



## CORPORATE GOVERNANCE AND AUDIT COMMITTEE

---

Meeting to be held remotely (Zoom)  
On Monday, 23rd November, 2020  
at 10.00 am

---

### MEMBERSHIP

#### Councillors

P Grahame	J Bentley	P Harrand
A Scopes (Chair)		M Harrison
P Truswell		J Taylor
J Illingworth		
B Garner		

*Note to observers of the meeting: To remotely observe this meeting, please click on the 'View the Meeting Recording' link which will feature on the meeting's webpage (linked below) ahead of the meeting. The webcast will become available at the commencement of the meeting.*

<https://democracy.leeds.gov.uk/ieListDocuments.aspx?CId=161&MId=10120&Ver=4>

# A G E N D A

Item No	Ward	Item Not Open		Page No
1			<p><b>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</b></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><b>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</b></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><b>RESOLVED</b> – 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><b>LATE ITEMS</b></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><b>DECLARATION OF DISCLOSABLE PECUNIARY AND OTHER INTERESTS'</b></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><b>APOLOGIES FOR ABSENCE</b></p> <p>To receive apologies for absence (If any)</p>	
6			<p><b>MINUTES OF THE PREVIOUS MEETING</b></p> <p>To consider and approve the minutes of the previous meeting held on 21<sup>st</sup> September 2020.</p> <p>(Copy attached)</p>	7 - 14
7			<p><b>MATTERS ARISING FROM THE MINUTES</b></p> <p>To consider any Matters Arising from the minutes</p>	
8			<p><b>INTERNAL AUDIT ANNUAL REPORT AND OPINION 2019/20</b></p> <p>To consider a report by the Chief Officer Financial Services which presents the annual Internal Audit opinion and basis of the Internal Audit assurance for 2019/20.</p> <p>(Report attached)</p>	15 - 40

Item No	Ward	Item Not Open		Page No
9			<p><b>APPROVAL OF ANNUAL GOVERNANCE STATEMENT</b></p> <p>To consider a report by the Chief Officer Financial Services which presents the Annual Governance Statement (AGS), prepared in accordance with the Accounts and Audit Regulations 2015.</p> <p>(Report attached)</p>	41 - 126
10			<p><b>APPROVAL OF THE AUDITED STATEMENT OF ACCOUNTS AND GRANT THORNTON DRAFT AUDIT REPORT</b></p> <p>To consider a report by the Chief Officer Financial Services which seeks approval of the Council's final audited Statement of Accounts following consideration of any material amendments identified by the Council or recommended by the auditors.</p> <p>(Report attached)</p>	127 - 196
11			<p><b>WORK PROGRAMME</b></p> <p>To receive a report City Solicitor which notifies Members of the Committee's Work Programme for 2020/21</p> <p>(Report attached)</p>	197 - 202
12			<p><b>DATE AND TIME OF NEXT MEETING</b></p> <p>To note the next meeting will take place on Monday, 14<sup>th</sup> December 2020 at 10.00am (Remote Meeting)</p>	

### Third Party Recording

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.

Use of Recordings by Third Parties– code of practice

<b>Item No</b>	<b>Ward</b>	<b>Item Not Open</b>		<b>Page No</b>
----------------	-------------	----------------------	--	----------------

- 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.
- 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.

This page is intentionally left blank

## Corporate Governance and Audit Committee

Monday, 21st September, 2020

**PRESENT:** Councillor A Scopes in the Chair

Councillors P Harrand, J Illingworth,  
P Grahame, M Harrison, J Taylor,  
P Truswell and B Garner

### **28 Appeals Against Refusal of Inspection of Documents**

There were no appeals against the refusal of inspection of documents

### **29 Exempt Information - Possible Exclusion of the Press and Public**

There were no items identified where it was considered necessary to exclude the press or public from the meeting due to the confidential nature of the business to be considered.

### **30 Late Items**

There were no late items of business identified.

### **31 Declaration of Disclosable Pecuniary and Other Interests'**

There were no declarations of disclosable pecuniary interest made at the meeting.

### **32 Apologies for absence**

Apologies for absence were received from Councillor J Bentley.

### **33 Minutes of the Previous meeting**

**RESOLVED** – That the minutes of the previous meeting held on 27<sup>th</sup> July 2020 were accepted as a true and correct record.

### **34 Matters Arising from the Minutes**

In relation to Item 23 the Chief Officer Financial Services confirmed that MPS were included in the Council's discussions with MHCLG.

In relation to items 24 & 25, the period of consultation on the Annual Governance Statement and accounts concluded with no questions or comments from public.

In relation to item 24, a briefing note on finance arrangements for lease in and out had been circulated to all members of the committee on 24<sup>th</sup> August 2020.

Draft minutes to be approved at the meeting  
to be held on Monday, 23rd November, 2020

### **35 Annual Assurance Report on Planning Decision Making and Enforcement Arrangements**

The Committee consider a report by the Chief Planning Officer which presented the Annual Assurance report on planning decision making and enforcement arrangements.

The report sought to provide assurance that development management decision making arrangements and compliance matters were, up to date, fit for purpose, effectively communicated and routinely complied with.

This item was the subject of a separate Working Group held on 7<sup>th</sup> September 2020 when Members discussed the submitted report in detail.

The Chair tabled the notes of the Working Group setting out details of Members' consideration of the matters raised.

Members were supportive of the proposal for the Chair to write to the Chief Planning Officer inviting him to draft a protocol for enforcement of breaches of planning control on Council land which did not rely on formal enforcement action and which should be adopted by the whole council and to also write to the Chief Executive to seek support in ensuring that departments complied with the new protocol once agreed.

Members were also supportive of the proposal to request that the Protocol on Public Speaking at Plans Panel be reviewed with particular regard to Members' rights to speak at Plans Panel, and that the Chief Planning Officer confirm the process for doing so and that the Plans Panel Chairs be engaged in the review.

In offering comment on the planning decision processes one Member said that he was not confident with the present arrangements; often officers were reluctant to investigate complaints, advice about planning processes was often vague, there was a pattern of behaviour suggesting that the public could not rely on what they were been told.

Other Members were of a similar view and sought further assurance in relation to the processes considered. In particular Members wished to understand if there were any emerging themes in terms of the provision of advice to the public and whether complaints are adequately addressed.

The Head of Audit offered to undertake a formal review of the planning decision making processes together with the enforcement arrangements, including the case studies identified by Members (Kirkstall Hill application and the proposed construction of 152 affordable dwellings on the former Horsforth Campus site) and that the results of the review be reported back to this Committee in due course.

Members were supportive of the suggestion.



The Chair thanked officers for their attendance and contributions.

**RESOLVED –**

- (i) To support the Chair in writing to the Chief Planning Officer to inviting him to draft a protocol for enforcement of breaches of planning control on Council land which does not rely on formal enforcement action and which should be adopted by the whole council and undertook to write to the Chief Executive to seek support in ensuring that departments complied with the new protocol once agreed
- (ii) To request that the Protocol on Public Speaking at Plans Panel be reviewed with particular regard to members' rights to speak at Plans Panel, and that the Chief Planning Officer confirm the process for doing so and that the Plans Panel chairs are engaged in the review
- (iii) That the Head of Audit be requested to undertake a formal review of the planning decision making processes together with the enforcement arrangements, including the case studies identified by Members and that the results of the review be reported back to this Committee in due course.

**36 Annual Assurance Report on Employment Policies and Procedures and Employee Conduct.**

The Committee considered a report by the Chief Officer, Human Resources which presented the Annual Assurance Report on Employment Policies and Procedures and Employee Conduct.

The report sought to provide assurance that: the requirements of employee conduct are established and regularly reviewed; requirements relating to employee conduct are communicated and feedback is collected on whether expected behaviours are being demonstrated; and employee conduct is monitored and reported.

This item was the subject of a separate Working Group held on 7<sup>th</sup> September 2020 when Members discussed the submitted report in detail.

The Chair tabled the notes of the Working Group setting out details of Members' consideration of the matters raised.

Members confirmed that the notes of the Working Group represented a true reflection of the discussion.

Members noted that it would be helpful to receive information benchmarking the Council's performance in future reports.

Members also requested further information in relation to themes emerging from the pulse surveys undertaken in relation to home working and employee wellbeing under ongoing social distancing working arrangements. Officers undertook to circulate relevant information.

Officers provided an update in relation to progress in respect of gifts and hospitality and register of interest returns, and undertook to further update the committee at its next meeting.

The Chair thanked officers for their attendance and contributions.

**RESOLVED** – To note the assurances provided by the Chief Officer, Human Resources that the requirements of employee conduct are established and regularly reviewed; requirements relating to employee conduct are communicated and feedback is collected on whether expected behaviours are being demonstrated; and employee conduct is monitored and reported.

### **37 Applications Portfolio Programme - Update on Access Project**

The Committee received an update on the progress with the Access 2003 replacement project.

Addressing the report the Head of Information Management & Governance, Resources & Housing reported that good progress had been made in the conversion from MS Access 2003 to MS Access 2010 and the creation of new MS Access 2003 or 2010 databases had been stopped. In the longer term the replacement of access 2010 databases was currently being scoped out and planned in.

Members were informed that conversations had recently taking place with the Cabinet Office with respect to PSN Compliance and were comfortable with the approach the project was taking and had agreed the plan for Access 2010 delivery. Members requested that the correspondence from the Cabinet Office confirming the agreed arrangements could be circulated to the Committee.

It was confirmed the correspondence from the Cabinet Office would be circulated to Members

Members were advised that governance arrangements in relation to project management in the digital and information service had been strengthened, and new portfolio and compliance boards established. These would provide for regular reporting on all projects and a clear route for risks, issues and escalations.

Members welcomed the removal of MS Access 2003 and the phasing out of MS Access 2010 but queried what would Access be replaced with.

In responding it was reported that about 50% of the databases would be Business Analytical and could be replaced with business intelligence tools;

some could be migrated into relevant line of business applications; and the remainder would require suitable in-house or newly commissioned alternative solutions.

Members sought and received assurance that teams within DIS were sufficiently resourced and skilled, and that the project would be sufficiently prioritised going forward.

The Chair suggested the phasing out of the MS Access 2010 was a key milestone and should be sufficiently prioritised and monitored by this Committee. The Chair of committee asked for further information to be provided on the key milestones in relation to the project. The Chair also undertook to consider with officers the most appropriate way to ensure the committee has oversight of the governance of risk under GDPR, as well as governance arrangements in relation to projects and programmes within the digital and information service.

In responding the Head of Information Management & Governance reflected on the distinction between her role as the Council's Data Protection Officer, and as a manager within DIS. The Head of Information Management and Governance confirmed that the Access project would continue to require monitoring but that other aspects could also benefit from the committee's oversight. It was confirmed that the Director of Resources and Housing also received regular updates. It was suggested that monitoring updates could be included in the Committee Work Programme, enabling the committee to focus on ensuring that appropriate governance arrangements are in place.

The Chair thanked officers for their attendance and contributions.

**RESOLVED** – That the contents of the report and actions therein be noted.

### **38 Internal Audit Update Report June to August 2020**

The Chief Officer, Financial Services submitted a report which provided a summary of the Internal Audit activity for the period June to August 2020 and to highlight any significant failings or weaknesses.

Addressing the report the Head of Audit explained that 12 reports had been issued in the reporting period, and that the Counter Fraud team also continued to ensure both proactive and reactive work continued as normal.

The Head of Internal Audit explained that the review undertaken in respect of Deprivation of Liberty Safeguards (DoLS) was a follow up, but had limited assurance as management had been awaiting the introduction of new regulations pending their response. However management were now responding positively and putting measures in place to address concerns.

Referring to paragraph 3.8 of the submitted report "Management had responded positively to the follow up audit and would provide updates to their

Directorate Leadership Team” Members queried how often updates would be provided.

In responding the Head of Audit explained that good liaison had been established with the Directorate Leadership Team and that update were provided on a quarterly basis. She undertook to provide further information in relation to the briefing of the Executive Member.

In relation to IR35 Legislation (Central Controls and Directorate Reviews) the Head of Audit explained that the review was a full review of central controls, which had improved, but that controls in directorates had not improved sufficiently. Since conclusion of the review, the Head of Audit reported, that there was now good engagement with the Adults and Health directorate which would enable learning across the Council. The Head of Audit explained IR35 was paid either by invoice or payroll and it would be for the HMRC (Her Majesty’s Revenue and Customs) to seek outstanding payments via the local authority.

The Head of Audit explained how the service was working to ensure that audit and risk concerns were incorporated into the design of the core service review work being undertaken.

Members requested information in relation to the breakdown of open referrals in relation to reactive counter fraud work passed to directorates, and asked whether any issues had emerged in relation to Covid-19. The Head of Audit undertook to provide further information.

Members noted that the review in relation to the the Flood Alleviation Scheme was in progress and requested an update. Members were informed that an update would be provided in the next update report to Committee

Members referred to Paragraph 4.3.3 of the submitted report and the statement that Internal Audit would consider the Climate Emergency in the development of Annual Internal Audit Plans. The Head of Audit confirmed that the climate emergency is considered in developing the risk based plan.

The Chair suggested that it may be beneficial for Internal Audit to review the Climate Emergency target (Medium Term Plan) to ensure the Council was moving in the right direction.

#### **RESOLVED –**

- (i) To receive the Internal Audit Update Report covering the period from June to August 2020 and note the work undertaken by Internal Audit during the period covered by the report.
- (ii) To note that there have been no limitations in scope and nothing had arisen to compromise the independence of Internal Audit during the reporting period.

## 39 Work Programme

The City Solicitor submitted a report which set out the ongoing Work Programme for 2020/21.

Commenting on the Audited Accounts and Audit Report scheduled to come to the October meeting of this Committee, the Chief Officer, Financial Services reported that both the accounts and audit report would be delayed for up to one month. It was explained that; a decision on further support from Central Government was still awaited, possibly mid-October, that clarification was required around the pension fund audit which was anticipated to be received by the end of October, and working remotely had also lead to some audit challenges and subsequent delays.

Gareth Mills (Grant Thornton) confirmed he was in regular discussions with the Chief Officer, Financial Services. It was reported that the statutory deadline for the completion of the audited account was 30<sup>th</sup> November 2020, most sign-offs, including the pension fund were planned for mid-November. Mr Mills mentioned the publication of the Redmond Review and offered to provide some information around the recommendations and the new approach to audit for the 20/21 audit.

The Chair thanked him for the offer to provide some training.

Reference was made to the Governance Arrangements for Devolution and the mayoral authority, due to come to this Committee in December 2020.

The Chair reported that the subject had been discussed at a recent Council Meeting where it had been agreed that this Committee undertake a review of the governance arrangements of the proposed Mayor and consider a number of specific questions raised by the Executive Board (and full council).

Members requested that the devolution issue be considered in formal committee.

In view of the delay to the audited accounts, it was proposed that the next meeting arranged for 16<sup>th</sup> October 2020 be rescheduled to 23<sup>rd</sup> November 2020

**RESOLVED** – That the Work Programme be amended accordingly to reflect the delay in receiving Audited Accounts and Audit Report

## 40 Date and Time of Next Meeting

**RESOLVED** - That the next meeting be rescheduled to take place on Monday, 23<sup>rd</sup> November 2020 at 10.00am (Remote Meeting)

This page is intentionally left blank



Report author: Louise Booth  
Tel: 88693

**Report of the Chief Officer (Financial Services)**

**Report to Corporate Governance and Audit Committee**

**Date: 23<sup>rd</sup> November 2020**

**Subject: Internal Audit Annual Report and Opinion 2019/20**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<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
Will the decision be open 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

### 1. Main issues

- The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the council’s corporate governance arrangements (including matters such as internal control and risk management) and to consider the Annual Internal Audit Report.
- The Public Sector Internal Audit Standards (PSIAS) require the Head of Audit to deliver an annual internal audit opinion and report that can be used by the council to inform its governance statement.
- This report considers the opinion provided by the Head of Internal Audit based on the work undertaken and completed relating to 2019/20 regarding the adequacy and effectiveness of the Authority’s framework of governance, risk management and control. The work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

## **2. Best Council Plan Implications**

- The work of 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 accomplishing the Best Council Plan objectives.

## **3. Resource Implications**

- A risk-based approach has been used to devise an Internal Audit plan that promotes the effective and efficient use of resources across the organisation.

## **4. Recommendations**

- a) The Corporate Governance and Audit Committee is asked to receive the Annual Internal Audit Report and Opinion for 2019/20 and note the opinion given. In particular:
- that on the basis of the audit work undertaken during the 2019/20 audit year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice
  - a satisfactory overall opinion is provided for 2019/20, based on the audit work detailed within this report
  - that the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.
- b) The Committee is also asked to note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.



## **1 Purpose of this report**

1.1 The purpose of this report is to bring to the attention of the Committee the annual Internal Audit opinion and basis of the Internal Audit assurance for 2019/20.

## **2 Background information**

2.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Audit to deliver an annual internal audit opinion and report that can be used by the council to inform its governance statement.

2.2 The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the council's corporate governance arrangements. Internal audit is a key source of independent assurance providing the Committee with evidence that the internal control environment is operating as intended.

2.3 The Chief Officer (Financial Services), 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 Chief Officer (Financial Services) in exercising her responsibility for financial administration.

2.4 On behalf of the Committee and the Section 151 Officer, Internal Audit acts as an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2.5 The terms of reference of the Committee require that it considers the council's arrangements relating to internal audit requirements including the Annual Internal Audit Report and monitoring the performance of the Internal Audit section.

## **3 Main issues**

### **3.1 The Annual Reporting Process**

3.1.1 The Public Sector Internal Audit Standards require the Head of Audit to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control and must incorporate:

- the opinion
- a summary of work that supports the opinion
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme

3.1.2 This report is the culmination of the work performed by Internal Audit to fulfil the 2019/20 Internal Audit Plan objectives, and provides the Head of Audit opinion

based on an objective assessment of the framework of governance, risk management and control. This includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems. In accordance with the requirements of the PSIAS, the Head of Audit must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

### **3.2 Organisational Independence**

- 3.2.1 The PSIAS require the Head of Audit to confirm to the Corporate Governance and Audit Committee at least annually, the organisational independence of the internal audit activity. The Internal Audit Charter and the council's Financial Regulations reinforce this requirement.
- 3.2.2 The Internal Audit Charter specifies that the Head of Audit must report to a level within the council that allows Internal Audit to fulfil its responsibilities.
- 3.2.3 The authority's Financial Regulations state that the Head of Audit 'must be able to report without fear or favour, in their own name to the Chief Executive, the Executive Board, the Corporate Governance and Audit Committee and the scrutiny function.'
- 3.2.4 Appropriate reporting and management arrangements are in place within LCC, including direct access to the Chief Executive and the Chair of the Audit Committee, which preserve the independence and objectivity of the Head of Audit.

Declaration of independence and objectivity

*The reporting and management arrangements in place are appropriate to ensure the organisational independence of the Internal Audit activity. Robust arrangements are in place to ensure that any threats to objectivity are managed at the individual auditor, engagement, functional and organisational levels. Nothing has occurred during the year that has impaired my personal independence or objectivity.*

Head of Audit

### 3.3 Opinion 2019/20

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

#### *Head of Audit opinion for 2019/20*

*On the basis of the audit work undertaken during the 2019/20 audit year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice.*

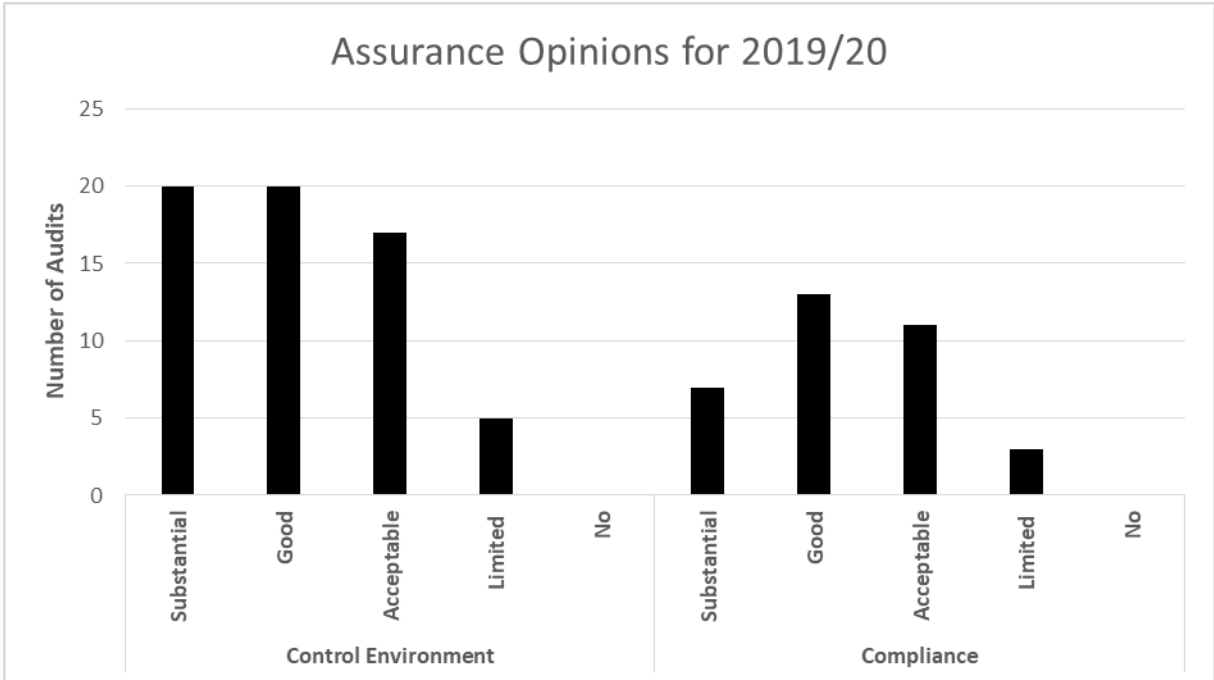
*We have audited several areas that have resulted in 'Limited Assurance' opinions and we have highlighted weaknesses that may present risk to the council. In these cases, we have made recommendations to further improve the arrangements in place. Although significant to the control environment in place for the individual system areas that have been audited, these weaknesses are not material enough to have a significant impact on the overall opinion on the adequacy of the Council's governance, risk management and control arrangements at the year end. A **satisfactory** overall opinion is provided for 2019/20, based on the audit work detailed within this report. The outcomes of the audit work that supports this opinion have been reported to Members of the Corporate Governance and Audit Committee during the year.*

*It is important that senior managers remain alert to, and focused on, maintaining an appropriate, risk-based and effective framework of controls during the recovery stage of the COVID 19 period whilst also working towards The Best Council Plan objectives. The audit work undertaken and planned for the current year has sought to take into account the change in risk appetite necessary to embrace and implement such significant change. Although the overall assurance opinion is satisfactory, it is essential that senior management retain a focus on embedding new and revised operational and governance arrangements (including the innovative service delivery methods that have arisen in response to COVID 19).*

*The audit work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.*

**3.4 Basis of Assurance**

- 3.4.1 The annual opinion on the adequacy and effectiveness of the control environment for 2019/20 is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year. The schedule of reviews for 2019/20 was prepared using a risk based audit planning approach and was approved by the Corporate Governance and Audit Committee in March 2019.
- 3.4.2 Each piece of audit work results in an audit report that provides, where appropriate, an assurance opinion. Depending on the type of audit review undertaken, assurance opinions may be assigned for the control environment, compliance and organisational impact. The control environment opinion is the result of an assessment of the controls in place to mitigate the risk of the objectives of the system under review not being achieved. A compliance opinion may also be provided for the area under review if assurance on the extent to which the controls are being complied with is required. Assurance opinion levels for the control environment and compliance are categorised as follows: substantial (highest level), good, acceptable, limited and no assurance.
- 3.4.3 Organisational impact is reported as either: major, moderate or minor. Any reports issued with a major organisational impact will be reported to the Corporate Leadership Team along with the relevant directorate’s agreed action plan.
- 3.4.4 The graph below provides a high level overview of the assurance opinion levels provided for the audits that we have completed during the year.



