them.	Work with the Public, Private Partnership and Procurement Unit to embed information governance checks and balances into the Corporate Contract Framework is complete. Training is being developed and rolled out to all staff involved in contract activity. This is now complete and appropriate information is now being included in all contracts.	Partially Completed.	30 April 2016
29	B32. Review password access to all databases to ensure they comply with enforced change and complexity rules as required by the password management policy.	The Council has done considerable work to locate databases and to confirm the access route(s) to them. The majority of databases utilise access routes that require users to logon to the council or device in a manner that complies with the council password management policy.	Complete	1 st March 2015
30	B34. There is a risk that staff who have moved departments	The council's HR function has information of staff who move internally. Possibilities of exploiting SAP	Partially Complete	31 October 2016

	within the Council are not promptly removed from access to databases containing personal data which they no longer require. Ensure HR provide systems administrators with a list of staff who have moved departments to cross reference against staff access rights.	have been explored and although part of the requirement can be implemented this way for leavers, internal transfers cannot. Manual HR procedures will now be looked at a Policy level and via a newly formed Cyber Essentials Working Group.		
31	B44. Review the risks of laptop users being able to save data to their local C drive. This unstructured data is not automatically backed up and therefore may not conform to Council retention policies and is not searchable for information requests.	A review has been undertaken and a solution defined which addresses this problem. A Microsoft product which synchronises data from local hard drives to personal space on the shared drive has been employed and access permissions re configured to allow this to work. Data saved on a laptop is not backed up and may be lost. When synchronised to the shared drive it is backed up. This measure also prevents confusion between versions of documents.	Complete	31st December 2015
32	B48. Ensure staff storing personal data at home are provided with a secure lockable cabinet as detailed in the Remote Working Policy.	Remote Working Policy has been reviewed and now ensures that this happens.	Complete	31 st December 2015

This page is intentionally left blank

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 18th March 2016

Subject: Review of Financial Governance and Control Arrangements for Partnerships and Other Joint Arrangements

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 purpose of this report is to provide assurance that appropriate financial governance and control arrangements are in place for partnerships and other joint arrangements where Leeds City Council has a financial governance role and that these meet expected standards.
2. Partnerships and other joint working arrangements with external bodies form an increasing element of the Council's activities, providing challenges in terms of transparency, demonstrating accountability and managing risk.
3. This review updates the existing register of financial governance arrangements to ensure complete coverage and consistency. The exercise provides assurance that all of the identified partnerships have appropriate arrangements in place with due regard to expected standards.
4. Work will continue to further develop Financial Regulation toolkits to support work in this area and to re-inforce the necessary maintenance and review processes.

Recommendations

5. Corporate Governance and Audit Committee are asked to note the assurances provided that the appropriate financial governance and control arrangements are in place and meet expected standards.

1 Purpose of this report

- 1.1 This report aims to update the Committee on work undertaken to identify and review joint-working arrangements with other organisations and to ensure that appropriate financial governance and control arrangements are in place.
- 1.2 In his September 2015 report to Corporate Governance and Audit Committee¹, the Deputy Chief Executive discussed financial governance arrangements for partnerships and other such arrangements, acknowledging that the development of new collaborative structures and service delivery models provide challenges in terms of transparency, demonstrating accountability and managing risk.
- 1.3 In addressing these challenges Financial Management is working closely with colleagues to ensure proper financial governance arrangements are in place and the 2015/16 Financial Management Service Plan includes an objective to identify and review such arrangements.
- 1.4 The information collected will be used to further develop financial governance toolkits, and will support Internal Audit to ensure such arrangements are reviewed as part of the annual audit plan.

2 Background information

- 2.1 Partnerships and other joint working arrangements with external bodies form an increasing element of the Council's activities and Leeds City Council's governance framework already addresses such arrangements in the Constitution and delegation schemes, in the Code of Corporate Governance and in the Financial Regulations and their associated Toolkits.
- 2.2 The Council has also issued guidance concerning wider partnership governance issues^{2 3}. Based on the Code of Corporate Governance, these documents provide a framework for partnership working including minimum governance requirements and review processes.
- 2.3 CIPFA/SOLACE consulted on a revised 'Framework for Delivering Good Governance in Local Government' in 2015. We will further assess our arrangements against this guidance once published.
- 2.4 In 2007 Financial Management established a register of non-LCC financial activities to review accounting treatment and identify potential exposure to financial liabilities. Stemming from this, all 'significant' arrangements are reported to Corporate Financial Integrity Forum and are subject to quarterly financial monitoring as a minimum.
- 2.5 This register has been maintained in the intervening period and the current review has ensured complete coverage and consistency.

