



**Confidential Internal Audit Report**

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

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



## Definitions of Audit Assurance

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

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

## **INTERNAL AUDIT REPORTS**

### **Freedom of Information Rider**

#### **STATUS OF THIS REPORT**

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

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personal information whose release would contravene the data protection legislation

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

information which is subject to a legal duty of confidentiality

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

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

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

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## **1. Introduction**

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

## **2. Risks and Audit Objectives**

### **2.1 Key Risks**

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

### **2.2 Audit Objectives**

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

### **3 Scope and Work Completed**

3.1 This follow up audit has been completed by:

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

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

### **4 Key Findings**

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

#### Communication and Training

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

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

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

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

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

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

### **Key Recommendation 1**

Existing controls would be enhanced by:

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

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

### Monitoring of Compliance and Escalation

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

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

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

### **Key Recommendation 2**

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

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

### Driving Improvement

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



## 5 Internal Audit Opinion

### INTERNAL AUDIT OPINION

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

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

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

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

Appendix A: Follow up Action Plan