## **3.5 Assurance Areas**

### ***Key Financial Systems***

- 3.5.1 The key financial systems audits are reviews of the council's core financial functions. We review these functions on an annual basis to provide assurance that the financial systems that are fundamental to the council's operations remain effective and working well in practice.
- 3.5.2 Our reviews of the key financial systems support the opinion that the council has effective financial governance, risk management and internal control arrangements in place. In addition, they also support the assertions made by the Section 151 Officer in their Annual Assurance report presented to the Corporate Governance and Audit Committee in March 2020. Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that these controls continue to work well in practice.
- 3.5.3 In recent years, the widely publicised difficulties encountered at other authorities have served to highlight the importance of financial control and resilience. This is, and will continue to be, important for LCC as we recover from the financial impact of COVID. We provided substantial assurance for the central controls in place for the setting and management of the council's budget, reflecting the fact that there is a framework in place that provides the opportunity for regular scrutiny of relevant financial information as the authority continues to adjust to the challenging financial climate.

### ***Procurement and Contracts***

- 3.5.4 Procurement audits have focussed on both central processes and directorate activity over the course of the year. Our focus on central procurement processes was directed towards following up audits of both tendering system controls, and the governance arrangements in place for the approval and management of waivers of Contract Procedure Rules (CPRs).
- 3.5.5 We found good controls have been established within the tendering system to ensure that relevant contract details are published in accordance with regulatory requirements. The publishing of contracting opportunities and awards is recognised by the Crown Commercial Service as an important means of guarding against corruption in public procurement. Therefore the advancements that we were able to observe with respect to compliance with publishing requirements provides a key source of assurance that the council is acting fairly and transparently in its procurement and contracting practices.
- 3.5.6 There are provisions within CPRs that allow for exceptional circumstances in which certain requirements of the rules may be waived. Whilst retaining this degree of flexibility is an important factor in ensuring that the procurement process can react to unforeseen events and challenging market conditions, it should also be noted that any deviation from the rules can expose the authority to wide ranging risks around decisions that have been taken outside the legislative or strategic framework.

- 3.5.7 CPRs have been refreshed during the year, and now require consultation with Procurement and Commercial Services (PACS) before a decision is taken to waive CPRs. Formalising the requirement to consult with PACS strengthens the central oversight in place to support the continuous review and improvement of procurement processes. The number of waivers processed across the authority has now fallen over each of the last three years, with 79 waivers processed in 2019/20 as opposed to 153 in the previous year.
- 3.5.8 We identified opportunities to build further on the improvements that have been made, and PACS have agreed our recommendation to develop and deliver training that will promote the importance of compliance with CPRs. This will serve to strengthen the close working between directorates and PACS and support the council's efficient and enterprising ambitions.
- 3.5.9 Contract management audits have been undertaken across a variety of service areas during the year. The responsibility for contract management tends to sit within the service that has been identified as the primary contract user. We have been able to point to good examples of contract management from the work undertaken during the last year. However, embedding consistent practice continues to present a challenge with various officers across the authority adopting responsibility for contract management alongside the requirements of their day to day roles. We continue to work positively with PACS to highlight areas in which central contract management guidance can help to promote greater consistency going forward.

#### ***Directorate Risks***

- 3.5.10 We have undertaken a series of audits to provide assurance on the governance, risk management and internal control arrangements in place on a range of operational directorate risk areas during the year. Our work has had links to risks relating to safeguarding, health and safety, finance, compliance with legislation and internal procedures and other risks that may affect the achievement of council and directorate priorities.
- 3.5.11 Our audit work has provided assurances around processes that underpin the council's core values and behaviours. We have also focussed attention on high profile areas of legislative and regulatory responsibility and although we have reported issues that have limited the assurances we are able to provide, we have worked closely with the services involved to agree actions that will strengthen the control environment moving forward. Our recommendations have been positively received by service areas and in some cases these were actioned during the course of the audit.

#### ***Information Governance and ICT***

- 3.5.12 The mitigation of Information Governance and ICT risks remain a significant priority for the council. The Information Governance team has reported on the council's progress in addressing key information governance and ICT security risks and issues during the year. This has included the issues in respect of the council's status with the Public Services Network (PSN), including the requirement to decommission Microsoft Access 2003.

- 3.5.13 Internal audit coverage this year has included a review of the council's work in relation to the management of major cyber incidents. This involved assessing the appropriateness of controls and monitoring mechanisms to ensure systems are adequately protected from cyber-attacks and ensuring effective risk reporting arrangements are in place. We undertook a review in relation to DIS's Application Portfolio Programme, which sought to provide assurance that there are processes in place to identify and address compliance issues with the application layer and we also undertook a review specifically looking at the council Access 2003 project, which has seen progress reported directly to the committee. We continued to provide coverage in relation GDPR, reviewing the central controls and service lead tasks, and provided a review into the benefits realisation for ICT related projects. In general, we found the processes in place to be satisfactory, with each of these reviews undertaken in respect of ICT and Information Governance resulting in 'Acceptable' or higher levels of assurance overall.
- 3.5.14 However, one review undertaken, Privileged User Access, which sought to provide assurance on how DIS manage system accounts with elevated levels of access to council digital estate, was provided with a 'Limited' assurance opinion. This was provided as control weaknesses were identified that impair our ability to provide assurance that enhanced permissions are only granted where required, are appropriate for the roles undertaken by the officers and represent the principles of least privilege which are removed when no longer required. A project has been established by DIS to address the weaknesses with a timelines provided to the committee in March 2020. Follow up work is scheduled for 2020/21.

### ***Follow up Work***

- 3.5.15 Where our audit work has highlighted areas for improvement, recommendations have been made to address the risk and management action plans have been established. A follow up audit is undertaken to provide assurance on the actions implemented for all reviews that have resulted in limited or no assurance opinions.
- 3.5.16 A key factor in our determination of the overall audit opinion at the end of the year is the extent to which senior managers have implemented audit recommendations and responded to the risks highlighted through our work. Positive responses from management and a demonstrable commitment to continual improvement are seen as important indicators of an appropriate culture and robust control environment. Our follow up work has supported the overall satisfactory opinion for 2019/20 as sufficient improvement was evident to provide an increased level of assurance in the majority of follow up reviews completed during the year. However there were instances in which we have highlighted the need for further progress, with a range of mitigating factors at the root of this. We are in regular contact with the associated service areas and continue to provide independent challenge and guidance in order to sustain progress. We will undertake further follow up work during 2020/21 and escalate any outstanding issues as necessary.

### ***Data Analytics***

- 3.5.17 Data analytics work is undertaken across directorates and service areas, providing a systematic evaluation of the control effectiveness within key systems, and highlighting high risk transactions or events. This year we have mainly focussed our

attention on the transactional data within the key financial systems, as a high area of risk. Whilst no significant issues have been identified, this work provides an important source of ongoing assurance to management, and is helpful when considering the direction of each piece of audit work.

- 3.5.18 In another key area, we have used data analytics where possible to provide pre and post assurance checks on grants paid to businesses, funded as part of the support measures announced by Central Government in respect of COVID-19. This work assisted the Business Rates Team in the timely transfer of grant money to eligible businesses.
- 3.5.19 We have also been working with colleagues across Resources and Housing as part of the ongoing service review. One element of our work involves the continuing development of financial dashboards which will provide dynamic and interactive analysis to budget holders and decision makers as part of the council's Core Business Transformation programme.

### ***Anti-Fraud and Corruption***

- 3.5.20 Leeds City Council is committed to the highest standards of openness, probity and accountability. To underpin this commitment, the council takes a zero tolerance approach to fraud and corruption and is dedicated to ensuring that the organisation operates within a control environment that seeks to prevent, detect and take action against fraud and corruption.
- 3.5.21 As custodians of the council's anti-fraud and corruption policy framework and owners of the fraud and corruption risk, Internal Audit adopts an overarching responsibility for reviewing the council's approach to preventing and detecting fraud. In addition to Internal Audit, there are several specialist teams and services across the council that undertake counter-fraud/overpayment work, these include:
- Housing and tenancy fraud
  - Blue Badges (Disabled Parking Concessions)
  - Council Tax Support / discounts and Housing Benefits
  - Direct payments
- 3.5.22 The anti-fraud and corruption work undertaken includes both proactive anti-fraud and corruption activities (fraud strategies) and reactive work (investigations). The team takes a risk-based approach to ensure the risk of fraud is managed effectively with available resources. Proactive fraud exercises, data analytics work and participation in the National Fraud Initiative (NFI) provide assurance that the authority is taking positive action to detect potential fraud and prevent its recurrence.
- 3.5.23 The council's Whistleblowing Policy and Raising Concerns Policy set out the means by which serious concerns can be brought to the attention of Internal Audit. The Whistleblowing Policy is available on the intranet and encourages council employees, who have serious concerns about any aspect of the council's work, to come forward and voice those concerns without fear of reprisal. The Raising Concerns Policy is published on the council website and offers guidance to members of the public who may have concerns around aspects of the council's work. The



promotion and accessibility of these policies helps the council to be responsive to emerging risks that are identified.

- 3.5.24 Internal Audit are also the custodians of the Anti Bribery and the Anti Money Laundering Policies. The purpose of the Anti-Bribery policy is to maintain the high standards of conduct which currently exist across the council by preventing or identifying bribery. The Anti-Money Laundering Policy sets out appropriate and proportionate anti-money laundering safeguards and reporting arrangements within the council.
- 3.5.25 From 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020, we received a total of 46 potential irregularity referrals (47 in 2018/19). Of these, 32 were classified under the remit of the Whistleblowing or Raising Concerns policies (36 in 2018/19). All reported irregularities were risk assessed by Internal Audit and either investigated by ourselves, the relevant directorate or HR colleagues, as appropriate. Where the matter was referred to directorates or HR for investigation, we have made follow up enquiries to ensure all aspects of the referral have been addressed.
- 3.5.26 An analysis of the 46 referrals received in the year is as follows:-
- 30 were allocated to the directorates for investigation, 14 undertaken by Internal Audit, and 2 were jointly investigated.
  - 16 were raised through Whistleblowing and 16 through the Raising Concerns Policies. The remaining 14 were raised through other routes, for example by directorate officers.
- 3.5.27 The 46 referrals covered a multitude of issues, including disciplinary, financial and cultural matters. One of these referrals is being investigated by the police. At the end of March, 10 cases remained open, 6 were with directorates and 4 with Internal Audit for investigation. Of the cases closed during the year, 4 of the allegations were proven and resulted in relevant disciplinary and corrective action being taken (5 allegations were proven in 2018/19).
- 3.5.28 Recommendations were made to improve controls where relevant. All cases where criminal activity is suspected are reported to the police in line with our zero tolerance approach to fraud and corruption.
- 3.5.29 As part of our proactive anti-fraud work, we take part in the National Fraud Initiative (NFI). The NFI is an exercise conducted by the Cabinet Office every two years that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Where a match is found it may indicate that there is an inconsistency which requires further investigation to determine whether fraud or error has occurred, or if there is another explanation for the match. The matches are sent to the relevant council for review and we received over 24,500 data matches from the Cabinet Office for this exercise. Relevant teams within the council (for example, Internal Audit, Housing, Benefits, Blue Badge and Adult Social Care) have worked through the matches on a risk basis.

3.5.30 During this NFI exercise this work has identified:-

- total overpayments/errors identified (benefits and VAT) £204,771;
- prevented three right to buy sales, with estimated savings of £72k for each property. A possession order was also granted on one of these tenancies, with an estimated saving of £93k (the estimated savings are automatically calculated by the Cabinet Office).

3.5.31 To help ensure that there is an effective counter fraud culture in place within Leeds City Council, we have included time in the counter fraud block to undertake proactive fraud reviews. These reviews consider areas identified through various methods, including the use of best practice publications and our internal risk assessments. We undertake horizon scanning and liaison with established internal and external contacts throughout the year to identify emerging frauds and risk areas, to ensure that we take any mitigating actions promptly. We have concluded the following proactive reviews during the 2019-20 year:-

- Purchasing card transactions
- Anti Money Laundering arrangements
- Review of Employee Gifts and Hospitality

3.5.32 The counter fraud awareness e-learning training on the authority's Performance and Learning System has been promoted throughout the year. The training highlights the key fraud risks within local authorities, prevention controls and relevant policies and guidance in place within the council. We also raised awareness of the council's Anti-Fraud and Corruption Policies and fraud risks by promoting internal news items on InSite, and holding drop in sessions at various locations for staff to raise any queries or ask for advice.

## **3.6 Summary of Completed Audit Reviews**

3.6.1 This section provides a summary of all reports issued since 1st June 2019, along with the Corporate Governance and Audit Committee meeting date where the audits were reported. Audit reviews completed from 1st June 2018 to 31st May 2019 were reported in the Internal Audit Annual Report for 2018/19. All reviews up to 31<sup>st</sup> August 2020 have already been highlighted to the Corporate Governance and Audit Committee in the Internal Audit Update Reports throughout the year.

Table 1 Completed Audit Reviews

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
<b>Key Financial Systems</b>				
Financial Management Central Controls	Substantial	N/A	Moderate	November 2019
FMS Creditor Purchase and Payment; Central and Directorate Processes	Substantial	Good	Minor	November 2019
Treasury Management and Bankline	Substantial	Substantial	Minor	November 2019
Income Management System	Substantial	N/A	Minor	November 2019
Business Rates	Substantial	Good	Minor	January 2020
Bank Reconciliation and Cash Book	Substantial	N/A	Minor	January 2020
Benefits Reconciliations	Substantial	N/A	Minor	March 2020
Sundry Income Central Controls	Substantial	Substantial	Minor	March 2020
Council Tax	Substantial	N/A	Minor	June 2020
Capital Programme Central Controls	Substantial	N/A	Minor	June 2020
Sundry Income – Bereavement Services	Substantial	Substantial	Minor	June 2020
Housing Rents	Substantial	Substantial	Minor	June 2020
Benefits: Assessment and Payments	Substantial	N/A	Minor	June 2020
Total Repairs	Substantial	Good	Minor	June 2020

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Treasury Management	Substantial	Substantial	Minor	June 2020
Central Purchasing Card Controls	Substantial	Substantial	Minor	September 2020
Creditors	Substantial	Good	Minor	September 2020
Payroll Central Controls	Substantial	Good	Minor	To be included in December 2020 update
<b>Procurement and Contracts</b>				
Highways Maintenance Road Markings Contract Review	Acceptable	N/A	Minor	January 2020
Leeds Town Hall Roof Contract Review	Good	N/A	Minor	September 2020
Procurement of Plastic Wheeled Bins	Good	N/A	Minor	September 2020
<b>Directorate Risks</b>				
Civic Enterprise Leeds Income Collection	Acceptable	Good	Minor	November 2019
Schools Central Financial Controls	Good	N/A	Minor	November 2019
School 1	Limited	Limited	N/A	November 2019
School 2	Acceptable	Acceptable	N/A	November 2019
School 3	Limited	Limited	N/A	November 2019
LCC Vehicle Fleet Clean Air Zone Standards	Good	N/A	Minor	November 2019

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Invest to Save – Benefits Realisation	Limited	N/A	Moderate	November 2019
Payments to Providers of Residential Care and Independent Fostering Agencies	Good	Acceptable	Minor	November 2019
Estate Management	Acceptable	Acceptable	Minor	November 2019
Belle Isle TMO Assurance Framework – Rent Arrears	Good	Acceptable	Minor	January 2020
Children Looked After Services	Good	Good	Minor	January 2020
Universal Credit	Good	Acceptable	Minor	January 2020
Gas Servicing	Good	Good	Minor	January 2020
Third Sector / Not for Profit Organisations	Substantial	Good	Minor	January 2020
Strength Based Approach to Adult Social Care	Good	N/A	Minor	January 2020
Financial Due Diligence	Acceptable	N/A	Moderate	January 2020
School 4	Good	Acceptable	N/A	January 2020
Electrical Vehicle – Trial Scheme	N/A – update memo on proposed processes			March 2020
Client Information System (CIS) Payments	Substantial	Good	Minor	June 2020
IR35 Legislation – Central Controls and Directorate Reviews	Acceptable	Limited	Moderate	September 2020

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Faster Payments Scheme	Acceptable	Acceptable	Minor	September 2020
Short Break Service	Good	Good	Minor	September 2020
Leeds Building Services Job Management and Work in Progress	Acceptable	Good	Minor	To be included in December 2020 update
Funding to 3rd Sector for Not-for-Profit Organisation	Good	N/A	Minor	To be included in December 2020 update
<b>Information Governance and ICT</b>				
Management of Major Cyber Incident Risk	Acceptable	N/A	Moderate	November 2019
General Data Protection Regulations Central Controls and Service Lead Tasks	Good	N/A	Moderate	November 2019
Access 2003 Database Project	Acceptable	N/A	Moderate	November 2019
Privileged User Access	Limited	N/A	Moderate	March 2020
Applications Portfolio Programme	Acceptable	N/A	Moderate	June 2020
Information Asset Register	Acceptable	N/A	Moderate	To be included in December 2020 update
<b>Follow Up Audits</b>				
Joint Venture Contract Follow Up	Acceptable	N/A	Minor	November 2019

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Income Review – Leeds International Beer Festival Follow Up	Acceptable	N/A	Minor	November 2019
Tendering System Controls Follow Up	Good	Substantial	Minor	November 2019
Leeds Building Services Information Governance Follow Up	Acceptable	N/A	Minor	November 2019
Income Review - Room Hire Follow Up	Acceptable	Acceptable	Minor	January 2020
Housing Disrepair Follow-up	Good	Good	Minor	January 2020
Commercial Rents Follow Up	Good	N/A	Minor	March 2020
In-house Fostering, Special Guardianship and Leaving Care Follow Up	Acceptable	N/A	Minor	March 2020
ICT Projects - Benefits Realisation Follow Up	Good	Acceptable	Minor	March 2020
Waivers of Contract Procedure Rules (CPRs) Follow Up	Good	Acceptable	Minor	June 2020
External Advertising Income – Follow Up	Good	N/A	Minor	September 2020
Deprivation of Liberty Safeguards (DoLS) Follow Up	Limited	Acceptable	Moderate	September 2020

3.6.2 During the year, we have certified 12 School Voluntary Funds and completed 8 reviews which have provided assurance to various central government departments and other bodies that grant conditions have been complied with. These are listed below:

- West Yorkshire Plus Fund

- Cycling Ambition Grant x2
- Pothole Grant
- National Productivity Investment Fund Integrated Transport and Highway Maintenance
- National Productivity Investment Fund Leeds ORR Cycle Superhighway
- Local Transport Capital Block Funding Grant x2
- Local Public Transport Investment Programme Grant
- Bus Operators Grant
- Disabled Facilities Grant Claim

### **3.7 Quality Assurance and Improvement Programme and Conformance with PSIAS 2019/20**

#### ***Internal Audit Performance***

- 3.7.1 The Terms of Reference for the Corporate Governance and Audit Committee include the consideration of the council's arrangements for monitoring the performance of Internal Audit. This section of the report summarises the performance information that has been reported throughout the year to the Corporate Governance and Audit Committee.
- 3.7.2 The Public Sector Internal Audit Standards (PSIAS) require a quality assurance framework to be established, which includes both internal and external assessments of the work of Internal Audit. The activities we undertake to satisfy the requirements for internal assessments include:
- Ongoing supervision, performance management, quality assurance and regular review of the procedures that guide staff in performing their duties to ensure they conform to the PSIAS. The latest annual external review of our quality management system was undertaken in October 2020 and this resulted in continued certification, with no non-compliances or opportunities for improvement identified. Our quality management system has been ISO certified since 1998.
  - Customer Satisfaction Questionnaires (CSQs) are issued to clients at the end of each assignment and the information returned is used to identify training and development needs. The results of the returned CSQs are reported to the Committee at each meeting and an annual summary is included at Table 4 below.
  - Self-assessments are undertaken against the PSIAS for conformance. The latest self-assessment was completed in August 2020 and identified no non-conformances.



- 3.7.3 The PSIAS require that an external assessment is conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.
- 3.7.4 Our external assessment was undertaken in October 2016 and the results were reported to the Committee at the January 2017 meeting. The review concluded that the council's Internal Audit service conforms to the requirements of the PSIAS. The method and frequency of our next assessment was discussed at the Corporate Governance and Audit Committee meeting in November 2018 and it was agreed that the next assessment should take the form of a self-assessment undertaken by Internal Audit with this being validated by an independent third party. As the previous external assessment was undertaken in 2016, the next one must be completed by 2021 to conform with the PSIAS and is currently planned to take place in the second half of the year.

Table 2 Reports to the Corporate Governance and Audit Committee (1<sup>st</sup> April 2019 to 31<sup>st</sup> August 2020)

Report	Purpose
Internal Audit Update Reports	Provided regular summaries of the work undertaken by Internal Audit and allowed the Committee to review the performance of the section.
Annual Report 2018/19	Provided an overview of the work undertaken by Internal Audit and the annual audit opinion in respect of the council's governance, risk management and control arrangements for 2018/19.
Annual Audit Plan 2020/21	Presented the proposed Internal Audit Plan for 2020/21 for review and approval.

### ***Resources***

- 3.7.5 Resources have increased marginally since the Internal Audit Plan for 2019/20 was approved by the Committee, and ongoing efforts have been made to maximise productivity with the available resource. We continue to take a risk based approach throughout the year and are able to confirm that resources have been appropriate, sufficient and effectively deployed to achieve the audit coverage necessary to deliver the annual Internal Audit opinion.

### ***Proficiency and Due Professional Care***

- 3.7.6 Proficiency and due professional care is a key requirement of the PSIAS. All internal auditors have a personal responsibility to undertake a programme of Continuing Professional Development (CPD) to maintain and develop their competence. We have allocated time within the audit plan for CPD, training and personal development to be undertaken throughout the year to continuously improve the knowledge and skills within the Internal Audit section.

3.7.7 All members of the Internal Audit team are professionally qualified, plan to study or are studying for professional qualifications and table 3 demonstrates that there is also a good level of local government auditing experience within the team.

Table 3 Experience of Full Time Equivalent (FTE) staff in post

<b>Years of experience – local government auditing</b>	<b>FTE at 31/03/2019</b>	<b>FTE at 31/03/2020</b>
Less than 1 year	0	1.57
1 – 5 years	4.0	4.0
6 – 10 years	3.0	2.0
Over 10 years	7.78	9.22
Total FTE	14.78	16.78

**Quality**

3.7.8 The annual independent review of the Internal Audit quality system was undertaken in October 2020. The assessment confirmed that the management system continues to conform to our own standards and procedures and is demonstrating continual improvement. All Internal Audit work is undertaken in accordance with internal quality procedures incorporated in the quality management system, which has been ISO certified since 1998.

3.7.9 A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditee’s opinion on a range of issues with an assessment ranging from 5 (for excellent) to 1 (for poor). Table 4 below shows the results for the 46 questionnaires received between 1st April 2019 and 31st March 2020. The results are presented as an average of the scores received for each question and the results for the 39 CSQs received for the same period in 2018/19 are provided for comparison.