¹ 18 September 2015: Corporate Governance and Audit Committee, Financial Management and Control Arrangements

² 26 January 2010: Governance Framework for Significant Partnerships Version 3.0

³ January 2013: Advisory Note for Directors: Partnership Governance

3 Main issues

3.1 Scope

3.1.1 For this exercise the definition of a 'partnership' used was 'an agreement between two or more independent bodies to work collectively to achieve an objective'⁴. This definition encompasses a wide range of financial partnership arrangements:

- Separate legal entities;
- Joint Committees;
- Pooled budgets;
- Statutory partnerships; and
- Informal partnerships where the Council has a financial governance role.

3.1.2 This review is not intended to encompass all arrangements between Leeds City Council and external bodies. Arrangements where there is no financial governance role for Leeds City Council are excluded. Financial relationships not meeting the 'partnership' definition above, such as grant arrangements, investments and procurements have also been excluded from this exercise.

3.2 Methodology

3.2.1 Potential arrangements were identified from a range of sources and reviewed by Financial Management and service colleagues to determine whether they were within scope of the review. Many of the arrangements were excluded at this stage for a variety of reasons, such as the organisation no longer existing, the partnership relationship having ended or the partnership arrangement having no financial aspect.

3.2.2 Detailed questionnaires were completed for the arrangements identified as meeting the definition above and falling within the scope of the review.

3.2.3 The questionnaire addressed the expected standards in the existing guidance, and required a range of information concerning accountability, legal status, financial recording and reporting, the ownership of assets and liabilities and the identification and evaluation of financial risk.

3.3 Findings

3.3.1 A number of the identified arrangements were bequests or trusts managed by Corporate Financial Management. These are actively managed in accordance with Financial Regulations and an existing Bequests and Trusts Toolkit. Corporate Financial Management maintains a register and the arrangements are regularly reviewed by the Corporate Financial Integrity Forum, chaired by the Chief Officer (Financial Services). Given the established arrangements, these are not considered further in this report.

3.3.2 Twenty four partnerships were identified as meeting the definition of 'partnership' above and falling within the scope of the review. These are shown at **Appendix 1**

⁴ Audit Commission 2005: Governing Partnerships; Bridging the Accountability Gap

and have been categorised, distinguishing those which are separate legal entities from those which are not.

- 3.3.3 Returned questionnaires were reviewed with reference to the expected standards summarised in paragraph 3.2.3. above and a summary is provided at **Appendix 2**. This summary illustrates how responses to some of the key questions offer assurance that all of the identified partnerships have appropriate arrangements in place with regard to expected standards. No issues were identified by the review. For your reference, a blank questionnaire is provided at **Appendix 3**.

3.4 Next Steps

- 3.4.1 Two new Financial Regulations toolkits have been developed and will be available on Insite from April 2016. These cover all of the Council's financial stewardship relationships. The first ⁵ requires officers to notify Corporate Financial Management of new partnership arrangements, supporting the ongoing maintenance of the central register. The second toolkit⁶ details six 'Key Rules' to be applied to the financial management of these arrangements based on the existing expected standards.
- 3.4.2 These toolkits will continue to be developed to provide more detailed guidance to staff involved in the management of partnerships.
- 3.4.3 An annual review process will be established through the existing functionality of the Corporate Financial Integrity Forum. Heads of Finance will report to this group to confirm that appropriate governance is in place for identified arrangements within their directorate and to discuss any potential new arrangements.
- 3.4.4 Accounts or year-end financial statements will be reviewed by Financial Performance Group for all identified arrangements. Arrangements with a higher level of financial or non-financial risk will be reported more regularly.
- 3.4.5 The Deputy Chief Executive holds the responsibility, delegated to the Chief Officer (Financial Services), to agree to undertake the financial responsibilities for partnership arrangements, except where the Council has a legal obligation to do so. The toolkits therefore require that before entering any new partnership officers should notify Corporate Financial Management, providing a clear case as to the benefits of the arrangement. They also require completion of a Financial Governance questionnaire, which will be reviewed by Corporate Financial Management and, where applicable, incorporated into the annual review process.
- 3.4.6 Internal Audit will review the register to help determine whether specific partnerships should be included for review in the Annual Internal Audit Plan.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 This report has no direct issues requiring consultation or engagement.

