

Corporate Governance and Audit Committee

Annual Report 2011 – 2012



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

ANNUAL REPORT 2011/12

Foreword from the Chair

Working on behalf of the citizens of Leeds it is the task of the Corporate Governance and Audit Committee to ensure that the rules by which the Council operates and the ways in which it uses its resources are both clear and transparent. It must also try to ensure as far as possible that those rules are properly complied with and money is spent wisely.

During the past year the Committee has covered many aspects of these responsibilities in a year of financial stringency it has rightly focused upon the Council's systems of financial management, its external and internal audit arrangements, procurement procedures, risk management and the regulations governing the Council's many partnerships with external organisations both private and public.

In Committee every effort has been made to question and where necessary confront 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.

In stepping down, I can only say that I am indeed proud to have been the Chair of the Committee and wish it well for the future, confident that its work is already setting standards which other authorities are increasingly keen to follow.

A handwritten signature in black ink, appearing to read 'R. Skyring', followed by a period.

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 assess and challenge a range of assurances provided within the Council and those provided externally both by the appointed external auditor and by various inspectorates.

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

The Annual Report

The committee has raised the profile of internal control, risk management and financial reporting issues. In doing so enhancing public trust and confidence in the governance of the Council, to demonstrate the impact of its key elements work over the last year and to raise awareness of corporate governance across the Council.

Throughout 2011/12 the work of the Committee has met its terms of reference which are broadly –

- To consider the Council's arrangements relating to the accounts;
- To consider the Council's arrangements relating to external audit requirements;
- To review the adequacy of policies and practices to ensure compliance with statutory and other guidance;
- To review the adequacy of the Council's Corporate Governance Arrangements; and

- To consider the arrangements relating to Internal Audit requirements to make recommendations to external agencies about any matter relating to general principles of conduct and the code of conduct or protocols approved from time to time by or on behalf of the Council.

The Committee has received a broad range of reports relating back to these terms of reference as is illustrated below. This also includes some key assurance reports such as the governance arrangements of the Leeds City Region; Annual Monitoring of Key and Major Decisions and Business Continuity Programme update. The Committee has also been consulted on key Council policies such as the policy surrounding the Bribery Act; risk Based Verification Policy for assessment of benefit claims and Risk Management reporting policy where the approach to this is being aligned to performance management work.

The Work of the Committee 2011-12

The following section provides a summary of the work that the Committee has undertaken over the last year, including the impact that work has had on the effectiveness of the Council's overall corporate governance arrangements.

The Future of Local Public Audit

Throughout the municipal year the Committee has been proactive addressing the challenges presented by the proposed disbanding of the Audit Commission by the Coalition Government.

The Committee remain concerned at possible consequences if the proposals yet have been kept through the Chair and the Core Cities group to influence Government thinking to the mutual benefit of all sections of Local Government.

IMPACT -

- Significant and powerful lobbying to the Government helping to influence thinking.

External Audit

External audit is an essential part of the process of ensuring public money is spent accountably. The Council's external auditors are KPMG. Their work is guided by an annual audit plan which details the work the external auditors aim to complete over the coming year; the plan for 2012/13 was agreed by the Committee on 27th February 2012. The plan is developed having assessed areas of risk to the Council that have been identified in the corporate risk register and following input from Members and senior officers. During 2011/12 the auditors completed a number of audits which were received by the Committee and published on the Council's website. Most notable was the Committee's approval of the Council's accounts on 30th September 2012.

IMPACT –

- The Committee has provided challenge to the external audit fee charged to the authority;
- The Committee has sought to provide assurance on.

Internal Audit

Internal audit is an independent function established by the Council to objectively examine, evaluate and report on the adequacy of the corporate governance arrangements. 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 is also responsible for monitoring the performance of internal audit and receives a bi-monthly report from Internal Audit.

In June 2011 the Committee received the annual internal audit report looking back at work completed and issues identified in the previous municipal year. The Committee were informed that the internal control environment, including key financial systems' is well established and continues to operate well in practice. No significant issues have arisen from work undertaken by Internal Audit during the year.

Financial Management

The Committee received a report which outlined the key systems and procedures which are in place to ensure that the Council delivers sound financial planning and management whilst ensuring the maintenance of adequate reserves. Members gave much consideration to the financial challenges of the authority and sought assurances on how budgets will be balanced in the future. The Committee has asked that an annual report on the resilience of the key systems and procedures relating to financial management be presented to the Committee.