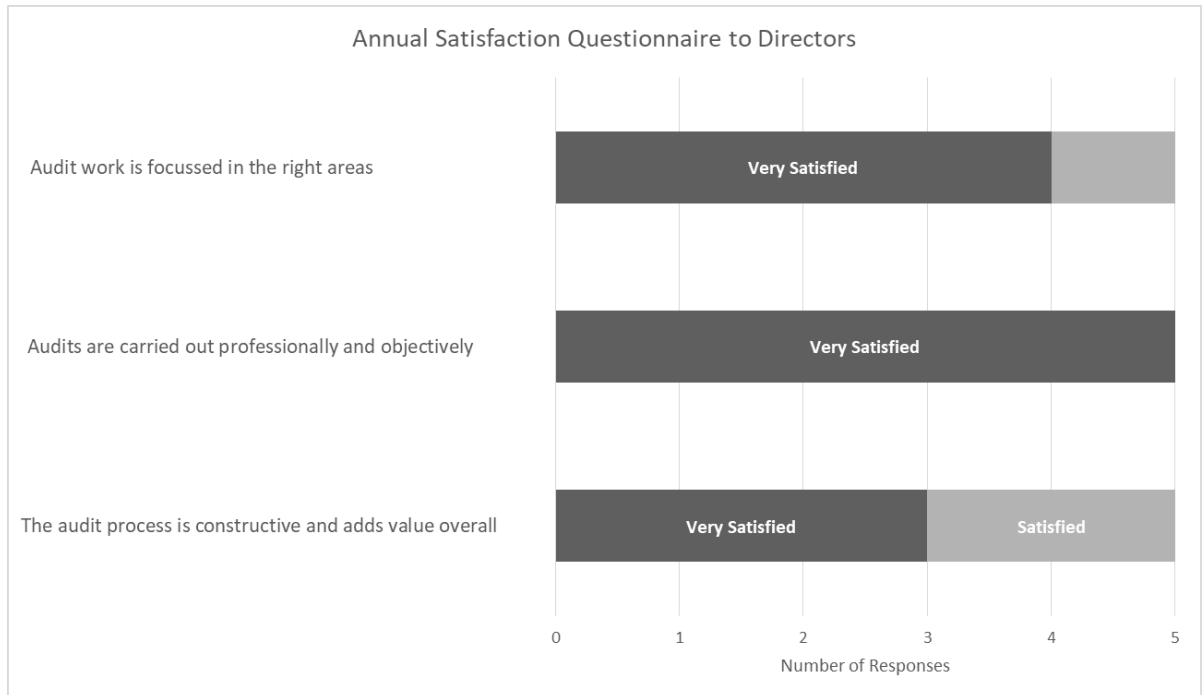
Table 4 Average scores from Customer Satisfaction Questionnaires for 2019/20 and 2018/19

Question	Average score (of 39 CSQs) 2018/19	Average score (of 46 CSQs) 2019/20
Sufficient notice was given	4.71	4.67
Level of consultation on scope	4.70	4.74
Auditor's understanding of systems	4.36	4.50
Audit was undertaken efficiently	4.58	4.76
Level of consultation during the audit	4.67	4.71
Audit carried out professionally and objectively	4.82	4.93
Accuracy of draft report	4.46	4.78
Opportunity to comment on audit findings	4.79	4.93
Clarity and conciseness of final report	4.64	4.83
Prompt issue of final report	4.41	4.63
Audit recommendations will improve control	4.40	4.64
The audit was constructive and added value	4.44	4.74
<b>Overall Average Score</b>	<b>4.58</b>	<b>4.74</b>

- 3.7.10 We have continued to look at ways of maximising our CSQ feedback. In November the Committee wrote to our director to encourage auditees to complete the CSQs and this resulted in a further increase in the numbers received.
- 3.7.11 To supplement the established CSQ process, we also confirmed to the Committee that we would write to directors at the end of the financial year to ask for their views on our service and include the feedback in this Annual Report. We asked the

directors to indicate their level of satisfaction with our service using a rating of 'very satisfied', 'satisfied', 'fairly satisfied' and 'not satisfied'. Responses were received from all five directors or their nominated representatives and the results are provided in table 5 below.

3.7.12 Table 5 Annual Satisfaction Questionnaire Issued to Directors



3.7.13 The questionnaire also invited any comments directors wished to make about our service. The comments received from directors are provided in full in the text boxes below.

*The Audit Service’s approach to Adults & Health audits is an excellent example of joint working with the directorate whilst retaining objectivity. As a service we are consulted about the proposed annual audit plan and are given an opportunity to include any areas of concern to ourselves, as well as having any observations that we may have about the proposed coverage being taken into consideration as part of the audits themselves. Draft reports are always shared with the relevant senior managers to ensure that there are no surprises and the quality of the work undertaken is always of an extremely high standard. The Audit Service is respected as a valued critical friend within the Adults & Health Directorate.*

*The work of the audit team is extremely valuable, it provides a robust independent scrutiny that is appreciated. The process is transparent and fair, creating formal space for service leads to reflect in preparation and in discussion with internal audit colleagues to identify areas of strength and areas for development. Internal audit colleagues are professional and strike an effective balance in facilitating an inclusive approach, encouraging meaningful participation and ownership from service leads while maintaining complete independence. Audit reports and recommendations are clear and concise and accessible.*

*Audit provides an essential function to help ensure that the Council maintains effective controls across all of its functions and activities. In the current situation, the importance of this role remains. Targeting work to support the Council's work in delivering the medium term financial plan and its COVID recovery response will be important over the forthcoming audit plan period.*

*I only have positive things to say about the audit service.*

*The Internal Audit team have a wealth and breadth of experience that is an asset to the authority. I am confident that their work can be relied upon to provide an independent assurance on control, risk and governance. The team live and breathe the professional standards. Thank you for all your work and the opportunity to discuss the plan and the time and effort you take to discuss and agree recommendations.*

*The audit service manages to combine robust objectivity with a constructive contribution to the improvement of council services. This is achieved within a limited resource which has necessitated a tighter focus on priorities. I am keen to ensure that internal audit plays a strong role in supporting both Members and senior officers in the good governance of the city and in particular the management of risk.*

### **Quality Assurance and Improvement Action Plan**

- 3.7.14 The PSIAS require that the results of the Internal Audit Quality Assurance and Improvement Plan are included in the annual report. The Action Plan is provided at table 6 below and includes the residual actions from our ongoing self-review.

Table 6 Quality Assurance and Improvement Action Plan 2019/20

<b>Action</b>	<b>Timescale and Status</b>
<p>Assurance mapping will continue to be developed and evolve during the annual planning process.</p> <p>Maps have been drafted for each assurance area. These will be updated and refreshed during 2020/21.</p>	<p>Ongoing action through 2019/20 and carried forward to 2020/21</p>
<p>A communications plan will be developed to roll out the counter-fraud training on a risk basis and further promote the council's whistleblowing processes.</p>	<p>Ongoing action through 2019/20 and carried forward to 2020/21</p>

## **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 for the Corporate Governance and Audit Committee require the Committee to review the adequacy of the council's corporate governance arrangements. This report forms part of the suite of assurances that provides this evidence to the Committee. The Internal Audit Plan has links to risks that may affect the achievement of Best Council Plan objectives and the aims of council policies.

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.

#### Climate Emergency

4.3.3 Internal Audit consider the Climate Emergency in the development of Annual Internal Audit Plans and in the scope of all relevant audits.

### **4.4 Resources, procurement and value for money**

4.4.1 A risk-based approach has been used to devise an Internal Audit plan that includes coverage of procurement activity and promotes the effective and efficient use of resources across the organisation. The outcomes of these reviews are 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 Internal Audit 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 subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process incorporates a review of information from a number of sources, one of these being the corporate risk register.

## **5 Conclusions**

- 5.1 The overall conclusion is that on the basis of the audit work undertaken during the 2019/20 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. A satisfactory overall opinion is provided for 2019/20, based on the audit work detailed within this report. The audit work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

## **6 Recommendations**

- 6.1 The Corporate Governance and Audit Committee is asked to receive the Annual Internal Audit Report and Opinion for 2019/20 and note the opinion given. In particular:
- that on the basis of the audit work undertaken during the 2019/20 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice
  - a satisfactory overall opinion is provided for 2019/20, based on the audit work detailed within this report
  - that the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing
- 6.2 The Committee is also asked to note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

## **7 Background documents**

- 7.1 None

This page is intentionally left blank



**Report of Chief Officer Financial Services**  
**Report to Corporate Governance and Audit Committee**  
**Date: 23<sup>rd</sup> November 2020**  
**Subject: Approval of Annual Governance Statement**

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open 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

### 1. Main issues

- This report presents the Annual Governance Statement (AGS), prepared in accordance with the Account and Audit Regulations 2015/234 (the Regulations).
- The AGS has been prepared in accordance with proper practices specified by the Accounts and Audit Regulations 2015. Following a review of the arrangements which together comprise our system of internal control, the AGS supports the opinion that, overall, key systems are operating soundly, and that there are no fundamental control weaknesses.
- The interim AGS was published in draft on 6<sup>th</sup> July 2020 to accompany the Statement of Accounts when put on deposit.
- The AGS has been updated and is returned to this Committee for approval prior to publication.

### 2. Best Council Plan Implications (see the [latest version of the Best Council Plan](#))

- The AGS reflects the Council’s ambitions, values and the Best Council Plan, together with the systems and processes in place to facilitate the effective exercise of its functions and the achievement of its aims and objectives; ensure the financial and operational management of the authority is effective; and include effective arrangements for the management of risk.

### **3. Resource Implications**

- As above

### **Recommendations**

- a) Corporate Governance and Audit Committee are requested to approve the Annual Governance Statement.

#### **1. Purpose of this report**

- 1.1 This report presents the Annual Governance Statement (AGS), prepared in accordance with the Regulations.

#### **2. Background information**

- 2.1 The Regulations require authorities to conduct a review of the effectiveness of its systems of internal control in accordance with 'proper practices' as set out in CIPFA/SOLACE - Delivering Good Governance in Local Government: Framework (2016 Edition).

#### **3. Main issues**

- 3.1 The AGS has been prepared following the ongoing review of effectiveness of the Council's system of internal control.
- 3.2 Assurance has been drawn, inter-alia, from reports received and considered by Executive Board and this Committee, as well as appropriate enquiries of officers with relevant knowledge and experience in relation to the assurance sought. Sources of assurance are detailed throughout the AGS.
- 3.3 In line with regulations the AGS was published as an interim statement, for a period of six weeks. No questions or comments were received.
- 3.4 In addition the external auditor has considered the interim AGS and confirmed that there are no compliance issues to raise. However, Annex 1 has been amended in response to a suggestion received to show whether each of the 29 actions from 2019 have been delivered and how many remain outstanding. Members will note that twelve actions have been completed and that arrangements have been put in place in response to the remaining seventeen actions which require a more long term or ongoing response. Two of the 2019 key actions are followed up with further actions detailed in the 2020 AGS.
- 3.5 The final statement, attached as Appendix A to this report, has been amended to reflect the way in which the Council's internal control systems and processes have responded to, or been amended as a result of the ongoing COVID-19 pandemic, and the Council's emergency response and recovery arrangements. Amendments ensure that the statement is up to date in respect of the following matters:
  - Section A, Paragraph 4 – summary of response to 2019 key actions included;
  - Section B2, paragraph 7 –outbreak control plans have been developed and are being implemented;
  - Section B2, paragraph 19 –up to date position in respect of devolution;

- Section B3, paragraph 9 – review of the People Strategy has been completed;
- Section B3, paragraph 28 – confirmation that disproportionate or differential impact on equality due to Covid-19 has informed our arrangements;
- Section C1, paragraph 11 – Best Council Plan reviewed and revised prior to launch to reflect changed context;
- Section D3, paragraph 30 - 32 – confirmation that all Access 2003 databases have been uplifted to Access 2010, and that the Council’s Public Sector Network certification remains in place;
- Section F2, paragraph 10 – September refresh of Medium Term Financial Strategy, and receipt of savings plan to incorporate financial impact of Covid-19 on financial planning;
- Section F2, paragraph 17 – internal audit review of financial controls to incorporate impact of Covid-19 on budget setting and monitoring
- Section F3, paragraph 22 –financial health monitoring provides focus on the impact of Covid-19 on the Council’s financial position;
- Section F5, paragraph 37 & 38 – the reformatted Annual Standards Report was received in July 2020;
- Section G1, paragraph 4 – confirmation that Executive Board has maintained political oversight throughout Covid-19 pandemic;
- Section H2, paragraph 27 - planned internal audit review of community cohesion arrangements has been deferred to the 2020/21 audit plan

#### Oversight of Key Actions

- 3.6 Members will note that Annex 2 to the AGS sets out a record of the key actions identified in the final statement, and provides for each details of the accountable Director and lead officer. Attached as Appendix B to this report is the action plan which has been developed to support the committee in monitoring the achievement of these key actions. The Committee may wish to invite officers to provide verbal or written updates in respect of progress against the action plan at future meetings.

#### Looking forward

- 3.7 In commenting on the interim AGS the external auditors reflected on the length of the statement. Officers are conscious that the AGS has become a lengthy document and will be undertaking a review of best practice prior to compilation of the 2021 AGS with a view to providing a document which provides a concise and accessible overview of the Council’s arrangements for internal control.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 The AGS, and the key actions proposed for 2020, have been the subject of consultation with the Corporate Leadership Team and the Best Council Leadership Team.
- 4.1.2 Lead officers for each of the key actions identified for the coming year have been consulted, and provided information contained in the overarching action plan to address the key actions proposed.

## **4.2 Equality and diversity / cohesion and integration**

- 4.2.1 Assurance in relation to the presence and monitoring of appropriate systems of internal control in relation to equality and diversity / cohesion and integration are set out in the AGS.

## **4.3 Council policies and the Best Council Plan**

- 4.3.1 The AGS reflects the Council's ambitions, values and the Best Council Plan, together with the systems and processes in place to facilitate the effective exercise of its functions and the achievement of its aims and objectives; ensure the financial and operational management of the authority is effective; and include effective arrangements for the management of risk.

### Climate Emergency

- 4.3.2 The Council's declaration of the climate emergency and the systems of internal control adopted in light of this declaration are set out in the AGS.

## **4.4 Resources, procurement and value for money**

- 4.4.1 Assurance in relation to the presence and monitoring of appropriate systems of internal control in relation to resources are set out in the AGS.

## **4.5 Legal implications, access to information, and call-in**

- 4.5.1 Regulation 6 of the Accounts and Audit Regulations 2015 require that each financial year the authority conducts a review of the effectiveness of its system of internal control, and prepares an annual governance statement.
- 4.5.2 The regulations also require that the council prepares a statement of accounts, which must be published for a period of exercise of public rights prior to final approval. Regulation 15 requires that the AGS is published alongside the statement of accounts for this period.
- 4.5.3 The regulations also require that the AGS is considered and approved by members of the authority. In Leeds this role is delegated to Corporate Governance and Audit Committee.
- 4.5.4 The usual timetable for publication and approval of accounts set out in the Regulations, was amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020/404. The approved accounts and AGS must be published by 30<sup>th</sup> November 2020.

## **4.6 Risk management**

- 4.6.1 The AGS sets out assurances received throughout the year that the Council has in place robust systems and processes to identify and monitor risk.

## **5. Recommendations**

- 5.1 Corporate Governance and Audit Committee are requested to approve the Annual Governance Statement.

**6. Background documents<sup>1</sup>**

6.1 None

---

<sup>1</sup> 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



# **Annual Governance Statement 2020**

**Approved by  
Corporate Governance and Audit Committee**

## Contents

A. INTRODUCTION.....	3
B. CONTEXT .....	5
B.1 The City.....	5
B.2 Challenges and Opportunities.....	5
B.3 Our Relationships.....	8
C. ACHIEVING OUR AIMS AND OBJECTIVES .....	17
C.1 Our Best Council Plan .....	17
C.2 Monitoring our achievements .....	19
D. OUR GOVERNANCE FRAMEWORK.....	21
D.1 Corporate Governance.....	21
D.2 Ethical Governance.....	21
D.3 Information Governance.....	24
E. HOW OUR FUNCTIONS ARE EXERCISED.....	27
E.1 Executive Arrangements.....	27
E.2 Committee Structure.....	28
E.3 Management Structure.....	29
E.4 Decision Making Framework.....	29
E.5 Effectiveness of Governance Framework .....	30
F. HOW WE ENSURE EFFECTIVE FINANCIAL AND OPERATIONAL CONTROL AND VALUE FOR MONEY .....	32
F.1 The financial landscape.....	32
F.2 Our arrangements for financial control.....	32
F.3 Monitoring our performance.....	34
F.4 Reviewing our arrangements.....	35
F.5 Value for money .....	36
F.6 Procurement.....	37
G. HOW WE ENSURE POLITICAL OVERSIGHT AND ACCOUNTABILITY .....	40
G.1 The Executive .....	40
G.2 Overview and Scrutiny.....	40
G.3 Corporate Governance and Audit Committee.....	42
G.4 Full Council.....	43
H. HOW WE MANAGE AUDIT AND RISK.....	44
H.1 Risk Management .....	44
H.2 Internal Audit.....	45
I. EXTERNAL OVERSIGHT.....	50
I.1 External Audit.....	50
I.2 External Inspection and Oversight.....	51
I.3 Ombudsman.....	53



## A. INTRODUCTION

1. Leeds City Council is obliged to ensure it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.
2. Good governance is about running things properly and 'doing the right thing in the right way'. It is the means by which we show we are taking decisions for the good of the people of the area, in a fair, equitable and open way. It includes how we do things, including our values and standards of behaviour that support good decision making - collective and individual integrity, openness and honesty. Good governance is the foundation for the delivery of good quality services that meet all local people's needs. It is also fundamental to showing public money is well spent as well as maintaining credibility and public trust. Without good governance we will not achieve our ambitions to improve services and outcomes for local people.
3. We have conducted a review of the arrangements which together comprise our system of internal control. From this review, based on assessment and on-going monitoring work undertaken and supported by the work of Internal Audit, we have reached the opinion that, overall, key systems are operating soundly, and that there are no fundamental control weaknesses. This does not necessarily mean agreeing with all decisions made, but ensuring appropriate process, transparency and democratic oversight in decision making.
4. Where improvements have been identified, actions are in place. This Annual Governance Statement, which relates to the period between July 2019 and September 2020, details how the Council has responded to each of the 29 key actions identified in the 2019 Annual Governance Statement<sup>1</sup>: of these twelve are complete, arrangements have been put in place in relation to the remaining seventeen where work is yet to be completed or ongoing monitoring is required. This annual governance statement sets out a further 20 key actions for the coming year<sup>2</sup>.

---

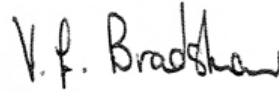
<sup>1</sup> Annex 1 sets out a summary of how the council has responded to the key actions documented in the Annual Governance Statement 2019.

<sup>2</sup> Annex 2 sets out a summary of the key actions arising from the review of the council's governance arrangements as documented in this Annual Governance Statement 2020.

5. We can confirm, to the best of our knowledge and belief, and there having been appropriate enquiries made, that this annual governance statement provides an accurate and fair view.



**Tom Riordan**  
Chief Executive  
& Head of Paid Service



**Victoria Bradshaw**  
Chief Officer Financial Services  
& Section 151 Officer



**Catherine Witham**  
City Solicitor  
& Monitoring Officer

**Councillor Andrew Scopes**  
Chair  
Corporate Governance and Audit  
Committee

**Councillor Judith Blake**  
Leader  
Leeds City Council

## B. CONTEXT

### B.1 The City

1. Leeds City Council is the second largest metropolitan district in the country, covering 217 square miles with over three quarters of a million residents. Leeds is a rich and varied place, including a vibrant city centre, with built-up areas surrounding it, some rural areas and several towns and villages. It is also a diverse city with many different cultures, languages, races and faiths.
2. Leeds City Centre has seen extensive, fast paced development over the last decade including the delivery of Trinity Leeds, Victoria Gate, the ongoing regeneration of South Bank and the redevelopment of Quarry Hill. This has reinforced the city's position as a major retail, professional services and office location and ensured resilience across the City Region and the North of England. The continued growth of Leeds' economy is crucial to making a significant contribution to the quality of life of people living, working and visiting the city.
3. Alongside this, now that the Council's Site Allocations Plan and the core Strategy Selective Review has been adopted there is significant housing growth planned in future years, up to 52,000 new homes to meet the Council's housing target requirements.
4. In contrast to this background of growth across the city, Leeds' transport infrastructure has seen a lack of investment and the development of Leeds' transport infrastructure remains a challenge if the city is to meet the ambitions set out in both the Best Council Plan and Inclusive Growth Strategy for Sustainable 21st Century infrastructure and to be carbon neutral by 2030.

### B.2 Challenges and Opportunities

5. The Council faces a number of significant challenges and opportunities, set out below, which give context to our planning.

#### The Covid-19 Pandemic

6. The COVID-19 (Coronavirus) outbreak has presented a significant challenge nationally and internationally. The Leeds Health and Social Care system and Leeds City Council, working with broader partners, has responded to the pandemic in Leeds, with the Leeds response being set within the national context and the West Yorkshire Health Resilience Partnership and West Yorkshire Resilience Forum arrangements.
7. Leeds (on behalf of Leeds City Region) is one of 11 authorities in a Good Practice Network of local authorities to lead on local outbreak control plans as part of the national Test and Trace framework. The Director of Public Health is leading the implementation of the Leeds COVID-19 Outbreak Plan, building upon our existing, well-established outbreak plans, and scaling up and enhancing existing arrangements.
8. Executive Board has received regular reports setting out details of the Council's preparations and ongoing actions to respond to the Coronavirus pandemic and to plan for the council's and the city's recovery. The Board agreed the updated Response and Recovery Plan, included updated aims and objectives.

9. In addition Executive Board has received reports detailing the impact of Covid-19 on the Council's revenue budget. The Board has supported engagement with the Government seeking financial assistance and support for proposals to manage the Council's financial position in order to deliver services to the residents of Leeds. (Further details can be found at sections F2 and F3 below.)
10. In the early stages of the pandemic response, Scrutiny Chairs worked with Directors to introduce a temporary streamlining of decision making arrangements to ensure key decisions relating to the emergency response could be progressed at pace while maintaining democratic oversight. Scrutiny Chairs also received regular briefings about decisions to spend any proportion of the emergency Government funding allocated to the authority.
11. Full scrutiny board briefings about the city's covid-19 response and subsequent recovery plan were introduced as soon as was deemed practicable with remote public meetings beginning in June 2020.
12. The Chair of the Corporate Governance and Audit Committee has sought assurance that the Council's systems of internal control have continued to operate soundly throughout this period of emergency response. Where systems of internal control have been used and adapted to respond to the pandemic details are set out within the body of this report.

### **2020 Key Action**

**Our Corporate Governance and Audit Committee will seek robust assurance that our systems of internal control have met the demands of the emergency response to Covid-19; and that where issues have been identified action has been taken to remedy these.**

### Financial Health

13. The 2019/20 financial year is the fourth and final year covered by the 2015 Spending Review and again presents significant financial challenges to the Council. To date we have managed to achieve considerable savings since 2010 and the budget for 2019/20 required us to deliver a further £22.6m of savings.
14. The current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions. The impact of COVID 19 on the economy will be felt by businesses and the residents of Leeds, resulting in forecast increased demand for services and significant reductions in income realised by the Council. Whilst the Council continues to make every effort possible to protect the front line delivery of services, it is clear that the position remains challenging and maybe not sustainable in the future. (Further details can be found at section F1 below.)
15. As Service reductions are implemented and changes in working practices are adopted, the internal control framework will need to be revised to ensure it is still fit for purpose.