⁵ Treasurer, Accountable Body and Other Similar Financial Arrangements – Scope of the Regulation

⁶ Treasurer, Accountable Body and Other Similar Financial Arrangements – Key Rules

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 This report has no direct equality and diversity / cohesion issues.

4.3 Council policies and Best Council Plan

4.3.1 As expressed within the Best Council Plan 2016/17, spending money wisely is one of the Council's values. Ensuring that the Council has appropriate financial governance arrangements in place is a key element of this.

4.4 Resources and value for money

4.4.1 This report deals with arrangements for ensuring effective financial governance and control and is aimed at providing assurance to members that appropriate arrangements are in place.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The report does not require a key or major decision and is therefore not subject to call-in.

4.6 Risk Management

4.6.1 The central register of financial governance arrangements will be maintained and will be subject to annual review.

5 Conclusions

5.1 The review provides assurance that the fundamental building blocks for the financial governance of partnerships are already in place, and that expected standards are being met.

5.2 Processes to ensure the maintenance and annual review of the arrangements, as discussed above, will be established.

5.3 Work will continue to further develop Financial Regulations toolkits to provide a coherent framework for the financial governance of the identified arrangements.

6 Recommendations

6.1 Corporate Governance and Audit Committee are asked to note the assurances provided that the appropriate financial governance and control arrangements are in place and meet expected standards.

7 Background documents⁷

7.1 None.

⁷ 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.

Identified Financial Governance Arrangements By Category

Category	Definition and additional notes	Name
Separate Legal Entities	<i>The entity has its own legal personality, which is separate to the individuals who participate in it. All are regulated by company law.</i> Despite being separate legal entities, the arrangements below are included in this review because of the extent of Leeds City Council's control or influence.	
1. Private limited company	A limited company is responsible in its own right for everything it does and its finances are separate to the personal finances of the directors. Most limited companies are 'limited by shares', so that the shareholders' responsibilities for financial liabilities are limited to the value of shares they own.	Leeds City Region RIF (GP) Limited NPS Leeds Ltd
2. Private company limited by guarantee without share capital	Such companies are often charities, community projects, clubs, societies and other similar bodies. They do not distribute their profits to their members but either retain them within the company or use them for some other purpose. The main reason to be a company limited by guarantee is to protect the people running the company from personal liability for the company's debts, just as in a company limited by shares.	Leeds Apprenticeship Training Agency (ATA) Limited
3. Limited partnership	Any liability for debts that can't be paid by the company is split among partners, and as 'limited' partners they are only liable up to the amount they initially invest in the business.	Leeds City Region Revolving Investment Fund (RIF) LP
4. Charitable company	In the same way as the companies described above, charitable companies are corporate bodies which the law considers to be a person in the same way as an individual. Thus generally trustees aren't personally liable for what a charitable company does. Charitable companies are regulated by both company and charity law and the trustees have responsibilities as directors.	The Craft Centre and Design Gallery Leeds Grand Theatre & Opera House Ltd Green Leeds Ltd
Not Separate Legal Entities		
5. Unincorporated charity	Without a separate legal personality these organisations are unable to enter into contracts or control some investments in their own name. The trustees are personally liable for what an unincorporated charity does, can be individually or jointly sued for breach of contract and may incur unlimited personal liability. Although Leeds City Council is not 'in partnership' with these arrangements, they are included because Leeds City Council is acting as the Honorary Treasurer and the Council supports their financial management.	Lineham Farm Childrens Centre Middleton Park Equestrian Centre
6. Joint Committee	Joint committees are established to jointly discharge local authority functions, in accordance with Section 101(5) of the Local Government Act 1972 and Section 9EB of the Local Government Act 2000.	West Yorkshire Joint Services Committee Leeds City Region Business Rates Joint Committee
7. Statutory partnership	a. Section 75 of the NHS Act 2006: whereby the Secretary of State can make provision for local authorities and National Health Service (NHS) bodies to enter into partnership arrangements in relation to certain functions, where these arrangements are likely to lead to an improvement in the way in which those functions are exercised. b. Care Act 2014 c. Children Act 2004	Better Care Fund Leeds Community Equipment Service & Telecare Pooled Budget Learning Disability Pooled Budget South Leeds Independence Centre (SLIC) (s75 with CCGs) South Leeds Independence Centre (SLIC) (partnership with LCHT) Safeguarding Adults Board Leeds Safeguarding Children Board
8. Informal partnership		Aire Action Leeds Competition Damages Unit Super Connected Cities LCR WY Local Broadband Plan (Superfast West Yorkshire) PSN Regional Transition team West Yorkshire Casualty Reduction Partnership

