

Corporate Governance and Audit Committee

Annual Report 2013-2014



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

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Foreword from the Chair

I would firstly wish to record my thanks to the Elected Members who have served on the committee this year. Members from across all political groups have come together in an extremely effective way, to check, challenge and test the assurances that have been given to us.

In Committee every effort has been made to question, and where necessary probe more deeply, in order to improve the quality of governance and management. I want to thank Members for their willingness and effectiveness of their questioning and congratulate officers for the professional way in which they have responded. But of course the task must go on.

The inevitable reduction in the size of the City Council (as a result of the financial challenges facing the public sector) in no way diminishes our responsibilities. As functions and services are re-shaped and provided in different ways the governance structures of the authority become increasingly important to ensure accountability arrangements remain open and transparent.

The Local Audit and Accountability Act 2014 makes new provisions about the accounts of local public authorities and the auditing of those accounts and about the appointment, functions and regulation of local auditors.

This may, in some respects, change the nature of the relationship between the appointed local auditor and the Authority – however that independence of role will continue and is vital to enable committees such as ours to provide for a rigorous over-sight of the way in which the Council carries out its functions and how public money is accounted for.

Councillor Ghulam Hussain

Chair – Corporate Governance and Audit Committee

Background

Corporate Governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves. Good corporate governance requires local authorities to carry out their functions with integrity and in a way that is accountable, transparent, effective and inclusive. The role of the Corporate Governance and Audit Committee is to evaluate and improve the effectiveness of risk management, control and governance processes.

The Council's Code of Corporate Governance provides more information regarding corporate governance at Leeds.

The Annual Report

The work of the Committee has been structured around the following areas:

- The Council's accounts;
- The Council's arrangements relating to external audit;
- Testing the adequacy of core governance policies and practices to ensure compliance with statutory and other guidance;
- Arrangements relating to Internal Audit.

The Committee has received a number of annual assurance reports during the year on the following governance areas.

- Decision making
- Business continuity
- Financial management
- Performance and risk management
- Complaints (including the Ombudsman's Annual Letter)
- Internal audit update reports
- The accounts

These reports provided the foundation for the committee's approval of the Annual Governance Statement – a statutory requirement, in September 2013.

Proactive Work of the Committee 2013-14

The following section provides a summary of the proactive work undertaken by the committee over the last year. This aspect of the committee's work is vital, and has assisted in improving the effectiveness of the Council's overall corporate governance arrangements.

Business Continuity

In July 2013 we received a report on progress in ensuring that Business Continuity Plans were in place for each of our critical services. We were told that 42% of those services did not have plans in place.

We set a deadline for those services to complete the outstanding plans and through those endeavours secured 100% completion by the end of September. This exercise has helped ensure that plans are ready for use in the event of an emergency or disruptive incident to enable our most critical services to continue at an acceptable level.

The Committee will continue to oversee the progress on plans for the next tier of services.

Internal Audit

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

Reports issued by internal audit provide a key source of assurance to the committee that the governance arrangements in place are functioning correctly.

The committee have progressed further inquiries into areas of audit where controls and/or compliance have been found to have fallen below accepted levels.

Information Commissioner's Office Data Protection Audit

In our Annual Governance Statement we reported the monetary penalty notice which was served on the council relating to documents, which contained sensitive personal information, which were inadvertently sent to the incorrect recipient.

We have sought further assurances in this area and were pleased to receive the results of a Data Protection Audit, undertaken by the Information Commissioner's Office, which found our arrangements to give reasonable assurance (the 2nd highest category) that processes and procedures are in place to comply with data protection requirements.

Public Health – Risk Management Arrangements

Following the dissolution of the Primary Care Trusts Public Health functions transferred to the City Council. NHS arrangements include well-established arrangements for the escalation of serious untoward incidents. The committee has been keen to ensure that, in transferring to the City Council, arrangements for clinical governance (and risk management more generally) are effectively integrated within the Council's governance frameworks.

The committee will continue this oversight in the new municipal year.

Due Diligence – Community Asset Transfer

Whilst community asset transfer is relatively rare (with nine such projects approved in the last three years), we wished to satisfy ourselves that thorough appraising and monitoring systems are in place and operating effectively for the transfers which do take place. We were particularly keen to understand the insurance and financial management arrangements that are in place for the assets which transfer. The Director of City Development provided us with assurance that arrangements are fit for purpose and are being routinely complied with.

Calderdale Shared Service Agreement

In July 2012 the Executive Board approved a joint venture with Calderdale MBC to develop a case management and information system for Adult Social Care. Given the ground breaking nature of the arrangement Executive Board asked the Corporate Governance and Audit Committee to monitor the implementation plan and supporting governance arrangements to ensure the project remained to time and to cost.

The committee has monitored implementation since – receiving four update reports. We have been assured throughout implementation that the governance arrangements have effectively managed the risks and challenges faced by what is a new and innovative programme of work – particularly at a time of significant social care policy reform. We thank officers from both Calderdale and Leeds for their work in supporting us.

Focus for the Committee 2014 & Beyond

Budget Challenges

The 2013 Spending Review continues the Government's plans to eliminate the structural deficit. For Leeds, between 2010/11 and 2013/14, funding from government has reduced by £94m – in addition the council has also faced significant cost pressures and reductions in income due the economic climate. The Spending Review confirmed that the initial 4 year reduction plan would continue for a further three years with further reductions on similar scales to be expected.

Delivering statutory services within this context will continue to be incredibly challenging – and the committee will seek to ensure that those services continue to be delivered with integrity and in a way that is accountable, transparent, effective and inclusive.

Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014 abolished the Audit Commission and instituted a new 'local audit' system for the public bodies which fell under the Commission's regime.

Under the Act, local authorities may choose their own auditors (via an independent auditor panel) or opt for appointments to be made by a joint procurement body. The authority will need to carefully consider the options available to it over coming years.

The arrangements will also introduce a new audit regime covering local government, police and health bodies. The Financial Reporting Council is to become the primary regulator within the new framework and the National Audit Office will prepare and maintain the Code of Audit Practice and associated guidance to auditors.

The committee will engage fully in the work necessary to implement the new audit arrangements.