### Devolution and Northern Powerhouse

16. Securing a devolution agreement for Leeds and the wider region has been a council priority for some time.

17. On 11 March 2020 the Chancellor of the Exchequer announced an agreement between the leaders of the five West Yorkshire local authorities and the Government on a devolution deal for West Yorkshire. This is a significant step forward in line with the council's organisational strategy. It will build upon the area's history of collaboration to maximise investment and increase its contribution to national economies.
18. The "minded-to" Deal is expected to lead to the adoption of a mayoral combined authority model with additional functions by Order of the Secretary of State.
19. Executive Board have received regular update reports on devolution, and in September 2020 considered the outcome of public consultation on the draft scheme, agreeing that a summary of the results should be provided to the Secretary of State.

### **2020 Key Action**

**We will work within the statutory framework with the Constituent Councils in pursuance of the "minded-to" Deal for devolution in West Yorkshire.**

### The UK's exit from the European Union

20. Since July 2016, shortly after the EU referendum result, the council has been working to prepare for EU Exit in line with a five-point-plan approved by Executive Board.
21. A report received by Executive Board on 4<sup>th</sup> September 2019 details the background and the council's approach to preparations for the UK's exit from the European Union.
22. The report confirms that work has been overseen by a working group of senior officers from across the council, working in conjunction with elected members, directorate-specific officer groups, the Local Resilience Forum (LRF), Local Enterprise Partnership (LEP), local voluntary community and faith sector organisations (VCFS) and a number of other sector specific forums in the city.
23. The elected member working group, chaired by the Leader of the Council play a key role in highlighting important issues which have fed into the preparatory response work. EU Exit has also been discussed as part of regular agenda items at a range of meetings involving elected members including Executive Board and the Scrutiny board (Strategy and Resources).
24. Elected members and officers from Leeds have also continued to engage on Brexit related matters through a number of regional and national forums including working with the Local Government Association (LGA), Core Cities group, various Whitehall departments and senior civil servants.
25. The work we have undertaken has received both local and national endorsement.

### Climate Emergency

26. The Council declared a climate emergency in March 2019.
27. We continue to work with the Leeds Climate Change Commission formed in conjunction with the University of Leeds which is informed by world leading academics in the field of climate science.

28. The Climate Emergency Advisory Committee, established by Council in May 2019 has appointed three working groups which report back to each meeting of the Committee:
- Biodiversity and food production;
  - Planning, buildings and energy; and
  - Transport.
29. The Climate Change Advisory Committee has enabled public representation through open forum and has engaged with the Citizen’s Jury on Climate Change.
30. In January 2020 Executive Board received an update report detailing the work undertaken in respect of the climate emergency including:
- The Climate Conversation – an open consultation engaging a wide cross section of people via online questionnaire and attendance at over 80 events; and recommendations from the citizen’s jury;
  - Action towards our commitment to becoming a carbon neutral council;
  - Use of powers to move towards a carbon neutral city, including opportunities to influence national policy and legislation and individual choice.

### B.3 Our Relationships

#### Our Councillors

1. There are 99 elected members of Leeds City Council, representing six different political groups, reflecting a range of political opinion and bringing a wealth of diverse experience and skills.
2. Through our Member Management Committee; Member Development and ICT working group; and through arrangements within each of the political groups, we seek to ensure that each member is provided with the necessary opportunity and support to fulfil their role and to add value to the work of the council.
3. We have a Member Development Strategy and seek to ensure that implementation and oversight arrangements ensure that members have ownership and control and are able to engage with development opportunities designed to support them in their existing roles as community leaders, committee members, executive portfolio holders etc. and to prepare them for any future role they may take up.

#### **2019 Key Action:**

**Our Member Development Strategy will be reviewed during 2019/20.**

4. Our recently elected councillors have informed a review of the induction programme offered to newly elected members. A revised induction programme has been prepared building on previous good practice, providing a twelve month induction programme designed to meet the immediate and longer term needs of councillors.
5. Similarly, with oversight from a member led working group we have undertaken a review of the arrangements to ensure that the development offer provides training and development opportunities to meet both generic needs of all councillors and those specific to roles to which members are appointed. The proposed 2020-25 Member Development strategy will be submitted to the Member Management Committee for approval and a programme of delivery will be set out each year.

**2019 Key Action:**

**We will keep the arrangements for Member Safety under review during the year through our Member Management Committee.**

6. The Monitoring Officer's Annual Report, received by Standards and Conduct Committee on 6<sup>th</sup> March 2020 confirms that Member Management Committee established a Member Safety Task Force to:-
  - Ensure that Members are fully engaged with the formulation, monitoring and evaluation of Members' personal security and safety provisions;
  - Advise on policies and strategies relating to Members' personal safety, including input on the identification of 'best fit' personal safety devices;
  - Explore support and escalation arrangements for Members from Legal Services and West Yorkshire Police;
  - Keep under review the implementation of Member safety arrangements and evaluate the continued effectiveness of Members' personal safety offer;
  - Identify learning and development needs and champion take up by Members.

Our Workforce

7. Our People Vision is simple – to be the best place to work for everyone. This places our employees at the centre of our thinking, with inclusion, diversity and wellbeing as core underpinning themes.
8. Our Corporate Leadership Team has fully engaged in the development of the People Strategy 2020-25. The People Strategy sets out an ambitious high level framework which can be adapted through delivery to meet the local needs and circumstances of our different directorates, services, professions and role types.
9. A review of the People Strategy has been undertaken in light of Covid-19 and the revised strategy, one of several Best Council strategies underpinning the Best Council Plan, was launched in July 2020 to support the revised Best Council Plan. (See section C1 below)
10. Success measures for the People Strategy are captured in the Best Council Plan KPIs, aligned to the Best Council Plan outcomes around being an Efficient, Enterprising and Healthy Organisation. These will continue to be reviewed and reported as part of the established reporting mechanisms.
11. In addition to the overarching five year strategy we have identified five initial priorities for 2020/21:
  - Workforce planning and development;
  - Inclusion and diversity;
  - Health and wellbeing;
  - Talent and performance management; and
  - Leadership and management.

**2020 Key Action:**

**We will develop detailed timelines and milestones for our People Strategy priorities and will monitor and review progress against them.**



12. Linked to the people strategy our talent management pipeline is used to support more people furthest away from employment to access employment opportunities and for those in employment to access opportunities for career progression. This is achieved using work placement and experience opportunities, as well as apprenticeships; the graduate programme; and in-house development of future leaders and technical experts.

**2019 Key Action:**

**To sustain our Apprenticeship approach we will:**

- **Improve identification and forecasting through work-force planning, setting out where our future Apprentices will come from;**
- **Look at how we use opportunities to support priority groups to access work with us – especially with entry level Apprenticeships;**
- **Ensure that meeting the target also reconciles with the resources we have via the Levy.**

13. Executive Board received a report at its consultative meeting in March 2020 detailing work in relation to The Great Jobs Agenda, Anchor Institutions and the Living Wage Foundation Living Wage. The report sets out details of our approach and achievement in relation to apprenticeships across the authority and with partner organisations.

**2019 Key Action:**

**In 2019 we are seeking to accredit to “Disability Confident Leader” which is level 3 of the Disability Confident Employer framework (LCC is currently accredited at level 2).**

14. Executive Board received a report at their informal consultative meeting in March 2020, confirming that the Council were awarded Disability Confident Leader in October 2019. Accreditation recognises that the council draws from the widest pool of talent, secures, retains and develops disabled staff. Leader status recognises that the council acts as a champion for Disability Confident with local and business communities.

Our Customers

Consultation and Engagement

15. We take available opportunities to consult with citizens and communities living and working in Leeds to inform the choices we make in relation to use of resources and service delivery.

16. The budget consultation took place in January 2020. The consultation was carried out through an online survey, advertised on social media, the Council’s leeds.gov.uk website, the Council’s internal ‘InSite’ website, and directly to Citizens’ Panel members, third sector and business partners. Though focused on the Budget, the survey also presented findings from the previous year’s consultation exercise and explored whether the public’s views and perceptions of the council’s priorities had changed in that time.



17. The consultation response informed both the final Budget proposals and the final Best Council Plan proposals and was therefore included in the reports to Executive Board in February 2020 seeking recommendation of the Budget and the Best Council Plan to Council.

#### Voice of the Customer

#### **2019 Key Action:**

**We will continue to address challenges in respect of:**

- **telephone waiting times;**
- **transitioning to digital channels, by ensuring training and support is provided as a priority in order that service users are not disenfranchised from the services they need to access.**

18. Corporate Governance and Audit Committee received the annual report on customer contact and satisfaction in January 2020. The report outlined the work to ensure services are delivered in the most cost effective way whilst aiming to put customers first at a time of budgetary constraint. The Chief Officer gave assurance that processes and procedures around customer contact and satisfaction are adequate and acceptable, given the prevailing financial climate and the demand for services.

19. The report detailed successful work undertaken to reduce call waiting times on housing lines, but acknowledged the need for consistent response times across council tax and housing benefits lines.

20. The report also detailed work supporting the transition to digital channels including training provided to contact centre staff; support to customers through community hubs; and the 'Digital Leeds' initiative led by the libraries service.

21. The Committee noted that the customer is at the heart of service delivery and that the service is focussed on continuous improvement.

22. The committee recommended that arrangements be put in place to enable corporate and departmental complaints data to be shared with Scrutiny Chairs. Officers have undertaken work to review the existing consideration of complaints data with a view to developing a consistent approach across all five Scrutiny Boards. This will be discussed with Scrutiny Chairs as the Boards develop their work programmes moving forwards.

#### **2020 Key Action:**

**We will continue to monitor arrangements for customer contact and satisfaction and will make improvements where necessary to deliver a consistently good experience for our customers.**

#### Working with Communities

##### Equality, Diversity and Inclusion

23. We are committed to equality and diversity, as we want every resident, regardless of their background, ethnicity, faith or sexuality, to be proud and feel fully engaged in the life of our city, and to be able to access opportunities which make a positive difference to their lives and those of others.

24. The ongoing challenge for the council is how we better engage with our communities and ensure that all their voices are being heard.
25. In our twin ambitions we continue to recognise the importance of a commitment to tackling inequalities and championing inclusivity.
26. Our Equality Improvement Priorities 2018-22 were refreshed in 2019 and presented to Executive Board in July 2019 alongside the Annual Equality Report. Sitting alongside the Equality Improvement Priorities we have compiled a suite of performance indicators and measures, which were updated in August 2019.
27. We reported on our progress in relation to the Equality Improvement Priorities, together with the reporting required by the Equality Act 2010, in the 2020 Annual Report considered by a consultative meeting of Executive Board and formally approved by the Director of Communities and Environment in March 2020.
28. We are conscious of the disproportionate or differential impact on equality due to the Covid-19 pandemic on the city's communities of interest. Reports have been considered by the Citizens and Communities multiagency silver group (including officer, third sector and public sector representatives.) and by the Member Champions Group (an informal cross party group to contribute Member influence and challenge on progress against the equalities agenda.)

#### Deputations

29. Our Council meeting provides regular opportunity for citizens and community groups to bring deputations to raise issues of concern with full Council. Issues raised must be matters in relation to which the Council has powers or duties or which affect the City of Leeds but may be of local, national or international concern and cover a wide range of topics. Where appropriate those deputations are referred to the relevant Director for further consideration and response.

#### In practice:-

#### Deputations received this year have drawn Council's attention to:-

- Britannian Quarry in Morley;
- Support after rape and sexual violence;
- The problem of plastics in rivers;
- HS2;
- Employment opportunities for people with a learning disability.

#### Community Committees

30. Our 10 Community Committees continue to work for the residents of Leeds, by providing a forum for local people to have their say on the issues that matter to them most. They provide a mechanism for involving communities in local decision making on key issues such as environmental improvements, community safety, health and wellbeing and employment.
31. We want our communities to feel empowered and to be at the heart of providing local solutions to local problems across a wide range of issues. The Community Committees have worked closely with residents and partners to identify what works best, which has been used to influence and shape their work programme.

32. Our commitment to locality based working has been demonstrated with the Leeds Community Committees Annual Report 2018/19 identifying over £2 million spending across a broad range of projects that Community Committees funded.

**In practice:-**

The Leeds Community Youth Ambassadors Group, supported by Voice and Influence officers from the Communities Team, meets on a regular basis to support the voice of children and young people locally. Work has included peer inspections, mystery shopping and consultation exercises. The group gained a Leeds Youth Award, and were nominated for Child Friendly Leeds Youth Group of the Year for their hard work and dedication for the city. They were also nominated and shortlisted for the national Children Young People Now Awards: Youth Volunteering and Social Action Award for their peer inspection work.

**Consultation and Engagement**

33. We regularly engage with communities in developing and reviewing our policies and strategies with impact within specific neighbourhoods, communities and citywide, enabling us to understand lived experience.

**In practice**

In developing 'Thriving': the child poverty strategy for Leeds we worked with the 'A Different Take' Leeds Panel, comprising young people, young adults and parents with respect to the production of the 'More Snakes than Ladders' report. The strategy used academic data to ensure an evidence based approach to developing initiatives within the city and delivery of initiatives is also informed by those living in poverty in the city.

Similarly we have sought to mitigate the impact of poverty and inequality throughout the city by co-producing the future '100% Digital Leeds' programme with citizens and communities who have lived experience of poverty and inequality.

**Our partners**

34. The council regularly works in partnership with public, private and third sector organisations. Development of existing partnerships and engagement with new partners enables innovation in service delivery and greater opportunity to ensure excellent value for money.
35. We are engaged in formal ongoing statutory partnerships through which we are able to exert influence for both the city and the region. For example:
- The West Yorkshire Adoption Joint Committee exercises oversight over the ground-breaking governance arrangements for One Adoption West Yorkshire.
  - The North and West Yorkshire Business Rates Pool provides the governance framework for business rates retention in the region and has been able to exert its influence to improve and re-establish governance arrangements at Welcome to Yorkshire. In February 2020, following changes in the business rates retention scheme for the region, Executive Board approved the establishment of a new joint committee.
  - The Morley Town bid under the government's Towns Fund would enable an investment plan for Morley that could access up to £25m funding. In March 2020 a consultative meeting of Executive Board supported the Council's role

as accountable body in developing an Investment Plan, and agreed principles of governance and membership for a Morley Town Deal Board.

36. Other arrangements are developed to engage with partners in delivering shared outcomes in line with the Council's ambitions and priorities. Partnership arrangements currently in place include:

- Leeds Climate Commission;
- Leeds Culture Trust;
- Hydrogen Liason Group; and
- Leeds Affordable Warmth partnership.

37. In addition to these ongoing partnerships, we also enter partnership working arrangements over fixed term periods as necessary and appropriate. For example in September 2019 Council appointed a mandatory Joint Health Overview and Scrutiny Committee to respond to NHS England's consultation on proposed changes to regional vascular services.

In practice:

To deliver the Covid-19 outbreak plan, governance arrangements linked into the Leeds Multi-agency arrangements are now in place which include:

- A C-19 Health Protection Board, led by the Director of Public Health and working directly with regional Public Health England team. This is a technical board, providing ongoing system oversight and professional expertise in the management of Covid-19, reviewing data, and developing recommendations on actions..
- The Leeds Outbreak Control Board, a cross party board with representatives from multiple sectors, is chaired by the Leader of the Council providing outward-facing, political oversight of local delivery of the test and trace programme, engaging residents and leading any local actions that might be required.

38. Whilst we take the lead in relation to a significant number of partnerships, we are also keen to co-operate with initiatives led by our partners.

In practice:

In 2019 we participated in a co-production exercise, led by Leeds Third Sector Partnership to develop the 'Leeds Pledge to Strengthen Civil Society'. In November 2019 Executive Board welcomed Chris Hollins, Chair of Third Sector Leeds and Deputy Chair of the Leeds Third Sector Partnership to provide an overview of the collaborative work undertaken. In response Members resolved to endorse the Pledge; and to invite the NHS, University and Third Sector colleagues to take the Pledge into their sectors and institutions and to seek their support and commitment to partnership working on this agenda.

### Monitoring and review of partnership arrangements

39. We have systems and processes in place to safeguard adults and children at risk. We work closely with partners to ensure that our arrangements are up to date and fit for purpose and reflect current government guidance.

40. As reported in the 2019 Annual Governance Statement, following the Wood Review we have developed our arrangements for safeguarding children using new multi-agency arrangements to strengthen and streamline existing strong and effective partnership working in Leeds.

**2019 Key Action:**

**Our Executive Board will review the arrangements in the autumn.**

41. At its January meeting Executive Board received

- the annual report of the Leeds Safeguarding Adults Board considering both the Board's report for 2018/19 and the strategic plan for 2016/20 as refreshed for the 19/20 reporting period; and
- the Leeds Safeguarding Children Partnership Annual Report 2018/19: Evaluating the Effectiveness of Safeguarding Arrangements in Leeds in January 2020. Executive Board endorsed the safeguarding priorities for the city as identified within the report.

Our influence

42. We embrace the opportunity to share our learning and expertise across the region and nationally.

43. Leeds Children and Families Service has a significant role in sector led improvement and reform and has gained significantly, through improved relationships with central government and partner councils, enhanced access to additional funding, national influence on policy and reform and improved development and learning opportunities for Leeds' leaders and staff.

44. Examples include:

- 'Partner in Practice' of central government, through the Innovation Programme funded 'Leeds Relational Practice Centre' and intensive work through the Kirklees-Leeds Improvement Partnership.
- Funding from the Department for Education under the 'Strengthening Families, Protecting Children' initiative. Governance arrangements put in place enable us to take a lead role in national improvement programmes and at the same time to ensure that we continue to successfully support the children and young people of Leeds.

45. In addition we are committed to using relevant opportunities to influence growth and progress in our city and region for example through our relationships with anchor institutions in the city.

In practice:-

Northern School of Contemporary Dance is an important anchor institution for the city, supporting Leeds key national role in the creative and performing arts.

In January 2020 Executive Board received a report detailing collaborative working arrangements to assist NSCD securing expansion; so supporting NSCD's ambitious programme to grow its current provision and raise its profile on the global stage whilst continuing to support the regeneration of the Chapeltown area of the city.

46. In 2019 we reported that our Inclusive Anchors programme brings together a range of institutions to take collective action on employment matters, and procurement and supply chain management.

**2019 Key Action:**

**Further work will be undertaken to extend the Inclusive Anchors programme beyond the largely publicly funded anchors to private sector businesses and exploring the development of an inclusive business charter for SME businesses with a particular focus on encouraging more employers to pay the Living Wage as promoted by the Living Wage Foundation.**

47. In March 2020 a consultative meeting of Executive Board received a report providing an update on the Great Jobs Agenda, Anchor Institutions and the Living Wage Foundation Living Wage.
48. The Leeds Inclusive Anchors Network comprises 11 organisations based in the city. Together they have over 57,000 employees, one in seven of the Leeds' workforce, and an annual expenditure in excess of £2 billion per year. The network provides an important opportunity to unlock the potential for transformational change and outcomes to address inequalities in the city.
49. The report confirmed that ten of the Anchors are Living Wage employers with one which seeks to move towards this.

## C. ACHIEVING OUR AIMS AND OBJECTIVES

1. Our ambition is for Leeds to be the best city in the UK: compassionate and caring with a strong economy; which tackles poverty and reduced inequalities; working towards being a net zero carbon city by 2030. We want Leeds to be a city that is distinctive, sustainable, ambitious, fun and creative for all, with a council that its residents can be proud of as the best council in the country. Our 'Best City' and 'Best Council' ambitions, outcomes and priorities are set out in our corporate strategy, the [Best Council Plan](#) (further detail is provided at section C.2)
2. We will ensure that our governance arrangements support the effective delivery of services, whether this be by direct service provision, in partnership, by alternative service delivery mechanisms or simply by exerting our influence to deliver better social value outcomes as well as value for money.
3. The systems and processes to deliver our ambitions and priorities seek to enable and encourage innovation whilst ensuring effective and robust control, and financial sustainability.
4. By applying our values and local codes of conduct for Members and employees, we commit to devising and delivering services to the citizens of Leeds in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.

### C.1 Our Best Council Plan

5. Our work is articulated and informed by the Best Council Plan. The Plan sets out our ambitions for the city and the organisation, describes how we aim to deliver a clear set of priorities and outcomes (often in partnership at local, national and regional levels) with signposts to more detailed underpinning strategies, and explains the challenges we face.
6. We undertake an annual review and refresh of the Best Council Plan.
7. In line with the Budget and Policy Framework Procedure Rules, proposals were considered by Executive Board at its meeting in January 2020, following which consultation took place with Scrutiny Boards, other relevant stakeholders and the public.
8. In February 2020, informed by the consultation response, a final draft of the updated Best Council Plan was returned to Executive Board with the final Budget proposals. The meeting recommended the updated Best Council Plan to council for adoption at the February budget meeting of Full Council.
9. On 26<sup>th</sup> February 2020, alongside the Budget report, Council adopted the updated 'Best Council Plan 2020-2025'. The report noted that while continuing its programme of efficiencies, the Council will deliver its ambitions and priorities by working differently, evolving and innovating in terms of what it does and how it does it, exploring different service models and greater integration with other organisations and skilling up staff to grow their commercial and business acumen.
10. The updated Best Council Plan maintains much of the existing Plan, notably the overarching aim of, 'Tackling poverty and reducing inequalities' and the Best City



ambition, outcomes and priorities. However, along with the Health and Wellbeing Strategy and Inclusive Growth Strategy, the Climate Emergency has been added as the third key driver to delivering the Best City ambition, ‘A Strong Economy and a Compassionate City’. The Best Council ambition, ‘An Efficient, Enterprising and Healthy Organisation’, remains the same with a renewed emphasis on the council’s key resources (its people, money, digital capabilities, land and buildings, evidence and insights, and communications). The Best Council Plan key performance indicators have also been updated.

11. The updated Best Council Plan was due to be launched on 1<sup>st</sup> April 2020. However, in light of the significantly changed context as a result of Covid-19 and its unprecedented impact on the city and the organisation, the launch was put back to July 2020, enabling the content to be reviewed and revised where appropriate to reflect the changed context to our plan. The headline ambitions, outcomes and priorities remain the same. A more fundamental review of the Best Council Plan is planned for later in the year as the longer-term implications of coronavirus become more clear.

**2020 Key Action:**

**We will review the Best Council Plan and key underpinning Best Council Strategies in the light of the longer-term implications of Covid-19.**

12. We develop policies and strategies in relation to specific issues in accordance with the Best Council Plan, ensuring that we obtain maximum benefit for the best city ambition through everything we do.

**In practice:**

During the period covered by this Annual Governance Statement Executive Board has adopted:

- A Waste Strategy for the City of Leeds;
- The 3 A’s Strategy: improving the attendance, attainment and achievement of children and young people in Leeds;
- Leeds Drug and Alcohol Strategy and Action Plan 2019-2024;
- Strategy to deliver Housing Responsive Repairs, Voids and Cyclical Maintenance to the city’s housing stock;
- Thriving: The Child Poverty Strategy For Leeds;
- Leeds Mental Health Strategy.

13. Initiatives often contribute to a number of priorities and outcomes. Cross cutting projects allow collaborative discharge of functions lead by one or more services.



In practice:

Executive Board received a report in March 2020 setting out how the Our Spaces Strategy, which sets out our vision and ambition for the City's public realm contributes towards:

- reducing health inequalities and supporting active lifestyles;
- improving the city's transport and digital infrastructure and tackling climate change risks;
- making Leeds the best city for children and young people to grow up in;
- making Leeds the best city to grow old in;
- improving the quality of lives; and
- growing the economy through cultural and creative activities.