Summary of Responses to Financial Governance Questionnaire by Category¹

Appendix 2

Best Practice Recommendation	1. Private limited company	2. Private company limited by guarantee without share capital	3. Limited Partnership	4. Charitable company	5. Unincorporated charity	6. Joint Committee	7. Statutory partnership	8. Informal partnership	Assurance
No. of arrangements	2	1	1	3	2	2	7	6	
	Separate Legal Entity				Not Separate Legal Entity				
Accountability									
Q1d. Identified LCC Accountable Officer	2 of 2	1 of 1	1 of 1	3 of 3	2 of 2	2 of 2	7 of 7	6 of 6	There is an identified senior accountable officer.
Legal Status and Decision-Making									
Q2b. What partnership documents are there?	2 of 2	1 of 1	1 of 1	3 of 3	2 of 2	2 of 2	7 of 7	6 of 6	Relevant documentation is held to enable understanding of legal status.
Q2d. How are decisions taken?	2 of 2	1 of 1	1 of 1	3 of 3	2 of 2	2 of 2	7 of 7	6 of 6	Decision-making processes are understood.
Financial Recording and Reporting									
Q3b. Is LCC the accountable body? ²	N/A	N/A	1 of 1	N/A	N/A	1 of 1	5 of 5	4 of 4	Accountable body role is recognised and understood.
Q3e. To what extent is FMS used? ³	1 of 1	1 of 1	1 of 1	3 of 3	2 of 2	1 of 1	6 of 6	5 of 5	Arrangement is being correctly accounted for and reviewed.
Q4c. Where is performance reported to?	2 of 2	1 of 1	1 of 1	3 of 3	2 of 2	2 of 2	7 of 7	6 of 6	Arrangement is being reported to the appropriate forum.
Q4d. Are statutory final accounts produced and audited where required? ⁴	2 of 2	1 of 1	1 of 1	3 of 3	2 of 2	1 of 1	N/A	N/A	Arrangement is being correctly accounted for and reviewed.
Ownership of Assets and Liabilities									
Q5a. Who owns the assets and liabilities?	2 of 2	1 of 1	1 of 1	3 of 3	2 of 2	2 of 2	7 of 7	6 of 6	Ownership of assets and liabilities is understood.
Identification and evaluation of financial risk									
Q5d. What is the nature of any financial risk to LCC?	2 of 2	1 of 1	1 of 1	3 of 3	2 of 2	2 of 2	7 of 7	6 of 6	Nature of financial risk is understood.
Q5e. What is the potential value of financial risk to LCC?	2 of 2	1 of 1	1 of 1	3 of 3	2 of 2	2 of 2	7 of 7	6 of 6	Potential value of financial risk and mitigations are understood.

Notes:

1. This appendix summarises responses to specific questions on the Financial Governance questionnaire to demonstrate how the information provided gives assurance that best practice is being applied. It is not a summary of all responses to the questionnaire.

2. Accountable bodies have financial responsibility for funding received and proper expenditure on behalf of a joint arrangement with other partners. Leeds is not the accountable body in all of the arrangements reviewed, but this is not a specific concern as it reflects the differences in arrangements.

3. The Council's Financial Management System is being used in all cases where LCC is the accountable body. It is also utilised to record the financial transactions of a number of other arrangements.

4. Final Accounts are not required for all of the arrangements reviewed. Where required the review confirms that final accounts are produced, audited and filed appropriately.

FINANCIAL GOVERNANCE QUESTIONNAIRE

For the purposes of the completion of this questionnaire, the definition of a financial partnership arrangement would include, but not be limited to:

- Separate legal entities
- Joint Committees
- Pooled budgets
- Statutory partnerships
- Informal partnerships where LCC has a financial governance role.