The Committee have also been provided with accountancy best practice and developments in accountancy. This has enabled Members to approve the accounts with greater understanding on the detail contained within them.

Further to this In June 2011 Members considered a report on Risk Management and Budget Process. This report provided an assessment on the robustness of the 2011/12 budget risk assessments included in the Director of Resources' report , 'Revenue Budget and Council Tax 2011/12' presented to Executive Board on 11th February 2011. Through this the committee has highlighted the need for revenue protection in the current economic climate.

IMPACT –

- Check and challenge to the financial management and reporting arrangements in place.

Procurement

The Committee have recognised the significant potential of the Council's procurement activities to ensure the Council spends money wisely whilst also supporting the growth of the local economy.

The municipal year 2011/12 saw significant changes to the Council's Central Procurement service it becoming part of the Public Private Partnership Unit. In February 2012 The Committee were informed of the of progress made with respect to the Transforming Procurement Programme. The systematic approach being taken to ensure that procurement practice across the Council can achieve the highest possible standards.

The Committee also received a report in February 2012 entitled Procurement Policies and Procedure. The report informed the Committee of the procurement policies and procedures that are in place at the Council and whether these are fit for purpose. The Committee challenged officer on compliance with Contracts Procedure rules and emphasised the importance of them being embedded and complied with by all officers involved in procurement. Regular updates on the monitoring an compliance with Contract Procedure Rules was requested by the Committee.

IMPACT –

- Heightened awareness of the importance of compliance with Contract Procedure Rules and emphasised the fundamental role of the Central Procurement Unit within the Council for achieving VFM and being a catalyst to the local economy.

Annual Governance Statement Alignment of Governance Reporting corporate planning and the Performance Management Framework

Each year the Council produces a Governance Statement which is a public statement regarding the adequacy of the Council's governance arrangements. It sets out the arrangements that have been in place for the previous year and also details what actions the Council will take over the forthcoming year to further strengthen its governance. The Annual Governance Statement (AGS) was presented to the Committee in September 2011. A fresh approach was adopted this year with the AGS being aligned to the Council Business Plan. The AGS has also been instrumental in shaping the Committee's work programme.

IMPACT -

- Through the approval and development of the Annual Governance Statement the Committee has completed a far reaching work programme and sought assurances on the key council systems.

Core Cities Benchmarking

Following on from the work with Core Cities on the future of local public audit. Leeds City Council and the Chair of the Committee have led the way in undertaking a benchmarking exercise on the work of Audit and Governance Committees of the Core Cities., This work has been important to identify the assurance reports required to sign of the Annual Governance Statement with a high degree of confidence.

IMPACT -

- Greater co-operation and similar approach to the work programme as the other Core Cities.

Risk Management and Performance Management

Risk management is defined as the effective management of threats and opportunities in order to enhance the delivery of Council services. Good risk management practices enable the Council to make better decisions, and enhance its ability to achieve its objectives. The Committee receives both an annual report and update reports from the Chief Officer (Audit and Risk) regarding key risk management developments across the Council and its strategic partners. The Committee has considered risks that might affect the Council in the future and for the first time this year the Committee has established a link between the two areas. In January 2012 a Performance Management Update was submitted to the Committee. The Committee resolved to continue to monitor the implementation of the arrangements detailed within the report through the submission of an annual risk and performance report.

IMPACT -

- Alignment of important and interrelated governance processes to add value and reduce duplication of effort.

Annual Information Security Report

This report was presented to the Committee in March 2012. The report detailed the steps being taken to improve the Council's information security in order to provide assurance for the Annual Governance Statement. Members were informed that this year all staff who use

computers have receive training on safeguarding council information stored electronically. Members were also told about the improvements in Council IT which mean that every piece of IT equipment in the Council's possession can be identified.

Impact –

- Promoted the importance for strong security over council assets and information.

Capital Programme Approvals

A key piece of work the Committee has overseen has been the changes to the capital programme approval framework where it was the first Committee the new framework was presented to.

The Committee sought assurance that the proposed changes substantially added value to the Council's capital approval arrangements.

Impact –

- Reduced bureaucracy and alignment of elements of the governance framework.

Challenges for 2012/13

During 2011/12 the Committee has completed what it set out to do; it has actively sought to monitor and oversee the changes made to procurement at the Council and has been influential in shaping the future of Local Public Audit.

2012/13 is likely to bring new challenges to the Council's governance arrangements. Some of the issues which will involve the Committee include:

- Public Audit;
- Elected Mayor;
- Financial Challenge;
- Procurement; and
- Leeds City Region Governance