14. Similarly, individual services plan the discharge of their functions in accordance with the aims and priorities set out in the Best Council Plan.

In practice:-

The Local Account of Adult Social Care, considered by Executive Board in October 2019, provides a user friendly summary of the Council's Better Lives priorities together with progress against these priorities and the national Adult Social Care Outcomes Framework indicators. The Local Account highlights priorities, progress, future ambitions and challenges for Adult Social Care.

## C.2 Monitoring our achievements

15. Through rigorous performance monitoring against key performance indicators we are able to monitor performance and provide regular updates.

In practice:

We developed a set of equality improvement priorities for 2018-2022. Aligned to Best Council Plan priority areas, these are supported by performance indicators and measures. Executive Board monitor progress annually and agree updated our priorities.

Progress against the Equality Improvement Priorities will continue to support the City's vision for Leeds to be the best city in the UK: one that is compassionate with a strong economy, which tackles poverty and reduces the inequalities that still exist.

16. Performance against the Best Council Plan is reported quarterly to the Council's Corporate Leadership Team facilitating cross-council ownership and discussion of specific areas and prompting follow up action as needed.

### **2019 Key Action**

**We will produce a performance report in September 2019 to review our progress in delivering the Best Council Plan during 2018/19.**

17. The annual performance report considers each of the priority areas, summarising the key successes and highlighting where challenges remain. This report was the subject of robust consideration by Executive Board in September and further by the Corporate Governance and Audit Committee in November 2019.

18. Members acknowledged the significant range of information included in the report and the broad approach to reporting which gives a picture of the council's impact across the city. Additional, more detailed performance information on specific areas is also reported throughout the year to Scrutiny Boards.
19. In addition, we publish the Best Council Plan scorecard; using key performance indicators to measure progress in delivering better outcomes for both the city and the council in-year and in the longer term.

## D. OUR GOVERNANCE FRAMEWORK

1. Our governance framework comprises the systems, processes, culture and values by which the Council directs and controls its activities and through which it accounts to, engages with and leads its communities. It enables us to monitor the achievement of our strategic objectives and consider whether they have led to the delivery of high quality services and value for money.

### D.1 Corporate Governance

2. The Council's Corporate Governance Code and Framework<sup>3</sup> reflects the principles and sub-principles of the 'Delivering Good Governance in Local Government: Framework' (CIPFA, 2016).
3. The Code is shaped around our seven Principles of Corporate Governance.

#### **Principles of Corporate Governance**

1. Behave lawfully, with integrity and in the public interest and demonstrate this through our conduct and behaviour.
2. Be open and engage with local communities, service users and our other stakeholders.
3. Focus our resources on outcomes and ensure council tax payers and service users receive excellent value for money.
4. Ensure we have clear responsibilities and arrangements for transparent and effective accountability.
5. Take informed and transparent decisions.
6. Ensure that we have robust and effective audit, scrutiny, information governance, risk and financial management controls.
7. Develop our capacity and capability to be effective.

4. The Code and Framework set out the corporate governance arrangements in place to ensure services are delivered in a way that demonstrates accountability, transparency, effectiveness and value for money, integrity, and inclusivity.

### D.2 Ethical Governance

#### Values

5. Our ethical governance is developed around the five council values which reflect the spirit and ethos of good governance and are integrated into our culture.

#### **Leeds City Council Values**

**Being open, honest and trusted** - I can be my best

**Treating people fairly** - It feels like I count

**Spending money wisely** - I make every pound go further

**Working as a team for Leeds** - I'm part of a team that is trusted to get on

**Working with all communities** - I'm proud to make a difference

<sup>3</sup> Part 5j of the Constitution

6. The values are at the heart of Leeds City Council. They reflect the current needs of the city. In a period of immense change and real challenge they enable us to be confident and decisive about what we do and how we do it by giving us clear, shared values against which to measure our options; recognise and celebrate our achievements; and challenge outcomes that do not meet our aspirations.
7. We review our values regularly.

### Standards of Conduct

8. Our Standards and Conduct Committee is responsible for promoting and maintaining high standards of conduct both within the Council and in the thirty-two Parish and Town Councils in the Leeds area.
9. The Council has Codes of Conduct for both Members and Officers which set out the standards of conduct and personal behaviour expected and separate protocols govern the conduct of work between members and officers.
10. The Annual Report of the Monitoring Officer was received, and the Committee's Annual Report to Council was approved, by Standards and Conduct Committee at its meeting on 6<sup>th</sup> March 2020, confirming that arrangements are in place to:-
  - provide induction training to all newly elected city councillors on the requirements of the code of conduct and other relevant codes, protocols, policies and procedures;
  - ensure support to all members (LCC and Town and Parish Councillors) to meet their obligation to notify disclosable pecuniary interests (DPIs), and reminders to review their register of interest to ensure it remains up to date;
  - enable consideration of requests to treat DPIs as sensitive under Section 32 Localism Act 2011;
  - determine applications for dispensations to enable participation in council business for Members with DPIs;
  - consider complaints submitted in accordance with the Council's procedure for dealing with complaints against members under the code of conduct.
11. All 99 Leeds City Councillors and 299 of 303 Town and Parish Councillors had completed a register at the time of reporting with arrangements in place to follow up the remaining registers with the relevant Parish Clerks.
12. Twelve complaints have been made against Leeds City Councillors and seven against Parish and Town Councillors in the Leeds area. Of these:
  - No complaint has been received alleging a failure to register a DPI;
  - All complaints received within the reporting period have been resolved at or before stage 1 of the procedure;
  - There have been no formal findings of a failure by LCC or Parish and Town Councillors in Leeds to comply with the relevant Code of Conduct.
13. The Council has an Independent Person in place. He attends meetings of the Standards and Conduct Committee as an observer and receives regular briefings on matters within his remit. In particular the Independent Person is routinely consulted on draft complaint assessments at Stage 1 of the procedure.

Receipt of gifts and hospitality

14. In particular the Council has clear arrangements for declaration of interests and registering of gifts and hospitality offered and received.
15. The Council's Employee Code of Conduct<sup>4</sup> is a key document within the ethical framework. Outcomes of monitoring and review of the Code, and supporting policies and procedures (including arrangements for receipt of gifts and hospitality), are detailed in the Chief Officer Human Resources' annual assurance report to Corporate Governance and Audit Committee.

**2019 Key Action**

**Arrangements for Directors' acceptance of offers of gifts and hospitality be reviewed to ensure there is third party oversight of offers prior to these being accepted.**

16. The Chief Officer Human Resources has completed a review and amended the gifts and hospitality policy. New arrangements, in place from January 2020, require that Directors gain approval from the Chief Executive and in turn the Chief Executive gains approval from the Leader.

**2019 Key Action**

**That a process be introduced whereby the annual review of gifts and hospitality requires 'nil returns' to be submitted**

17. The Council's Employee Gifts and hospitality Policy and Procedure sets out requirements for employees to follow if offered any gift or hospitality.
18. A new process requiring employees in "high risk posts" to make a positive declaration regarding compliance with the gifts and hospitality policy has been agreed. The process, which is likely to cover approximately 1000 employees, is completed annually alongside the annual register of interests exercise.
19. An internal audit review of Employee Gifts and Hospitality confirmed that there is an agreed policy and procedure in place defining the responsibilities of individual officers when they receive an offer of gifts or hospitality, and the process for obtaining approval. The review also confirmed that arrangements ensure that records of gifts or hospitality are subject to monitoring and reporting, and that arrangements will be strengthened by the process for all declarations of gifts and hospitality from Directors to be subject to third party approval. The review concluded that the new arrangements to manage potential conflicts of interest through the requirement for a 'nil declaration' from employees who are identified as holding a 'high risk post.' will provide further assurance that the council is doing all it can to prevent the acceptance of inappropriate gifts or hospitality.

---

<sup>4</sup> Part 5b of the Council's Constitution

**2020 Key Action:**

**We will monitor the arrangements for offer and acceptance of gifts and hospitality by Directors and those in 'high risk posts'; and positive declarations regarding compliance with the gifts and hospitality policy.**

20. In addition to publication of individual registers the Monitoring Officer now also publishes a quarterly review of gifts and hospitality declared by Leeds City Councillors in line with best practice proposed by the Committee on Standards in Public Life following the 2019 review of the local government standards regime.

Monitoring and review of arrangements

21. We engage in continuous monitoring and review of our ethical governance arrangements.

**Key Action 2019:**

**We will further review our ethical framework arrangements in light of any future legislative change or statutory guidance issued by Government or the Local Government Association.**

22. The Annual Report of Standards and Conduct Committee, sets out details of progress since the Committee on Standards in Public Life (CSPL) published its review.

23. The Ministry of Housing Communities and Local Government has been engaging with a small number of local authority Monitoring Officers (Leeds included) to consider how to implement the CSPL recommendations. However, given the recent constraints on parliamentary time little progress has been made.

24. The Local Government Association is undertaking a consultation exercise on the content of a new draft Members' Code of Conduct.

**2020 Key Action:**

**We will continue to engage with the Ministry of Housing Communities and Local Government and the Local Government Association in developing the ethical framework in response to the recommendations of the Committee on Standards in Public Life.**

**D.3 Information Governance**

25. We take information governance very seriously, working continuously to improve the management and security of our information, and recognising the need to protect our information assets from accidental and malicious loss or damage.

26. In line with the manual for Caldicott Guardians produced by the Caldicott Guardian Council the arrangements for Caldicott Guardian functions in Leeds form part of the broader information governance function.

**Key Action 2019:**

**That a combined Annual Information Governance Assurance report be prepared that includes oversight of the Caldicott Guardian role and that in the interim Caldicott governance arrangements benefit from a peer review by organisations with the same responsibilities.**

27. The March meeting of Corporate Governance and Audit Committee received the Annual Information Governance Report, setting out assurances on the effectiveness of the council's information management and governance arrangements, and arrangements in place with regards to the confidentiality of patient and service user data.
28. We have undertaken a benchmarking exercise in relation to the functions of the Caldicott Guardian using comparisons against both other local authorities and NHS organisations based on scores against the Data Security and Protection Toolkit.
29. The committee were pleased to note work has already taken place to learn from and share best practice with a local authority; and that there are plans for similar work with a core city rated 'standards exceeding' in the coming year.

**2020 Key Action:**

**We will continue to use benchmarking to measure our performance in relation to Caldicott Guardian functions and to identify, and learn from best practice.**

**2019 Key Action:**

**Our Corporate Governance and Audit Committee will regularly review plans to deal with outstanding and emerging issues relating to PSN Certification.**

30. The Council is required to hold Public Services Network (PSN) accreditation to provide an assured route for information sharing across public sector organisations. Most recently the Council was awarded a PSN certification until August 2020. The Cabinet Office have indicated that, in the light of the Covid-19 pandemic, that the existing certificate will not expire pending completion of ongoing remedial works in anticipation of re-certification. The Council anticipates submitting its re-application in December 2020.
31. The ongoing PSN certification has necessitated significant ongoing work to ensure that alternative solutions capture information held in Access 2003 databases as the runtime for Access 2003 is now non-compliant.

32. Through seeking assurance in regular reports detailing progress, resources and engagement the Corporate Governance and Audit Committee has:

- ensured appropriate escalation of concerns;
- noted enhanced arrangements for project governance from January 2020;
- received assurance that all Access 2003 databases have been uplifted to Access 2010; and
- noted the project plan and governance arrangements in place to ensure that the Council ceases use of Access 2010.

**2020 Key Action:**

**Our Corporate Governance and Audit Committee will regularly review plans to deal with outstanding and emerging issues relating to PSN Certification, including the Access project.**



## E. HOW OUR FUNCTIONS ARE EXERCISED

### E.1 Executive Arrangements

1. We operate strong leader and cabinet style executive arrangements. Functions are exercised by Council or Executive in accordance with the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 as amended<sup>5</sup>.
2. Members are able to exercise their democratic mandate through direct decision making by full council, Executive Board and their respective committees; through executive oversight of officer decision making; or through formal overview and scrutiny arrangements. This is supported by clear procedures and appropriate corporate and directorate practice.
3. The Leader sets out her Executive Arrangements, detailing the delegation of executive functions to committees and Directors<sup>6</sup>, together with arrangements for executive political oversight and accountability. Arrangements enable officers to take delegated decisions in relation to any executive function within their remit, save where the leader or the relevant portfolio holder has directed or the director considers that the matter should be referred to Executive Board for consideration. In this way arrangements ensure that the Executive Board is able to consider, influence and determine matters of significant impact to the council or the city.

#### In practice:-

Over the reporting period Executive Board have considered reports in relation to:

- expansion of schools under the learning places programme (expansion proposals, consultation outcomes) enabling oversight of significant learning place expansion in the city.
- capital spend of £1.7 million for redevelopment of Cookridge Street as a new area of public realm, as part of the larger Headrow Gateway Scheme facilitated by the Leeds Public Transport Investment Programme (LPTIP).
- significant injections into the capital programme relating to development at Great George Street, and the East Otley Relief Road and Housing Allocation.
- the new Suitability Policy for applicants and licensees of drivers of taxis and private hire vehicles, (also approved by all West Yorkshire Authorities and the City of York Council.)
- Promoting Affordable Warmth. Updating the Council's approach to tackling fuel poverty in the city and enabling Executive Board to endorse use of the Council's influencing powers to change national policy and regulation.

4. The Annual Council Meeting appoints council committees and establishes their terms of reference; approves delegation of Council functions to Directors and receives notice of the Leader's executive arrangements. The Council did not hold an annual meeting<sup>7</sup> in 2020, however decisions were published by the Leader and City Solicitor confirming respectively that the Executive Arrangements, and Council appointments and delegations would remain as set

<sup>5</sup> Part 3 Section 1 of the constitution sets out responsibilities for local choice functions.

<sup>6</sup> These arrangements are amended if necessary to include any additional delegation approved by Executive Board which will exceed six months in duration.

<sup>7</sup> The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020/392 disapplies the requirement to hold an annual council meeting.

out for the 19/20 municipal year. Arrangements were made accordingly to publish the 2020-2021 iteration of the Council's Constitution.

5. These arrangements provide a matrix of responsibility for the discharge and oversight of the council's functions ensuring strong political leadership whilst enabling agile and responsive decision making within a clear framework of political oversight and accountability.
6. The executive is held to account in full Council through executive questions addressed to relevant portfolio holders from councillors, and through the Council's arrangements for overview and scrutiny.

In practice:-

Executive questions asked during the year have included the following topics:-

- Bin collections;
- The outcome of the Spending Review in relation to adult social care;
- GP capacity to meet needs arising from housing expansion;
- Update on progress with Leeds flood alleviation scheme.

## E.2 Committee Structure

7. There are currently twenty-seven committees appointed by council (five Scrutiny Boards; six governance committees; ten community committees; four regulatory committees; and two advisory committees). In turn the Licensing Committee formally appoints sub-committees. In addition, a number of Committees operate working groups to enable work to be undertaken at greater depth in order to support and enhance decision making within those committees.
8. The Executive appoints the Access to Information Appeals Panel, and delegates functions to the council appointed community committees.
9. The Community Committees Executive Delegation Scheme sets out details of the functions delegated for exercise at local level by our ten Community Committees. Each Committee is allocated a budget resource from the wellbeing fund, the youth activity fund and the community infrastructure levy. Committees receive and determine applications for funding and at the start of each municipal year confirm arrangements for officers taking delegated decisions on their behalf between meetings. Every meeting the committee receives a finance report updating them on the budget position for budget allocated to the committee; and advising of delegated decisions taken by officers in relation to the fund.
10. In addition the Executive is advised by the two advisory committees appointed by council: the Development Plan Panel and the Climate Emergency Advisory Committee.
11. The Council and Executive have also established a number of joint committees to which members are appointed as the authority's representatives.
12. In accordance with social distancing guidelines responding to the Coronavirus pandemic, all committee meetings were cancelled from noon on 16<sup>th</sup> March pending introduction of legislation enabling remote meetings.
13. The first webcast remote meeting of Executive Board and single item agenda remote Full Council meeting took place in April 2020. Since then remote meetings have been set up for Plans Panels, Scrutiny Boards, and Corporate

Governance and Audit Committee, with licensing Sub-Committees recommencing in August 2020. Community Committees are meeting in an informal advisory capacity. In order to ensure the success of remote meetings there has been a very focussed and prioritised approach to agendas.

### E.3 Management Structure

14. The Council's management structure is set out at Article 12 of the constitution. The structure reflects the division of the council's officer corps into five directorates. The Article also lists each officer who derives delegated responsibility from Council or the executive under the officer delegation scheme<sup>8</sup>
15. The Article also sets out the appointment of Statutory Officers, provides clarity as to their functions and confirms the council's commitment to providing officers, accommodation and other resources as are necessary to fulfil their duties.
16. The Monitoring Officer Protocol and the Chief Finance Officer Protocol<sup>9</sup> provide further detail as to how these roles will be exercised. In March 2020 Standards and Conduct Committee and Corporate Governance and Audit Committee respectively received assurance that the Monitoring Officer Protocol and the Chief Finance Officer Protocol are up to date and fit for purpose.
17. The officer delegation scheme sets out functions delegated to each of the Directors by Council (council functions) or the Leader (executive functions).
18. In turn, each Director approves a sub-delegation scheme setting out authority for officers of suitable experience and seniority to discharge their functions.
19. There have been a number of key personnel changes through the year<sup>10</sup> Where necessary new Directors have approved a sub-delegation scheme in their own name. Induction arrangements include tailored introductions to the council's structure and decision making arrangements for officers who are new to the Council or to a senior leadership role.

### E.4 Decision Making Framework

20. The decision making framework provides clear and transparent arrangements for the discharge of functions by the Council and Executive.
21. In accordance with legislation Council approves the budget and core policy documents. The Budget and Policy Framework Procedure Rules set out the mechanism which enables stakeholder engagement; public consultation; scrutiny oversight and executive consideration prior to approval by full Council.
22. Executive decisions are taken in accordance with Article 13: Decision Making, and the Executive and Decision Making Procedure Rules<sup>11</sup>. Together these provide a framework in which decisions are categorised by both value and impact on the communities living and working in the area.

---

<sup>8</sup> the Chief Executive, the Directors, the Chief Finance Officer, the City Solicitor, and the Chief Planning Officer

<sup>9</sup> Parts 5e and 5k of the Constitution respectively

<sup>10</sup> Chief Officer Human Resources; Chief Planning Officer; Chief Officer (Operations) City Development; Director of Children and Families; Director of Public Health; Chief Officer (Transformation and Innovation) Adults and Health

<sup>11</sup> In Part 4 of the Council's Constitution

23. Arrangements ensure transparency of decision making which is compliant with legislation and proportionate to the decisions being taken. Following detailed review and benchmarking, Council adopted amended thresholds at their Annual Meeting in May 2019. Changes took effect from 1<sup>st</sup> July 2019.

**Key Action 2019:**

**The implementation of our new decision making will be effectively communicated with arrangements monitored during the year and reported back to the Corporate Governance and Audit Committee**

24. In June 2020, Corporate Governance and Audit Committee received the City Solicitor’s Annual Assurance Report on executive decision making, confirming that decision making arrangements are up to date, fit for purpose, embedded and routinely complied with. The report detailed work undertaken to communicate the amended thresholds for key and significant operational decisions; and provided assurance that officers meet legislative and constitutional requirements in respect of prior publicity and recording of executive decision making.

25. The report detailed how practice and procedure was adapted to meet the quantity and pace of decisions taken during the Coronavirus pandemic, providing assurance that although systems and processes were adapted to enable agile decision making they remained consistent with legislation and the constitution. In addition the report provided assurance that those decisions taken at the start of the emergency response period, before these arrangements had been put in place, received retrospective endorsement at the first formal remote meeting of Executive Board on 22<sup>nd</sup> April 2020. The report also confirmed the key role undertaken by Scrutiny Chairs in providing oversight of decisions taken, and regular review of the arrangements to ensure that they remained necessary and appropriate.

**E.5 Effectiveness of Governance Framework**

26. Corporate Governance and Audit Committee receive regular reports providing assurance that governance arrangements in place across the authority are up to date and fit for purpose; communicated and embedded; and routinely applied. Reports are the subject of robust consideration and challenge and where necessary further information or assurance is sought.

27. Annual reports set out assurances in relation to arrangements for executive decision making, regulation of investigatory powers, licensing and planning.

**2019 Key Action:**

**The arrangements whereby, Members may refer applications to Plans Panel for determination and the governance arrangements for Enforcement will both be reviewed by our Corporate Governance and Audit Committee**

28. The committee received a follow up report in November 2019 in relation to councillor’s referral of matters to plans panels. The Committee requested and considered a briefing note prepared by the Chief Planning Officer, setting out the

process for referral to plans panels by Members, and information in relation to 'material planning considerations', which was circulated to all councillors.

29. The committee reviewed information provided in relation to the governance of enforcement and requested that future reports include information in relation to planning enforcement on land owned, or partially owned, by the council.

**2020 Key Action:**

**Corporate Governance and Audit Committee will continue to seek assurance in relation to arrangements for enforcement in relation to breach of planning control.**

30. Members are provided further opportunity for oversight through a bi-monthly report prepared for each ward, detailing key enforcement cases, (particularly those where a ward member or parish council have expressed interest), and circulated to members.
31. In addition to assurance in respect of planning matters received by Corporate Governance and Audit Committee, the Joint Plans Panel, an informal meeting of all members of the Council's plans panels, provides monitoring and oversight of the council's planning functions through receipt of reports detailing performance data and activity rates.

## F. HOW WE ENSURE EFFECTIVE FINANCIAL AND OPERATIONAL CONTROL AND VALUE FOR MONEY

1. The Council is responsible for ensuring that its 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.

### F.1 The financial landscape

2. The current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions. Whilst the Council continues to make every effort possible to protect the front line delivery of services, it is clear that the position remains challenging.
3. The COVID-19 pandemic in particular brings uncertainty with regard to the ongoing impact upon expenditure and income from sales, fees and charges. The pandemic will also impact upon collection rates for Council Tax and Business Rates.
4. The next spending review in 2020 has the potential for considerable impact through the level of resources available to local authorities.
5. In addition we recognise:
  - Variation in business rates retention, and the volatility of income from business rates, require careful management;
  - The Fair Funding Review (now postponed to 2021) introduces a risk upon the level of resources available to Leeds;
  - Government funding intentions for social care remain unclear;
  - There is uncertainty as to whether transitional arrangements for the national funding formula for schools will continue beyond 2020/21, with further potential for impact should maintained schools become academies.

#### **2019 Key Action:**

**We will ensure that we continually review the financial landscape in order to alleviate the uncertainty and challenge to the delivery of our ambitions and our financial planning.**

6. The annual audit letter from Grant Thornton, received by Corporate Governance and Audit Committee in November 2019, recognises that the council continues to operate under significant financial pressures but notes that it has effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources.
7. We recognise the impact of the Covid-19 pandemic on the financial landscape,; and the significant risks that this poses. Further details are set out in section I1 of this report.

### F.2 Our arrangements for financial control

8. The Council has designated the Chief Officer Financial Services as the Chief Finance Officer in accordance with Section 151 Local Government Act 1972.