1. ORGANISATION AND CONTACT DETAILS	
1a. Organisation Name	1d. Chief Officer Name & Contact No.
1b. Directorate	1e. Service Manager Name & Contact No.
1c. Lead Member	1f. Finance Officer Name & Contact No.
2. LEGAL	
2a. What is the legal status of the organisation?	
2b. What 'partnership' documents are there? Where are they kept?	
2c. Who are the members of the partnership, if any?	
2d. How are decisions regarding the organisation taken?	
2e. What arrangements are in place to bring the partnership to an end?	
3. FINANCIAL RECORDING	
3a. Who is responsible for the financial running of the organisation?	
3b. Is LCC the 'Accountable Body' for any partnership arrangement?	
3c. How is the organisation funded?	
3d. If the organisation is grant funded by LCC, who is the granting directorate and what are the terms and conditions?	
3e. To what extent is FMS used to record the transactions of the organisation? Provide hierarchy/costcentre.	
3f. Does the organisation have any separate bank accounts? If yes, please provide details, including signatories.	

4. FINANCIAL REPORTING

- 4a. Who is responsible for undertaking/reviewing budget monitoring?
- 4b. Does the Partnership's performance get reported to FPG?
- 4c. Where else does the Partnership's performance get reported to and how often?
- 4d. Are Final Accounts produced for the Partnership? If yes, are they audited and who by?
Are they filed i.e. with Charity Commission and/or Companies House?

5. ASSETS AND LIABILITIES

- 5a. Who owns the assets and liabilities of the organisation?
- 5b. Is there formal agreement between members to deal with assets and liabilities when the partnership ends?
- 5c. Has LCC made any loans to the organisation?
- 5d. What is the nature of any financial risk to LCC?
- 5e. What is the potential value of any financial risk to LCC?
- 5f. What financial guarantees has LCC made to the organisation? What financial guarantees has LCC made on behalf of the organisation? E.g. pensions guarantee to West Yorkshire Pension Fund

6. OTHER

- 6a. Is there any further information about the organisation, not covered above, which would assist with understanding the financial governance arrangements and any associated risks?

Reviewed by:

Date:

Contact No:

This page is intentionally left blank

Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 18th March 2016

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 2016/17 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 2016/17 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.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 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.

4.2 Equality and Diversity / Cohesion and Integration

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

4.3 Council Policies and City Priorities

4.3.1 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.

4.4 Resources and Value for Money

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

4.5 Legal Implications, Access to Information and Call In

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

4.6 Risk Management

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

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

5 Conclusions

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

6 Recommendations

6.1 Members are requested to:

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

6.3(b) and note the provisional dates for the 2016/17 municipal year.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

24th June 2016		
Release of Accounts for Public Inspection	To receive a report releasing the Accounts for public inspection.	Chief Officer (Financial Services) Doug Meeson
Annual Governance Statement	To receive and approve the Annual Governance Statement	Head of Governance Services Andy Hodson
Money Laundering Policy	To receive the money laundering policy	(Acting Head Of Internal Audit) Sonya McDonald
Annual Internal Audit	To receive the Annual Internal Audit Report	(Acting Head Of Internal Audit) Sonya McDonald
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
Internal Audit Update Report	To receive the Internal Audit quarterly report	(Acting Head Of Internal Audit) Sonya McDonald
Annual Financial Management Report (Incorporating Capital) 2015/16	To receive the annual report reviewing the Financial Planning and Management Arrangements at the Council	Chief Officer (Financial Services)
KPMG – Interim Audit report	To receive the KPMG Interim audit report	Chief Officer (Financial Services) Doug Meeson

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

Annual Decision Making Report	To receive a report presenting the outcome of the monitoring process relating to decisions taken at the Council	Head of Governance Services Andy Hodson
16th September 2016		
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
Internal Audit Update Report	To receive the Internal Audit update report	(Acting Head Of Internal Audit) Sonya McDonald
27th January 2017		
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
Customer Contact and Satisfaction Annual Report	To receive the annual customer contact and satisfaction annual report	Chief Officer (Customer Access) Lee Hemsworth

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

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 annually Treasury Management Report providing assurance on the processes used by the department	Chief Officer (Financial Services) Doug Meeson
7th April 2017		
Internal Audit Plan	To receive a report informing the Committee of the Internal Audit Plan for 2013/14	(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
Annual Business Continuity Report	To receive the annual report reviewing the Councils Business Continuity planning.	(Chief Officer Strategy and Improvement) Mariana Pexton
Annual Management Report (Incorporating Capital) 2016/17	To receive the annual report reviewing the Financial Planning and Management Arrangements at the Council	Chief Officer (Financial Services)

This page is intentionally left blank