**Key Action 2019:**

**The financial management arrangements will continue to be kept under review during the year.**

9. In March 2020, Corporate Governance and Audit Committee received the annual assurance report on financial management and control arrangements and compliance with the Chief Finance Officer Protocol, and the annual treasury management governance report. Set out in these reports the committee received assurance that the framework of financial control has been reviewed and is fit for purpose, up to date, embedded and regularly complied with. In particular that:-
- Arrangements in place for reporting and access to meetings, and provision of resources deliver the impact required in the [CIPFA statement on the role of the Chief Financial Officer in local government](#);
  - The Council has established an effective financial control environment and specifically robust arrangements for strategic financial planning combined with effective financial management and control.
  - The Council has a proven and comprehensive approach to development of its medium term financial strategy, its annual budget setting and the identification of savings plans;
  - Budget management and monitoring is a continuous process with clearly articulated roles and responsibilities set out within the Council's budget accountability framework, and financial monitoring undertaken on a risk-based approach;
  - Rigorous arrangements are in place to develop and manage the council's capital programme; manage risks to its delivery and limit the impact on the council's debt costs; and
  - Arrangements for treasury management comply with CIPFA's Code of Practice on Treasury Management and the Prudential Code.

Our financial strategies

10. In July 2019 Executive Board agreed the updated five year Medium Term Financial Strategy which sets out principles for the determination and management of revenue and capital budgets. The position was updated and agreed by Executive Board in October 2019. A new MTFs and separate budget savings report were received at Executive board in September 2020 incorporating the financial impact of Covid-19 into our financial planning.
11. Adoption of these principles results in a more robust and accountable approach to budget management which closely aligns itself with the principles that are set out in CIPFA's Financial Management Code which all local authorities will be required to fully implement by the 31<sup>st</sup> March 2021. The Strategy recognises the requirement that the revenue budget becomes more financially resilient and sustainable, whilst reducing the risks associated with funding recurring revenue through mechanisms such as capital receipts and capitalisation.
12. Executive Board approved the authority's Capital and Investment Strategy In February 2020 alongside consideration of the proposed budget.

### Setting our budget

13. The revenue budget setting process follows the Budget and Policy Framework Procedure Rules and which require consideration by the Executive and by each of the council's scrutiny boards, and public consultation prior to the budget meeting of council in February each year. As a result of the General Election held in December 2019, the budget consultation period was shortened in order to ensure that there was no breach of purdah rules around the election period, however the consultation which took place satisfied the requirements of the procedure rules.
14. In accordance with the Local Government Finance Act 1992, in January 2020 full Council approved recommendations calculating the council tax base for Leeds and for each parish or town council within the Council's area; and prepared an estimate of business rates income it will collect in the coming year.
15. Final budget proposals were submitted to Executive Board for recommendation to Council in February 2020. In approving the budget, Council received assurance from the Chief Finance Officer that the proposed budget for 2020/21 was robust and that the proposed level of reserves was adequate.
16. Via Scrutiny Boards, Executive Board and Full Council Members provide scrutiny through the budget setting process to ensure that the budget meets the council's priorities and objectives. In addition individual reports provide assurance that the activities undertaken in pursuance of the council's budget continue to meet the Council's aims and objectives.

#### In practice:-

In January 2020 Executive Board received a report providing an update on the investment approved in July and November 2016 for the LNA (Leeds Neighbourhood Approach) in Holbeck and the investment in group repair, specifically in the Recreations. The report also provides details of other activities which have complemented the investment as part of the Council and partners' activity in the area to address issues of deprivation.

17. The Council's Internal Audit service undertakes an annual review of the controls in place to support the central co-ordination of the setting and monitoring of the Council's budget. The most recent review, reported in 2019, gave substantial assurance; there is a planned review for 2020 which will incorporate budget setting and monitoring against the covid-19 implications.

### F.3 Monitoring our performance

18. The Council has a sound framework for reviewing and challenging financial performance, has realistic plans in place to balance the budget for the 2020/21 financial year, and is taking the appropriate steps to deliver them. Directorates have contingency plans in place to help to manage unforeseen variations against the budget.
19. A number of officer forums including the Financial Strategy Group, Finance Performance Group, Directorate Leadership Teams and Corporate Leadership Team provide ongoing review of the financial strategy, annual budget and in year budget monitoring processes.



20. The Corporate Financial Integrity Forum meets monthly to ensure the financial stewardship of the authority by ensuring that there are procedures and operations in place to provide the necessary quality, integrity and reliability of financial information and accounts.
21. Executive Board receives regular Financial Health Monitoring Reports from the Chief Officer Financial Services in respect of both the revenue budget and the Housing Revenue Account. Reports summarise the financial position in each directorate, note any projected overspend and present proposals identified to address these. Members are able to seek and receive further information and assurance in relation to specific budget pressures as well as ongoing trends.

In practice:-

As part of the ongoing monitoring of financial health Executive Board have sought and received information and assurance including:

- The refinancing of council debt;
- The increase in the interest rate of the Public Works Loan Board;
- Business rate appeals and collection.

22. Financial Health Monitoring Reports to Executive Board have focussed closely on the impact of the Covid-19 pandemic on the Council's financial position. Reports acknowledge the need for the local authority's financial position to be stabilised in order to enable effective response to the pandemic with focus on localised control and management of COVID-19 outbreaks; restoration of public services as appropriate, and helping the local economy and infrastructure to recover. At the same time reports have provided information in relation to the funding gap, the engagement which has taken place with the Government to seek supportive measures, and the steps taken to manage the financial position.
23. Similarly Executive Board receives regular update reports on the council's treasury management strategy and the capital programme and current and anticipated capital receipts and has given approval for disposals of key sites which will make significant capital receipts contributions over forthcoming years, such disposals being aligned to support the Medium Term Financial Strategy.
24. The council's draft statement of accounts and narrative report were published for consultation in line with national deadlines<sup>12</sup> alongside the Annual Governance Statement for 2020.
25. The Corporate Governance and Audit Committee approves the Council's final statement of accounts following consultation and on receipt of the external auditor's opinion. The approved accounts are published alongside the final Annual Governance Statement.

#### F.4 Reviewing our arrangements

26. The financial management and control framework is continually being assessed and reviewed to ensure that it remains fit for purpose.

---

<sup>12</sup> As amended by the the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

27. Every local authority will be required to comply with the Financial Management Code published by CIPFA in October 2019. Detailed guidance underpinning the Code was anticipated in April 2020 but has been postponed.

**2020 Key Action:**

**We will review our practice against detailed guidance underpinning the CIPFA Financial Management Code 2019.**

28. The financial service has seen a number of resource reductions to contribute towards helping the council to meet its financial challenges. Given the reductions achieved to date and the scale of the challenge moving forward, a review of the structure of the finance service has commenced.

**2020 Key Action:**

**We will complete and implement a review of the financial service to ensure that it remains a highly effective and responsive function offering value for money.**

29. The current in-house Financial Management System (FMS) has been in place for some time and gaps have been identified within the system capabilities as well as opportunities to explore greater automation. As such the system has been brought within a wider review of the Council's core systems to ensure that they are up to date and fit for purpose.

**2020 Key Action:**

**We will review our core systems and processes with a view to ensuring that they are up to date and fit for purpose and meet the needs of an efficient, enterprising and healthy organisation.**

#### F.5 Value for money

30. We continue to be mindful of the pressures facing the council and the city in terms of the increasing demands on public services within the context of reduced funding and ongoing uncertainties in relation to Covid-19 and Brexit.

31. These concerns are shared by our external auditors in the external audit plan for 2020/21. They identify significant risks in respect of the authorities value for money arrangements arising out of:-

- Financial standing – the Authority as other authorities, continues to operate under significant financial pressures. For 20-21, the Council is planning to deliver a balanced outturn position but to achieve this, needs to deliver savings of some £28.4m whilst managing cost pressures within Children's Services.
- Brexit - the UK left the European Union on 31 January 2020 with a transition period until 31 December 2020. There will be national and local implications resulting from Brexit that will impact on Leeds City Council, which the Authority will need to plan for.

32. The identified risks and concerns are not new and are recognised in the risk arrangements we have in place.

33. The external auditors updated their Value for Money assessment to document their understanding of the Council's arrangements to ensure critical business continuity. The external auditor has not identified any new VFM risks in relation to Covid-19.
34. Through receipt of reports from the Council's Chief Finance officer, Executive Board is maintaining oversight of the Council's financial position through the Covid-19 pandemic emergency response and recovery. The position continues to evolve as the Council works with Government to secure further funding, an underwriting of income or the capitalisation of pressure.
35. In addition we have planned a series of service reviews to ensure that the Council's resources continue to be utilised in the most efficient and effective way to deliver services to our citizens and communities.
36. In our Annual Governance Statement for 2019 we recognised the impact of these pressures, in particular noting that the Annual Standards Report in relation to education in the city recognised challenges arising from the pressures on local government funding, complexities around the high needs block, high rates of short term exclusions and the gap in educational outcomes.

**2019 Key Action:**

**We will progress the 15 Actions identified in our Annual Standards Report.**

37. The Annual Standards Report, received by Executive Board and referenced in the 2019 Annual Governance Statement, highlighted areas of progress and success but also acknowledged significant challenges we face in working towards our ambition of being the best city for learning. The Annual Standards Report, received by Executive Board in July 2020, has been reformatted to be in line with the 3A's Strategy, the leading education plan for the city.
38. The 3As strategy (Attendance, Attainment and Achievement), received by Executive Board in July 2019, is driven by our ambition to support all children and young people, especially those who are vulnerable and/or disadvantaged, to reach their full potential. The Annual Standards Report uses available standards data to underpin the priorities and strategies outlined in it on how we will work to improve the relevant outcomes moving forwards. .
39. Executive Board also received a report in September 2019 in relation to exclusions, elective home education and off-rolling; noting the intention of the Children and Families Directorate to produce an annual report.

## F.6 Procurement

40. The Contracts Procedure Rules support effective procurement by setting out key responsibilities and actions that officers are required to follow when undertaking procurements They support officers to meet legislative requirements, and to meet the Council's ambitions for procurement, the Council's procurement strategy, and related policies and procedures.
41. In certain specific circumstances procurement can be undertaken outside of the framework provided by the Contracts Procedure Rules where specific approval is obtained. Together with internal audit, Corporate Governance and Audit Committee has provided check and challenge to the use of waivers. The number

of waivers processed across the authority has fallen over each of the last three years, with 79 waivers processed in 2019/20 as opposed to 153 in the previous year.

42. Recommendations from an internal audit review undertaken in the Spring recommend focusing on the potential to embed and sustain this positive direction of travel.

**2020 Key Action:**

**We will undertake training to further promote the importance of compliance with Contracts Procedure Rules and will strengthen the close working between directorates and PACS that will ensure waivers are limited to exceptional circumstances.**

43. The council's 2019-24 procurement strategy was approved by Executive Board in June 2019 as reported in the last Annual Governance Statement.

**Key Action 2019:-**

**The Corporate Governance and Audit Committee will also review the implementation of the new Procurement Strategy through the Annual Procurement Assurance Report from the Chief Officer (Financial Services).**

44. The Annual Procurement Assurance Report, received by Corporate Governance and Audit Committee in June 2020 set out details in relation to progress made in respect of value for money, governance, social value, commercialisation, and strategic suppliers since adoption of the Procurement Strategy in June 2019.

**2019 Key Action:**

**After the strategy has been operational for a year, further baseline figures will be considered for introduction into KPIs in order to monitor performance.**

45. The Annual Procurement Assurance Report detailed performance monitoring for waivers, non and off-contract spend, and expenditure with local suppliers and SME's. In addition the Committee received information in relation to the development of a Leeds specific set of themes, outcomes and measures by which to report progress in relation to social value in procurement.
46. The Procurement Strategy includes the delivery of social value as one of five key areas for procurement. Arrangements have been put in place through the year to provide a framework for social value, together with the tools to measure and collate relevant indicators which will in turn form part of the assurances to be received by CGAC.
47. Social Value guidance document for commissioners was endorsed by Scrutiny Board (Strategy and Resources) in January 2020). The guidance ensures that commissioners both consider and evaluate social value in procurement.

**2020 Key Action:**

**We will measure and collate key performance indicators to ensure that social value outcomes are achieved through our procurement practice.**

48. Through the Annual Procurement Assurance Report, Corporate Governance and Audit Committee received information in relation to the impact of the Covid-19 pandemic on the Council's procurement activity. In particular the report noted
- the increase in waivers and diversions from cost saving / income generation activity arising from urgent contracts required to facilitate the emergency response;
  - impact on progress and related reduction in potential outcomes relating to social value, faster payments and accreditation as a living wage employer; and
  - the ongoing review of the Procurement Strategy to realise savings in view of the impact of the pandemic on the Council's financial position.

## G. HOW WE ENSURE POLITICAL OVERSIGHT AND ACCOUNTABILITY

### G.1 The Executive

1. In addition to its decision making function Executive Board exercises oversight in relation to the discharge of executive functions across the council.
2. The Board receives reports detailing work taking place to meet our ambitions and priorities ensuring that work programmes are drawn together and presented for political oversight and engagement across the full spectrum of portfolios.

**In practice:-**

Throughout the period of this Annual Governance Statement, Executive Board has received a number of reports drawing together work done across the city. These have included:

- Domestic violence and abuse;
- Adapting parks and green spaces for climate change;
- Improving air quality in the city;
- Improving employment outcomes for people with learning disabilities;
- Enhancing access to community public access defibrillators;
- Tackling poverty and inequality through digital inclusion;
- Woodland creation;
- Addressing food poverty.

3. Similarly the Board receives reports in relation to implementation and outcomes providing an opportunity to ensure that our resources are directed to achieve measurable results.

**In practice:-**

Throughout the period of this Annual Governance Statement, Executive Board has received a number of reports reviewing progress under key strategies for the city. These have included:

- Health, safety and wellbeing performance and assurance report;
- Annual report on the strategic approach to migration;
- Leeds inclusive growth strategy;
- Our spaces strategy – outcome of engagement and strategy update.

4. The Board has continued to meet throughout the Covid-19 pandemic. Initially this took place through two private consultation meetings, enabling Executive Members to discuss and comment upon proposals before formal decisions were taken by officers. As soon as relevant legislation permitted, the Board resumed formal decision making meetings which took place remotely each month from April 2020.

### G.2 Overview and Scrutiny

5. We have in place arrangements for overview and scrutiny which seek to ensure parity of esteem between the executive and scrutiny functions.
6. Council appoints five Scrutiny Boards:
  - Adults, Health and Active Lifestyles
  - Children and Families
  - Environment, Housing and Communities

- Infrastructure, Investment and Inclusive Growth
  - Strategy and Resources
7. Article 6 of the Constitution sets out a clear remit for each Board through identification of oversight of executive portfolios and officer decision making arrangements. The Article also includes the Vision for Scrutiny adopted by the Council. Scrutiny activity is undertaken in accordance with the Scrutiny Board Procedure Rules.

**2019 Key Action:**

**We will review the Guidance for Scrutiny issued by Government in May 2019 and report to Members any implications or proposals for change.**

8. We adopted amended Scrutiny Board Procedure Rules at the annual meeting of Council in May 2019 and have monitored implementation of these rules, alongside consideration of the updated Guidance for Scrutiny.
9. As Council committees, each scrutiny board meets in public. Agendas are published five clear working days in advance of each meeting in accordance with statutory requirements, and minutes published in accordance with the locally established requirement of ten working days from the meeting.
10. The overview and scrutiny arrangements are a key part of our governance framework, providing oversight and challenge in relation to the discharge of our functions, with ultimate recourse to call in before significant decisions taken by the executive are implemented.
11. In addition, overview and scrutiny provides valuable insight into the governance framework itself and assists in ensuring that arrangements are up to date and fit for purpose in focussing resources on achieving better outcomes and ensuring that we provide excellent value for money.
12. Work programmes are developed by each Board, in consultation with relevant Executive Members and Directors to ensure Scrutiny resource is directed appropriately.
13. Scrutiny Board work programmes are broad and varied and include:
- Policy / Service review
  - Pre-decision scrutiny
  - Recommendation tracking
  - Performance monitoring
  - Development briefings
  - Consultation response
14. Whilst a number of Scrutiny Board meetings had to be cancelled in view of social distancing guidelines during the Coronavirus pandemic, arrangements were made for regular briefings to take place between Scrutiny Chairs and relevant Directors. This enabled ongoing oversight of executive decision making and ensured a shared understanding of pressures and priorities within Directorates. Full Board briefings regarding the Council's pandemic response also took place with lead directors and Executive Board members in May 2020.
15. Scrutiny Boards routinely add value to our policy setting and review. Our Budget and Policy Framework Procedure Rules require engagement with Scrutiny prior to consideration of final proposals by Executive Board. This enables boards to



add value, scrutinise the content of proposed policy documents and to provide challenge around the methodology by which proposals have been arrived at.

16. Each of the five scrutiny boards was involved in consideration of the Best Council Plan review, resulting in 2 key recommendations in relation to the way in which we produce, monitor and review the Best Council Plan.

**2020 Key Action:**

**We will review how Leeds' approach in developing and monitoring the Best Council Plan compares with that of other core cities.**

**2020 Key Action:**

**We will review the key performance indicators relating to inclusive growth and development of housing mix and will add additional meaningful KPIs as required to the Best Council Plan**

G.3 Corporate Governance and Audit Committee

17. Our Corporate Governance and Audit Committee has significant oversight of the Council's systems of internal control and provides robust challenge ensuring that these systems allow for appropriate accountability.
18. The Committee's Terms of Reference require it to consider and review the Council's arrangements in relation to:
- the Accounts;
  - external audit requirements;
  - internal audit requirements;
  - policies and practices to ensure compliance with statutory and other guidance;
  - the Council's Corporate Governance arrangements (including matters such as internal control and risk management).
19. The Annual Report, approved by the Committee at its meeting in March 2020 documents the work undertaken to fulfil this remit.
20. The 2019 Annual Governance Statement reported on our self-assessment of the Corporate Governance and Audit Committee's arrangements against best practice (Core functions – Audit Committees: Practical Guidance for Local Authorities and the Police (CIPFA, 2013))

**2019 Key Action:**

**We will actively pursue the appointment of an Independent Member to the Corporate Governance and Audit Committee in the 2019/20 Municipal Year.**

21. Following Council's approval for the appointment of a non-voting co-opted independent member of the committee and in line with the Chartered Institute for Public Finance and Accountancy (CIPFA) guidance for Audit Committee in Local Government, Members of the Corporate Governance and Audit Committee prepared a role description and person specification.
22. During the course of the municipal year a cross party panel, drawn from the committee's membership and including the Executive Member for Resources, invited applications from candidates for the role. Only one application was



received as a result of this exercise, from an applicant with close connections to Leeds City Council. A decision was taken that a wider search should be undertaken, in order to attract a more diverse and independent field to provide assurance of separation and independence in the audit committee role.

**2020 Key Action:**

**We will continue to pursue actively the appointment of an Independent Member to the Corporate Governance and Audit Committee in the 2020/21 Municipal Year.**

G.4 Full Council

23. Council receives annual reports from the majority of its committees which enable monitoring and oversight of the way in which members acting in committee are discharging council functions. Through the course of the year reports are received from:-

- Scrutiny Boards (a joint report);
- Community Committees (a joint report);
- Plans panels (a joint report);
- Licensing Committee;
- Standards and Conduct Committee; and
- Corporate Governance and Audit Committee.

24. During the period covered by this Annual Governance Statement, Council has received the Scrutiny at Leeds City Council Annual Report; the Leeds Community Committees Annual Report; and the Plans Panels Annual Report.

25. During discussion of the Plans Panels Annual Report, Members requested that reports provide information in relation to planned future work, in addition to details of activity which has taken place during the reporting period.

**2020 Key action:**

**We will include the identification of areas for future work in our Committees' annual reports to Council.**

26. The annual reports of the Licensing Committee, Standards and Conduct Committee and Corporate Governance and Audit Committee have been approved by those committees and will be submitted for consideration by Full Council as soon as practicable in light of arrangements for meetings during social distancing.

27. In addition, minutes of the Executive Board and the Health and Wellbeing Board are received at each council meeting, and time is set aside for relevant debate providing opportunity for Council to maintain oversight and hold the executive to account.

## H. HOW WE MANAGE AUDIT AND RISK

### H.1 Risk Management

1. The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
2. Following consideration of the Annual Assurance Report on Corporate Risk Management by the Corporate Governance and Audit Committee in July 2019, there has been a review of practice and procedure around the scrutiny of risk. Arrangements have been put in place to enable corporate and departmental risks to be used to inform the work program. In addition, the Annual Assurance Report will be strengthened by enabling scrutiny of service specific areas of concern before the report is prepared.
3. Our Risk Management arrangements set out our commitment to a risk management framework that enables staff and elected members to identify, understand, manage and report on strategic and operational risks that could impact upon delivery of the Best Council Plan. As part of our decision-making arrangements, all reports for key and significant operational decisions consider risk management.
4. The council's most significant risks are captured in the Corporate Risk Register and are regularly reviewed by our Corporate Leadership Team. A corporate risk map is updated and published each quarter and senior politicians continue to be briefed on key risks. Corporate risks are those of significant, cross-cutting importance that require the attention of the council's most senior managers and elected members. Each of the corporate risks has named risk owners - a lead portfolio member and a member of the Corporate Leadership Team, (comprising the Chief Executive and directors) - who are jointly accountable for their management. The Executive Board as a whole retains ultimate responsibility.
5. The nature of risks is that they come and go as the environment changes. However, there are a set of 'standing' corporate risks that will most likely always face the council:
  - Safeguarding children
  - Safeguarding adults
  - Health and safety
  - City resilience
  - Council resilience
  - Financial management (both the risk to the in-year budget and longer-term financial sustainability)
  - Information management and governance
  - Climate change adaptation and mitigation

6. The Annual Report on our Risk Management Arrangements, presented to Executive Board in June 2020, provides assurance on each of these standing risks and the other risks currently rated as 'red' – i.e. of the highest significance – that do not fall into the standing risk category: coronavirus, economic growth lag, major flooding (included as part of the wider assurance on the city resilience risk) and major cyber incident (incorporated within the wider assurance on information management). Each assurance gives an overview of each of the risk areas, the current arrangements in place to manage them and additional activity planned, signposting to more detailed assurances available (such as reports to Executive, Scrutiny and Partnership Boards). The annual report also includes the latest corporate risk map showing all risks currently on the corporate risk register.

**2019 Key Action:**

**We will aim to develop guidance to help ensure there is a consistent and effective approach across the authority for managing risk with partners.**

7. Whilst there are undoubted benefits derived for the council, our partners and our customers through partnership approach, joint working arrangements, in a multiplicity of forms, continue to provide challenges in terms of transparency, accountability and risk.
8. A checklist has been developed for partnership governance and risk and approved by the Council's Corporate Leadership Team. The checklist includes governance arrangements for entrance, monitoring and review and exit from partnerships as well as the governance of risk within partnerships.
9. It is intended to develop a set of clear and straightforward thresholds above which the checklist must be applied. However the checklist will be made available to use in relation to partnerships across all sectors and of all sizes.
10. The checklist will be tested by application to a small number of partnerships identified by the directorates before being rolled out more widely.
11. Of vital importance to us, is ensuring that we have arrangements in place to ensure our critical services can recover quickly from serious untoward incidents.
12. As reported in the 2019 Annual Governance Statement, Corporate Governance and Audit Committee received assurance in March 2019 that our business continuity plans are in place for all our critical services and that these are subject to continuous review. The Committee concluded that arrangements were up to date, fit for purpose, effectively communicated, routinely complied with and monitored and that arrangements meet the council's statutory duties as required by the Civil Contingencies Act 2004.

## H.2 Internal Audit

13. In accordance with the Public Sector Internal Audit Standards, the Internal Audit Plan, prepared annually, schedules a series of reviews selected to provide assurance that the internal control systems and processes in place provide sufficient control environment, and are both embedded and routinely complied with.

14. The plan is based on a risk based approach, drawing on:
- the council's corporate and directorate risk registers;
  - previous internal audit work and ongoing assessment of auditable entities;
  - awareness of relevant local and national issues;
  - consultation with Corporate Governance and Audit Committee, the Chief Finance Officer, the Monitoring Officer, Corporate Leadership Team and other senior management and colleagues from across the organisation;
  - regular dialogue with core cities and authorities across South and West Yorkshire to track emerging risks; and
  - planned work deferred from the previous year;
- to establish areas of priority.
15. The Internal Audit Plan includes a number of reviews that evaluate the effectiveness of financial governance, risk management and internal control arrangements, including coverage of procurement activity. In addition the plan includes reviews which are aligned to the Council's value of spending money wisely. In addition to the schedule of planned reviews our internal audit arrangements provide scope to include additional work where necessary and appropriate.
16. The internal audit plan is considered by Corporate Governance and Audit Committee each year, enabling input from elected Members and from our external auditors.

**In practice:**

Following a recommendation made by the council's external auditor a review was undertaken of arrangements in relation to the assessment of risk and control in respect of journal entries.

A risk assessment was completed by Financial Management which acknowledged the risk of material error arising from an incorrect journal entry but concluded that there are satisfactory compensating controls already in place to mitigate this risk. A review of this assessment was completed by internal audit which confirmed that a sound methodology was used in undertaking the risk assessment, and that the identified compensating controls are in place. Given that the risk of deliberate misrepresentation of financial results is lower within public sector organisations, and that controls are in place to restrict, identify and address the risk of error, the review supported the conclusion of the risk assessment.

17. The 2020-21 internal audit plan was approved at Corporate Governance and Audit Committee in March 2020. This plan has been reviewed in light of the change in resources available and priority risks following the Covid-19 pandemic. Key priorities were identified and set out in a report to Corporate Governance and Audit Committee in June 2020 with an assurance that the remainder of the plan would be risk assessed and prioritised accordingly.

18. Completed audits result in assurance opinions ranging through substantial, good, acceptable and limited to no assurance. Where an audit results in limited or no assurance being given that audit will be the subject of review to ensure that the recommendations made in the audit report have been implemented and resulted in improved assurance.
19. Regular update reports to Corporate Governance and Audit Committee provide a summary of reports issued by Internal Audit for each reporting period. Further information is provided in respect of those reviews where an opinion of limited or no assurance has been given, or where follow up reviews have been undertaken.
20. In addition to consideration of the work detailed in the internal audit plan, Corporate Governance and Audit Committee have sought and received assurance and monitored information in relation to the resource available to the internal audit service to carry out their role.
21. The Committee has also received details of Internal Audit's own performance monitoring and has worked to encourage feedback from Directors.

Work undertaken under the 2019/20 audit plan

22. Included within the Internal Audit Plan for the 2019/20 year have been the following reviews highlighted in the 2019 Annual Governance Statement:

**Key Action 2019:**

**Our Internal Audit Plan for 2019/20 includes work to sample check HR policies to provide assurance as to the extent to which they are consistently and properly applied across the council.**

23. Internal Audit have completed reviews of arrangements in relation to recruitment; and the receipt of gifts and hospitality by officers, the results of which are detailed elsewhere in this statement.

**2019 Key Action:**

**During 2019/20 Internal Audit will review and follow up the arrangements in place for the approval and management of waivers and report the outcome of their work to the Corporate Governance and Audit Committee.**

24. An audit of waivers of Contract Procedure Rules (CPRs), reported in the 2019 Annual Governance Statement provided acceptable assurance overall, but limited assurance on the extent to which waivers were being reviewed and analysed to enable lessons learned to be fed back into procurement processes.
25. The Internal Audit update report received by Corporate Governance and Audit Committee in June 2020 confirmed that a full follow up audit supports a finding of good assurance for the control environment. The council's CPRs have been refreshed to require consultation with Procurement and Commercial Services, and supplemented with further guidance outlining the legal and regulatory framework to be considered.
26. An opinion of acceptable assurance for compliance has been given reflecting opportunities to further embed the processes that will sustain the positive direction of travel.

**2019 Key Action:**

**Internal Audit will review assurance arrangements relating to Community Cohesion and report their findings to the Corporate Governance and Audit Committee as part of the delivery of the Audit Plan.**

27. As reported to Corporate Governance and Audit Committee in June 2020, a planned internal audit review of the community cohesion arrangements has been deferred for consideration in the 2020/21 plan as resources have been diverted to the Covid-19 response.

**2019 Key Action:**

**Internal Audit Plan will review our governance arrangements for partnerships**

28. Work being undertaken to review arrangements and develop a checklist for governance and risk in respect of partnership arrangements is detailed elsewhere in this statement. When the developed arrangements have been in place for twelve months a review of the arrangements in place will be included in the internal audit plan.

29. An initial audit of Invest to Save – Benefits Realisation resulted in limited assurance in respect of the control environment as central governance arrangements had yet to be fully established during the period under review. Recommendations support work being undertaken by Financial Management and with Best Council Design Team to implement a robust process ensuring a consistent emphasis on delivery of planned savings throughout the lifecycle of relevant projects. Further audit work will ensure that arrangements have been embedded and are routinely complied with.

**2020 Key Action:**

**We will monitor and review the process we have implemented to ensure consistent emphasis on delivery of planned savings throughout the lifecycle of invest to save initiatives.**

Whistleblowing, Counter fraud and Anti-Corruption arrangements

30. We take steps to raise awareness of our anti-fraud and corruption policies, and have made a counter fraud and corruption training package available to staff via the council's performance and learning platform. During international fraud awareness week in November we promoted this training as well as raising awareness via the council's intranet site and by holding drop in sessions for staff to raise queries or ask advice.

31. All potential irregularities referred to internal audit are considered and where appropriate dealt with under the appropriate whistleblowing or raising concerns policies. Following risk assessment by internal audit referrals are investigated by the relevant directorate, human resources, internal audit or reported to the police as appropriate.

**In practice:**

During the reporting period internal audit completed a review of the council's recruitment procedures against best practice including guidance produced by Fighting Fraud Locally and CIFAS (The UK's Fraud Prevention Service).

The review has provided valuable assurance that there is a recruitment and selection framework in place which clearly identifies pre-employment checks, and that arrangements are in place to ensure that suitable pre-employment checks are undertaken for all new council employees. Recommendations were made to enhance the existing controls and these will be included in the new recruitment system.

**Regulation of Investigatory Powers Act 2000 (RIPA)**

32. Corporate Governance and Audit Committee receive updates from the Head of Service (Legal) in relation to the use of the Council's surveillance powers under RIPA through the Internal Audit update reports.
33. Reporting has confirmed that there have been no applications for directed surveillance or covert human intelligence source authorisations, and no use of the powers to obtain communications data during the period of this Annual Governance Statement.



## I. EXTERNAL OVERSIGHT

### I.1 External Audit

1. We continue to work with Grant Thornton as the Council's external auditors. Through a shared understanding of the issues facing the council, developed by regular liaison both with Members and senior officers, Grant Thornton add insight to Corporate Governance and Audit Committee discussions across the agenda.
2. Grant Thornton carry out an external audit of the Council's accounts with two key objectives: to give an opinion on the council's financial statements and 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.
3. This provides independent assurance on the Council's accounts and accounting practice as well as the arrangements to ensure value for money and the controls around the key financial systems.
4. The External Audit report received by the Corporate Governance and Audit Committee in July 2019, confirms:
  - In respect of the Council's financial statements an unqualified opinion was given;
  - In respect of value for money the auditors are satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources;
  - In respect of the Council's Annual Governance Statement and narrative report both documents were prepared in line with the CIPFA Code and relevant guidance; both were consistent with the financial statements and the auditor's knowledge of the Council.

#### In practice

In their annual audit letter, presented to Corporate Governance and Audit Committee in November 2019, Grant Thornton set out the key issues arising from their work on the accounts for the year ended 31<sup>st</sup> March 2019.

The letter confirms that the external auditor is satisfied that "the Council had put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources."

In respect of financial resilience Grant Thornton conclude that the Council have:

- "effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources"; and
- "proper arrangements in place to ensure sustainable resource deployment".

5. The audit plan for the 2019/20 year was submitted to Corporate Governance and Audit Committee in January 2020 setting out the proposed approach to give an opinion on the Council's 2019/20 financial statements.



6. In April 2020 Grant Thornton advised the Chief Officer Financial Services of the addition of a significant audit risk in respect of Covid19; outlining increased audit risk in respect of:
  - Remote working arrangements and redeployment of staff to critical front-line duties;
  - Volatility of financial and property markets;
  - Financial uncertainty requiring management to reconsider financial forecasts; and
  - Requirement for significant revisions to disclosures within the financial statements, particularly in relation to material uncertainties.
7. Further to this the external auditors presented a revised Audit Plan to Corporate Governance and Audit Committee in June 2020. The revised plan set out additional work in respect of the Covid-19 risk, to understand the arrangements the Authority has in place to address relevant risks in respect of Covid 19 in its accounts preparation, and the appropriateness of the Council's disclosures, including in respect of any estimation uncertainties around for example PPE and Pensions asset valuations.
8. We continue to work with the external audit team to facilitate their work, for example by responding to the Value for Money self-assessment, inter-alia providing details of Key partnership arrangements in place; providing draft financial papers, together with supporting working papers, and publishing the draft statement of accounts and narrative report in accordance with the agreed timetable.

#### Housing Benefits Subsidy Grant Claim

9. The audit of the Housing Benefits Subsidy grant claim is outwith the remit of Grant Thornton in their role as the councils' appointed auditors. In accordance with DWPs requirements the Council appoints Mazars separately to undertake the audit in respect of this claim.
10. In January 2020 Corporate Governance and Audit Committee received confirmation that Mazars completed their audit of the 2018/19 grant claim which was signed off unaltered, although (as in previous years) a small number of minor errors were found. DWP have extrapolated these errors, resulting in an increase of £3.8k in the subsidy grant receivable by the council.

#### **I.2 External Inspection and Oversight**

11. We come under the oversight of the Care Quality Commission (CQC), the Office for Standards in Education, Children's Services and Skills (Ofsted), Her Majesty's Inspectorate of Probation (HMIP), and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).
12. We have in place a protocol for the co-ordination of external inspection reports; which ensures that the Chief Executive and relevant Executive Member are briefed in relation to inspections as they are planned and progress. Completed inspection reports are shared with relevant Members, and arrangements can be made for consideration by Executive Board as appropriate.

**In practice:**

In February 2020 Executive board considered a report of the Director of Adults and Health setting out progress made in achieving and sustaining an improving trend in the quality of regulated services operating within the Council boundary. The report provided details of the Care Quality Commission inspection outcomes for social care providers since 2017. .

13. Relevant Directors are responsible for preparing and monitoring action plans arising from any external inspection. Relevant Scrutiny Boards may consider any report and monitor any action plan within their terms of reference. In addition Corporate Governance and Audit Committee may consider the governance and audit aspects of any inspection report where appropriate.
14. The 2018 CQC Local System Review report published in December 2018, and reported in the 2019 Annual Governance Statement, resulted in a robust action plan owned by the Health and Wellbeing Board (HWB).

**2019 Key Action:**

**We will deliver an action plan with our partners to address areas of improvement highlighted by the CQC in their review of health and social care services in Leeds.**

15. The action plan has been kept under review with reports being received by the Scrutiny Board (Adults, Health and Active Lifestyles) in October 2019 and again in March 2020.
16. The October report noted that of the 36 actions identified in the plan, 27 were rated as green (progress matches the objective); 9 as amber (in progress); and none rated as red (insufficient or no progress.). It was however identified that the nature of demographic changes in the plan area would require continuous reflection in the plan.
17. In considering the report, Members requested and were provided with key metrics in place to measure outcomes which are recorded in a separate dashboard. Members also agreed to receive assurance from the newly established Care Homes Oversight Board at future meetings.
18. The 2019 Annual Governance Statement reported on the assessment of our social care services to children as Outstanding. It noted that there were some areas, already known to us, for improvement, and also our commitment that the judgement of Ofsted would not lead to complacency or a slowing pace of reform.

**2019 Key Action:**

**We will, through the delivery of our Service Improvement Plan, build on the city's recent progress and seek to continually improve services for children and families in the city. Our plan sets out how we will achieve these ambitions.**

19. The Service Improvement Plan actions/outcomes are monitored by the Children and Families Improvement team and reported to the Children and Families Leadership meetings.
20. External inspection findings (OfSTED, CQC etc.) and judgements provide further independent assurance of the progress being made by the children's partnership to safeguard and promote the welfare of children and young people.

21. HMIP carried out a routine inspection of Leeds Youth Justice Service in June 2019 considering three aspects of Youth Justice Work: organisational delivery; court disposals; and out-of-court disposals. Whilst the text of the inspection was broadly positive, with a large number of favourable comments, the Youth Justice Service received an overall judgement of 'Requires Improvement' which was a result of the inspector's judgements around one area: Out of Court Disposals.
22. The Youth Justice Service Partnership has reviewed and accepted the recommendations made by HMIP and acknowledges that there are areas for improvement. In response to the recommendations, a service improvement and action plan has been developed. Implementation is underway with progress being monitored and overseen by the Youth Justice Service Partnership.
23. Following consideration by Executive Board in November 2019, the inspection report has been referred to Scrutiny Board (Children and Families) in order to enable the outcomes and implications arising from the inspection to be considered in greater detail.
24. Leeds has a very good track record of engaging young people 'voluntarily' through the Youth Panel and has received national recognition from the Youth Justice Board for the positive outcomes achieved for young people and communities across Leeds. The Youth Justice Service has been informed that HMIP will be undertaking a national review of the Out-of-Court disposals methodology within the next 12 months and Leeds has been asked to provide support to this review. It is anticipated that this will be to provide case examples as well as evidence of outcomes and effective engagement practices though the scope of the review is yet to be determined.

### 1.3 Ombudsman

25. The Ombudsman provides independent and impartial investigation of complaints. We consider reports of the ombudsman carefully, particularly where they recommend redress. Whilst each case considered by the Ombudsman is different and takes into account the individual needs and circumstances of the person complaining, we seek to learn from the findings of the Ombudsman.

#### In Practice:

The Ombudsman issued a report in July 2019 following investigation of a complaint relating to the provision of alternative education. The Council has fully accepted the findings of the Ombudsman and the recommendations for remedy put forward.

In its response to the report, the council recognised the opportunity to improve educational attainment and close achievement gaps for children and young people vulnerable to poor learning outcomes in line with the best city ambition, priorities and outcomes.

Both the Executive Board and the Scrutiny Board (Children and Families) received reports in September 2019 detailing the agreed action plan and progress to date, noting that all actions were to be completed by end of the autumn term 2019.

This page is intentionally left blank

## ANNEX 1 - KEY ACTIONS 2019

Key Action	Context in 2020 AGS	Progress	Assurance	Lead Officer	Status
Key Action: that arrangements for Directors' acceptance of offers of gifts and hospitality be reviewed to ensure there is third party oversight of offers prior to these being accepted.	Our Governance Framework - Ethical Governance	The gifts and hospitality policy has been amended to require that Directors gain approval from the Chief Executive and in turn the Chief Executive gains approval from the Leader.	CGA – matters arising July	Chief Officer Human Resources	Complete
Key Action: that a process be introduced whereby the annual review of gifts and hospitality requires 'nil returns' to be submitted.	Our Governance Framework - Ethical Governance	A new process requiring employees in "high risk posts" to make a positive declaration regarding compliance with the gifts and hospitality policy has been agreed.	CGA - matters arising July	Chief Officer Human Resources	Complete
Key Action: Our Internal Audit Plan for 2019/20 includes work to sample check HR policies to provide assurance as to the extent to which they are consistently and properly applied across the council.	How we manage audit and risk - Internal Audit	Internal Audit Reports received throughout the year have reported outcomes of audits in relation to:- <ul style="list-style-type: none"> <li>recruitment check,</li> <li>gifts and hospitality</li> <li>Register of Interests</li> </ul>	CGA - various	Head of Internal Audit	Complete
Key Action: We will further review our ethical framework arrangements in light of any future legislative change or statutory guidance issued by Government or the Local Government Association.	Our Governance Framework - Ethical Governance	The Monitoring Officer is engaging with MHCLG as part of small group to formulate steps to implement COSIPL recommendations. Little progress has been made given constraints on parliamentary time. LGA have developed draft Members' Code of Conduct for consultation.	Annual report of S&CC	City Solicitor	Arrangements in place
Key Action: We will actively pursue the appointment of an Independent Member to the Corporate Governance and Audit Committee in the 2019/20 Municipal Year.	How we ensure Oversight and accountability – Corporate Governance and Audit Committee	Role description and person specification developed; applications invited and one received; decision to undertake wider search to ensure diverse and independent field.	Annual report of CGA	City Solicitor	Arrangements in place – action in 2020 AGS

Key Action	Context in 2020 AGS	Progress	Assurance	Lead Officer	Status
Key Action: We will progress the 15 Actions identified in our Annual Standards Report.	How we ensure Effective financial management – value for money	Development of Attendance, Attainment and Achievement Strategy Report on exclusions, elective home education and off-rolling Annual Standards Report 18-19 uses available standards data to underpin the priorities and strategies outlined to improve the relevant outcomes moving forwards	Exec Board July 19, Sept 19, July 20	Director of Children and Families	Arrangements in place
Key Action: We will produce a performance report in September 2019 to review our progress in delivering the Best Council Plan during 2018/19.	Achieving our Aims and objectives – monitoring our achievements	Annual report shared with Executive Board and CGAC for consideration.	Exec Board Sept 19 & CGA Nov 19	Chief Officer Strategy and Policy	Complete
Key Action - During 2019/20 Internal Audit will review and follow up the arrangements in place for the approval and management of waivers and report the outcome of their work to the Corporate Governance and Audit Committee.	How we manage audit and risk – Internal Audit	Follow up audit supports a finding of good assurance. Contracts Procedure Rules refreshed and supplemented with further guidance outlining legal and regulatory framework.	CGA – June 2020	Head of Internal Audit	Complete
The committee will also review the implementation of the new Procurement Strategy through the Annual Procurement Assurance Report from the Chief Officer (Financial Services).	How we ensure Effective financial and operational control and value for money - procurement	Progress made in respect of value for money, governance, social value, commercialisation, and strategic suppliers since adoption of the Procurement Strategy in June 2019	CGA – June 2020	Chief Officer Financial Services	Complete
Key Action - After the strategy has been operational for a year, further baseline figures will be considered for introduction into KPIs in order to monitor performance.	How we ensure Effective financial and operational control and value for money - procurement	Performance monitoring has taken place for waivers, non and off-contract spend, and expenditure with local suppliers and SME's. Work is being undertaken to develop a Leeds specific set of themes, outcomes and measures in relation to social value in procurement.	CGA – June 2020	Chief Officer Financial Services	Arrangements in place

Key Action	Context in 2020 AGS	Progress	Assurance	Lead Officer	Status
Key Action: In 2019 we are seeking to accredit to “Disability Confident Leader” which is level 3 of the Disability Confident Employer framework (LCC is currently accredited at level 2)	Context - Our relationships – Our workforce	Council awarded Disability Confident Leader in October 2019	Executive Board consultative meeting March 2020	Chief Officer Human Resources	Complete
Key Action: Internal Audit will review assurance arrangements relating to Community Cohesion and report their findings to the Corporate Governance and Audit Committee as part of the delivery of the Audit Plan.	How we manage audit and risk – internal audit	The planned internal audit review of the community cohesion arrangements was to take place in the final quarter of 2019/20 but has been deferred for consideration in the 2020/21 plan.	CGA – June 2020	Head of Internal Audit	Arrangements in place
Key Action: We will continue to address challenges in respect of: <ul style="list-style-type: none"> <li>telephone waiting times;</li> <li>transitioning to digital channels, by ensuring training and support is provided as a priority in order that service users are not disenfranchised from the services they need to access.</li> </ul>	Context - Our relationships –Our customers	There has been successful work to reduce call waiting times on housing lines but need for further improvement on council tax and housing benefit lines. Significant work-streams support the transition to digital channels including staff training and customer support.	CGA – January 2020	Chief Officer Customer Access and Welfare	Arrangements in place – action in 2020 AGS
Key Action: We will ensure that we continually review the financial landscape in order to alleviate the uncertainty and challenge to the delivery of our ambitions and our financial planning.	How we ensure effective financial and operational control and value for money – financial landscape	Annual audit letter recognises arrangements to routinely monitor and mitigate variances.	Exec Board CGA March 2020	Chief Officer Financial Services	Arrangements in place
Key Action: The financial management arrangements will continue to be kept under review during the year.	How we ensure effective financial and operational control and value for money – arrangements for financial control	Framework of financial control reviewed; fit for purpose; up to date; embedded and regularly complied with.	CGA March 2020	Chief Officer Financial Services	Arrangements in place

Key Action	Context in 2020 AGS	Progress	Assurance	Lead Officer	Status
Key Action: That a combined Annual Information Governance Assurance report be prepared that includes oversight of the Caldicott Guardian role and that in the interim Caldicott governance arrangements benefit from a peer review by organisations with the same responsibilities.	Our governance framework – information governance	CGA noted that following benchmarking in relation to Caldicott Guardian functions work has already taken place to learn and share best practice with a local authority; and that there are plans to undertake similar work with one of the core cities known to be ‘standards exceeding’ in the coming year	CGA March 2020	Director of Resources and Housing / Director of Adults and Health	Complete
Key Action: Our Corporate Governance and Audit Committee will regularly review plans to deal with outstanding and emerging issues relating to PSN Certification.	Our governance framework – information governance	Through regular oversight Corporate Governance and Audit Committee has <ul style="list-style-type: none"> <li>ensured appropriate escalation of concerns;</li> <li>noted enhanced arrangements for governance of the project put in place in January 2020;</li> <li>received assurance that Access 2003 runtime will be switched off on 30<sup>th</sup> June 2020;</li> <li>noted the project plan and governance arrangements in place to ensure that the Council has ceased use of Access 2010 by 30<sup>th</sup> June 2021.</li> </ul>	CGA	Director of Resources and Housing	Arrangements in place
Key Action – we will review the Guidance for Scrutiny issued by Government in May 2019 and report to Members any implications or proposals for change.	How we ensure oversight and accountability – overview and scrutiny	Monitored implementation of amended Scrutiny Board Procedure Rules	Annual Report of Scrutiny Boards – July Council	City Solicitor	Complete
Key Action: Internal Audit Plan will review our governance arrangements for partnerships	How we manage audit and risk – internal audit	Internal audit included in review of arrangements and development of checklist. To review in practice when embedded for twelve months.	CGA	Head of Internal Audit	Arrangements in place



Key Action	Context in 2020 AGS	Progress	Assurance	Lead Officer	Status
Key Action: We will aim to develop guidance to help ensure there is a consistent and effective approach across the authority for managing risk with partners.	How we manage audit and risk – risk management	Governance & risk checklist approved by CLT in Jan 2020. Thresholds to be developed above which checklist to be applied.	CGA June	Chief Officer Strategy and Policy / Chief Officer Financial Services	Arrangements in place
Key Action: Further work will be undertaken to extend the Inclusive Anchors programme beyond the largely publicly funded anchors to private sector businesses and exploring the development of an inclusive business charter for SME businesses with a particular focus on encouraging more employers to pay the Living Wage as promoted by the Living Wage Foundation.	Context - Our relationships – Our influence	The Leeds Inclusive Anchors Network now comprises 11 organisations with over 57,000 employees, one in seven of the Leeds' workforce, and an annual expenditure in excess of £2 billion per year. 10 of the Anchors are Living Wage employers with one which seeks to move towards this.	Executive Board Consultative March 2020	Chief Officer Human Resources	Arrangements in place
Key Action: Our Executive Board will review the arrangements in the autumn.	Context - Our relationships – our partners	<ul style="list-style-type: none"> <li>•The Safeguarding Partnership continues to be ambitious and sets high expectations of its partners;</li> <li>•Strong leadership has improved the safeguarding culture and practice within Leeds;</li> <li>•Leeds has developed a robust response to the exploitation of children and young people by developing safeguarding structures in respect of those at risk of or experiencing exploitation;</li> <li>•the LSCP ensures that it seeks assurance on any issues that emerge during the year either locally or nationally ensuring that there is no complacency across the system in Leeds</li> </ul>	Exec Board Jan 2020	Director of Children's Services / Director of Adults and Health	Complete

Key Action	Context in 2020 AGS	Progress	Assurance	Lead Officer	Status
Key Action: The arrangements whereby, Members may refer applications to Plans Panel for determination and the governance arrangements for Enforcement will both be reviewed by our Corporate Governance and Audit Committee	How our functions are exercised – effectiveness of governance framework	Officers have developed guidance for all councillors in relation to referrals and material considerations.	CGA November	Chief Planning Officer	Complete
Key Action: The implementation of our new decision making will be effectively communicated with arrangements monitored during the year and reported back to the Corporate Governance and Audit Committee	How our functions are exercised – decision making framework	Arrangements have been communicated and implemented and are being routinely monitored.	CGA June	City Solicitor	Complete
Key Action: Our Member Development Strategy will be reviewed during 2019/20	Context - Our relationships – our councillors	Induction programme has been reviewed with engagement from recent cohorts, and Member Development Programme reviewed through Member Development and ICT working group. Member Development Strategy 2020-25 to be submitted to Member Management Committee for approval.	MD&ICT working group & MMC	City Solicitor	Arrangements in place

Key Action	Context in 2020 AGS	Progress	Assurance	Lead Officer	Status
<p>Key Action: To sustain our Apprenticeship approach we will:</p> <p>Improve identification and forecasting through work-force planning, setting out where our future Apprentices will come from.</p> <p>Look at how we use opportunities to support priority groups to access work with us – especially with entry level Apprenticeships.</p> <p>Ensure that meeting the target also reconciles with the resources we have via the Levy.</p>	Context - Our relationships – our workforce	The Apprenticeship programme within the Council continues to grow, with now over 600 live apprentices. We continue to monitor the levy spend to ensure we are making effective use of the fund.	Executive Board Consultative March 2020	Chief Officer Human Resources	Arrangements in place
<p>Key Action: We will keep the arrangements for Member Safety under review during the year through our Member Management Committee.</p>	Context - Our relationships - Our Councillors	Member Safety Task Group established by Member Management Committee – details of remit reported to Standards and Conduct Committee.	Member Safety Task Group & Standards and Conduct annual report	City Solicitor	Arrangements in place
<p>Key Action: We will deliver an action plan with our partners to address areas of improvement highlighted by the CQC in their review of health and social care services in Leeds.</p>	External oversight – External Inspection and Oversight	Of the 36 actions identified in the plan, 27 were rated as green (progress matches the objective); 9 as amber (in progress); and none rated as red (insufficient or no progress.)	Scrutiny Board (Adults Health and Active Lifestyles) Oct 2019; March 2020	Director of Adults and Health	Arrangements in place

Key Action	Context in 2020 AGS	Progress	Assurance	Lead Officer	Status
Key Action. We will, through the delivery of our Service Improvement Plan, build on the city's recent progress and seek to continually improve services for children and families in the city. Our plan sets out how we will achieve these ambitions.	External oversight – External Inspection and Oversight	The SIP actions/outcomes are monitored by the Children and Families Improvement team and reported to the Children and Families Leadership meetings.	Children and Families Leadership Team	Director of Children and Families	Arrangements in place

## ANNEX 2 - KEY ACTIONS 2020

	<b>Key Action</b>	<b>Context in 2020 AGS</b>	<b>Directorate</b>	<b>Lead Officer</b>
1	Our Corporate Governance and Audit Committee will seek robust assurance that our systems of internal control have met the demands of the emergency response to Covid -19; and that where issues have been identified action has been taken to remedy these.	Context – Challenges and Opportunities	Resources and Housing	Head of Internal Audit
2	We will work within the statutory framework with the Constituent Councils in pursuance of the “minded-to” Deal for devolution in West Yorkshire.	Context – Challenges and Opportunities	Resources and Housing	Chief Executive / Chief Officer Strategy and Policy
3	We will develop detailed timelines and milestones for our People Strategy priorities and will monitor and review progress against them.	Context – Our Relationships – Our Workforce	Resources and Housing	Chief Officer (Human Resources)
4	We will continue to monitor arrangements for customer contact and satisfaction and will make improvements where necessary to deliver a consistent experience for our customers.	Context – Our Relationships – Our Customers - Voice of the Customer	Communities and Environment	Chief Officer Customer Access and Welfare
5	We will review the Best Council Plan and key underpinning Best Council Strategies in the light of the longer-term implications of Covid-19.	Achieving Our Aims and Objectives – Our Best Council Plan	Resources and Housing	Chief Officer Strategy and Policy
6	We will monitor the arrangements for offer and acceptance of gifts and hospitality by Directors and those in ‘high risk posts’; and positive declarations regarding compliance with the gifts and hospitality policy.	Our governance Framework – Ethical Governance – Receipt of Gifts and Hospitality	Resources and Housing	Chief Officer Human Resources
7	We will continue to engage with the Ministry of Housing Communities and Local Government and the Local Government Association in developing the ethical framework in response to the recommendations of the Committee on Standards in Public Life.	Our governance Framework – Ethical Governance – Monitoring and Review of Arrangements	Resources and Housing	City Solicitor / Head of Democratic Services

	<b>Key Action</b>	<b>Context in 2020 AGS</b>	<b>Directorate</b>	<b>Lead Officer</b>
8	We will continue to use benchmarking to measure our performance in relation to Caldicott Guardian functions and to identify, and learn from best practice	Our Governance Framework – Information Governance	Adults and Health / Resources and Housing	Director of Adults and Health / Deputy Director Social Work and SC Service / Head of Information Management and Governance
9	Our Corporate Governance and Audit Committee will regularly review plans to deal with outstanding and emerging issues relating to PSN Certification, including the Access project.	Our Governance Framework – Information Governance	Resources and Housing	Director Resources and Housing / Head of Information Management and Governance
10	Corporate Governance and Audit Committee will continue to seek assurance in relation to arrangements for enforcement in relation to breach of planning control.	How Our Functions are Exercised – Effectiveness of Governance Framework	City Development	Chief Planning Officer
11	We will review our practice against detailed guidance underpinning the CIPFA Financial Management Code 2019.	How We Ensure Effective Financial and Operational Control and Value for Money – Reviewing Our Arrangements	Resources and Housing	Chief Officer Financial Services
12	We will complete and implement a review of the financial service to ensure that it remains a highly effective and responsive function offering value for money.	How We Ensure Effective Financial and Operational Control and Value for Money – Reviewing Our Arrangements	Resources and Housing	Chief Officer Financial Services
13	We will review our core systems and processes with a view to ensuring that they are up to date and fit for purpose and meet the needs of an efficient, enterprising and healthy organisation.	How We Ensure Effective Financial and Operational Control and Value for Money – Reviewing Our Arrangements	Resources and Housing	Chief Officer Financial Services
14	We will undertake training to further promote the importance of compliance with Contracts Procedure Rules and will strengthen the close working between directorates and PACS that will ensure waivers are limited to exceptional circumstances.	How We Ensure Effective Financial and Operational Control and Value for Money – Procurement	Resources and Housing	Chief Officer Financial Services

	<b>Key Action</b>	<b>Context in 2020 AGS</b>	<b>Directorate</b>	<b>Lead Officer</b>
15	We will measure and collate key performance indicators to ensure that social value outcomes are achieved through our procurement practice.	How We Ensure Effective Financial and Operational Control and Value for Money – Procurement	Resources and Housing	Chief Officer Financial Services
16	We will review how Leeds' approach in developing and monitoring the Best Council Plan compares with that of other core cities.	How We Ensure Political Oversight and Accountability – Overview and Scrutiny	Resources and Housing	Chief Officer Strategy and Policy
17	We will review the key performance indicators relating to inclusive growth and development of housing mix and will add additional meaningful KPIs as required to the Best Council Plan	How We Ensure Political Oversight and Accountability – Overview and Scrutiny	Resources and Housing	Chief Officer Strategy and Policy
18	We will continue to pursue actively the appointment of an Independent Member to the Corporate Governance and Audit Committee in the 2020/21 Municipal Year	How We Ensure Political Oversight and Accountability – Corporate Governance and Audit Committee	Resources and Housing	Director of Resources and Housing / Head of Internal Audit
19	We will include the identification of areas for future work in our Committees' annual reports to Council.	How We Ensure Political Oversight and Accountability – Full Council	City Development / Communities and Environment / Resources and Housing	Chief Planning Officer / Chief Officer Communities / Chief Officer Elections and Regulatory / Head of Democratic Services / Head of Internal Audit
20	We will monitor and review the process we have implemented to ensure consistent emphasis on delivery of planned savings throughout the lifecycle of invest to save initiatives.	How We Manage Audit and Risk – Internal Audit	Resources and Housing	Chief Officer Financial Services

This page is intentionally left blank



## KEY ACTIONS 2020 – ACTION PLAN

	<b>Key Action</b>	<b>Outline plan</b>	<b>Key decision times</b>	<b>Officer accountability</b>	<b>Democratic Oversight</b>
1	Our Corporate Governance and Audit Committee will seek robust assurance that our systems of internal control have met the demands of the emergency response to Covid -19; and that where issues have been identified action has been taken to remedy these.	Work programme includes assurance reports in relation to all key controls.		Directorate of Resources and Housing  Head of Internal Audit  Contact – Kate Sadler	Corporate Governance and Audit Committee
2	We will work within the statutory framework with the Constituent Councils in pursuance of the “minded-to” Deal for devolution in West Yorkshire.	The devolution implementation process is being conducted through all five councils and the combined authority. Key Decision points set out below.		Chief Executive & Director of Resources and Housing	While Executive Board is the decision maker for LCC throughout, full council will meet in both September and November to discuss and debate the decisions being taken.  Strategy and Resources Scrutiny Board (with chairs of other boards co-opted as additional members) has met to scrutinise the devolution deal and has submitted a formal response to the public consultation.  Political groups have also been informally scrutinising and monitoring the process, with all bar one receiving detailed group briefings and a large number of elected members engaging with the process on an individual basis.
		Public consultation closed on.	19 July 2020	Chief Officer Strategy and Policy	
		Executive Board to review the outcome of the public consultation and agree whether to submit a summary of the responses to the Secretary of State, who will then produce a draft Order.	September (tentatively 1st)	Contact – Mike Eakins	
		Executive Board to decide whether to provide the council’s consent to the draft Order.	November (tentatively w/c 9th)		
		Final order to be received from Secretary of State. Agreement will be required but mechanism TBC, potentially involving delegation to officer(s) due to timescales. Executive Board to agree approach in September meeting noted above.	November (tentatively w/c 23rd)		
Secretary of State to lay Order in Parliament.	December 2020				

	<b>Key Action</b>	<b>Outline plan</b>	<b>Key decision times</b>	<b>Officer accountability</b>	<b>Democratic Oversight</b>
		Order to be made.	January / February 2021		Corporate Governance and Audit Committee will consider arrangements for governance and accountability.
		First West Yorkshire mayoral election to take place.	May 2021		
3	We will develop detailed timelines and milestones for our People Strategy priorities and will monitor and review progress against them.	<p>The new People Strategy 2020-2025 was approved in January and formally launched as part of the Best Council Plan re-fresh in July 2020. The Strategy identifies a long term vision and mission, and key in-year work priorities. Progress will be reviewed annually.</p> <p>The existing employment related KPIs listed in the BCP will remain unchanged for the time being.</p>	First review of the Strategy to take place December 2020.	<p>Director of Resources and Housing</p> <p>Chief Officer (Human Resources)</p> <p>Contact – Helen Fallows</p>	Consultation with the Leader of Council, and Deputy Leader and Executive Member for Resources
4	We will continue to monitor arrangements for customer contact and satisfaction and will make improvements where necessary to deliver a consistent experience for our customers.	<p>Targets and monitoring cover satisfaction, footfall in to hubs, and answer rates in the contact centre. Quarterly reports to Customer Access Leadership Team. Escalation where required to Communities and Environment Leadership Team;</p> <p>2 stage complaints procedure with clear timescales. Regular reports to Directorates and CLT. Annual report received by Chief Exec from Local Government Ombudsman</p>		<p>Director of Communities and Environment</p> <p>Chief Officer Customer Access and Welfare</p> <p>Contact Anne McMasters</p>	<p>Progress around customer contact and satisfaction reported annually to Corporate Governance and Audit Committee;</p> <p>Regular reports to Scrutiny Board (Strategy and Resources) on performance;</p> <p>Monthly updates by Chief Officer with Exec Member for Communities (Cllr Coupar).</p>
5	We will review the Best Council Plan and key underpinning Best Council Strategies in the light of the longer-term implications of Covid-19.	Work is currently underway to develop an Economic Recovery Plan in response to COVID-19 which draws on the three ‘pillars’ (and three key strategies) supporting the Best	Early Autumn 2020	Chief Officer Economic Development	Executive Board

	<b>Key Action</b>	<b>Outline plan</b>	<b>Key decision times</b>	<b>Officer accountability</b>	<b>Democratic Oversight</b>
		Council Plan: Inclusive Growth, Health and Wellbeing and the Climate Emergency. This, and the updated MTFS (see below) will heavily inform any future Best Council Plan updates.		Contact – Coral Main	
		Updated Medium-Term Financial Strategy which explains how we are responding to our financial challenge	September 2020	Chief Officer Financial Services	Executive Board
		If following the same timings and process as in recent years, the Best Council Plan will be reviewed and updated alongside the Budget:		Director of Resources and Housing	
		initial proposals	December 2020	Chief Officer Strategy and Policy	Executive Board to receive initial proposals and approve consultation
		consultation	January 2021	Contact - Coral Main	Scrutiny Boards included in consultation
		final document	February 2021		Executive Board to recommend to Full council for approval
6	We will monitor the arrangements for offer and acceptance of gifts and hospitality by Directors and those in 'high risk posts'; and positive declarations regarding compliance with the gifts and hospitality policy.	<p>The annual oversight of Directors' declarations will be provided to the Chief Executive at the same time as Directorate oversight is provided to individual Directors. This is completed each September.</p> <p>Staff in high risk posts must make a pro active declaration each year that all gifts/ hospitality have been declared. This is implemented alongside the annual register of interests exercise.</p>	<p>Annual oversight lists of gifts/ hospitality produced and issued in September 2020.</p> <p>Due to operational response to Covid-19 the exercise was paused in Spring</p>	<p>Director of Resources and Housing</p> <p>Chief Officer Human Resources</p> <p>Contact – Helen Fallows</p>	<p>The Leader of Council reviews and approves all offers received by the Chief Executive.</p> <p>Corporate and Audit Committee review internal controls on an annual basis.</p>

	<b>Key Action</b>	<b>Outline plan</b>	<b>Key decision times</b>	<b>Officer accountability</b>	<b>Democratic Oversight</b>
			2020 and will be completed in the Autumn.		
7	We will continue to engage with the Ministry of Housing Communities and Local Government and the Local Government Association in developing the ethical framework in response to the recommendations of the Committee on Standards in Public Life.	Response to LGA consultation on draft model Code of Conduct has been submitted	??	Director of Resources and Housing	Response developed through workshop of Standards and Conduct Committee
		Member engagement etc.	Pending outcome of consultation on draft model code	City Solicitor / Head of Democratic Services	
		The Ministry have received ministerial clearance for the government response to the CSPL recommendations	Anticipate announcement to dovetail with the LGA signing off model code of conduct.	Contact – Andy Hodson	
8	We will continue to use benchmarking to measure our performance in relation to Caldicott Guardian functions and to identify, and learn from best practice	Implementation of good practice outcome actions following the benchmarking exercise with Barnsley MBC (as reported in March)	Feb 2021	Director of Adults and Health & Director of Resources and Housing	Executive Member for Resources to be briefed on progress Report to Corporate Governance and Audit Committee
		Benchmarking visit to Core City that is DSP Toolkit exceeding expectation. Development of action plan from that visit.  Progress to be monitored by Head of IMG and reported to Deputy Director Social Work as part of regular Calidcott Guardian meetings		Deputy Director Social Work and SC Service / Head of Information Management and Governance  Contact – Louise Whitworth / Shona McFarlane	

	<b>Key Action</b>	<b>Outline plan</b>	<b>Key decision times</b>	<b>Officer accountability</b>	<b>Democratic Oversight</b>
9	Our Corporate Governance and Audit Committee will regularly review plans to deal with outstanding and emerging issues relating to PSN Certification, including the Access project.	Continued monitoring of the Access Replacement Project:		Director Resources and Housing	Executive Member for Resources to be briefed on progress Chair of CGAC Report to CGAC Sept 2020 with Continued reporting as required as part of wider Cyber and PSN Assurance and compliance
		Access 2003 conversions to Access 2010 <ul style="list-style-type: none"> <li>• Weekly reporting to Head of IM&amp;G &amp; Deputy Head of Democratic Services</li> <li>• Monthly Project Board with escalation to IMB</li> <li>• Escalation to Director of R&amp;H (SIRO)</li> </ul>	End Aug 2020	Head of Information Management and Governance  Contact – Louise Whitworth	
		Full project plan for Access 2010 replacement <ul style="list-style-type: none"> <li>• Monthly Project Board with escalation to IMB</li> <li>• Escalation to Head of IM&amp;G</li> <li>• Escalation to Director of R&amp;H (SIRO)</li> <li>• Consultation with the Cabinet Officer</li> </ul>	End Aug 2020		
		Continued monitoring of LCC security and compliance posture in line with national legal and government standards (PSN / GDPR). <ul style="list-style-type: none"> <li>• Monthly Compliance Board monitors the progress of all compliance related projects (escalation route to IMB and SIRO)</li> <li>• Monthly Information Security Assurance &amp; Compliance (ISAaC) monitors BAU compliance activities (escalation route to IMB and SIRO)</li> </ul>			
		Compliant PSN submission	Dec 2020		Corporate Governance and Audit Committee oversight through Annual Information Governance report
10	Corporate Governance and Audit Committee will continue to seek assurance in relation to arrangements for enforcement in relation to breach of planning control.	Annual planning assurance report to contain assurances in relation to internal controls relating to planning control and enforcement	September 2020	Director of City Development  Chief Planning Officer  Contact Helen Cerroti	Corporate Governance and Audit Committee

	<b>Key Action</b>	<b>Outline plan</b>	<b>Key decision times</b>	<b>Officer accountability</b>	<b>Democratic Oversight</b>
11	We will review our practice against detailed guidance underpinning the CIPFA Financial Management Code 2019.	Initial work indicates that there will be some inconsistencies between LCC practice and CIPFA guidance notes. Receipt of guidance notes will enable detailed position statement benchmarking against current practice & set out action plan. Full compliance.	March 2020  December 2020  April 2021	Director of Resources and Housing  Chief Officer Financial Services  Contact Richard Ellis	Annual assurance report to CGA will confirm compliance.
12	We will complete and implement a review of the financial service to ensure that it remains a highly effective and responsive function offering value for money.	The Financial Services Review (FSR) is ongoing and has identified a number of key work-packages that will automate, standardise and streamline core finance business processes, re-shape the service's 'Offer' to the rest of the Council and reconfigure the financial management service and associated roles and responsibilities. The FSR and associated work-packages will be delivered by small 'work-package teams' – Lead Officers to be agreed/confirmed.  <b>Key Milestones</b> <ul style="list-style-type: none"> <li>• Approval of the governance framework by BCDT</li> <li>• Identification/confirmation of Finance Work Package Lead Officers</li> <li>• Identification of recommended Financial Services Delivery Model/Service structure</li> <li>• Consultation with staff and Trade Unions (re Service Delivery Model/Structure)</li> </ul>	September 2020:  October 2020:  March 2021:	Director of Resources and Housing  Chief Officer Financial Services  Core Business Transformation Board, chaired by Chief Officer Financial Services, and with senior representatives from Directorates, will provide overall direction, track progress and 'unblock' any barriers across 4 transformation work-streams (Finance, HR, Procure to Pay and Payroll).	Deputy Leader and Executive Member for Resources, Cllr James Lewis, will be updated via regular briefings with Chief Officer Financial Services.

	Key Action	Outline plan	Key decision times	Officer accountability	Democratic Oversight
		<ul style="list-style-type: none"> <li>Completion of a range of key work-packages ahead of 2021/22 Financial Year</li> </ul> <p>Progress towards the above milestones will be monitored by regular Finance Steering Group meetings.</p>		<p>2 Finance Steering Groups to be established –</p> <ul style="list-style-type: none"> <li>work-packages pertaining to Financial Management, chaired by Head of Finance, Financial Management and</li> <li>work packages pertaining to Revenues/Exchequer Services, chaired by Head of Finance, Technical.</li> </ul>	
13	We will review our core systems and processes with a view to ensuring that they are up to date and fit for purpose and meet the needs of an efficient, enterprising and healthy organisation.	<p>Approval of the Business Case to go out to market to procure a cloud-based Enterprise Resource Planning (ERP) solution and Implementation Partner - NB the ERP solution will replace the Authority's current core ICT systems for Financial Management, Payroll, Procure to Pay and Human Resources</p> <p><b>If subject to Executive approval timetable to progress as follows:</b></p>	September 2020	<p>Director of Resources and Housing</p> <p>Chief Officer Financial Services</p> <p>Contact – John Bywater</p>	Executive Board to approve
		Commence Procurement (Competitive Dialogue)	October 2020	Progress towards milestones	Executive member for Resources to maintain oversight

	Key Action	Outline plan	Key decision times	Officer accountability	Democratic Oversight
		Select Preferred ERP Solution and Implementation Partner – approval by Best Council Design Team	July / August 2021	monitored and supported by fortnightly check-point meetings, chaired by the Chief Officer Financial Services and attended by: <ul style="list-style-type: none"> <li>• Chief Officer (Human Resources)</li> <li>• Chief Officer (Strategy &amp; Performance)</li> <li>• Head of Internal Audit</li> <li>• Programme Manager (in addition to key members of the Core Business Transformation Team who will co-ordinate the programme).</li> </ul> Key decisions and progress towards milestones will be reported to the Best Council Design Team, which meets every 4/5 weeks and is	
		Select Preferred ERP Solution and Implementation Partner – approval by Executive Board	September 2021		
		Commence Implementation Phase - timescale to be agreed as part of the procurement exercise, implementation will take up to a maximum of 2 years	full implementation by September 2023		



	<b>Key Action</b>	<b>Outline plan</b>	<b>Key decision times</b>	<b>Officer accountability</b>	<b>Democratic Oversight</b>
				chaired by the Director of Resources & Housing.	
14	We will undertake training to further promote the importance of compliance with Contracts Procedure Rules and will strengthen the close working between directorates and PACS that will ensure waivers are limited to exceptional circumstances.	<ol style="list-style-type: none"> <li>1. CPRs to be signed off by the Chief Officer – Financial Services for implementation by.</li> <li>2. Procurement officers within PACS to be advised of changes through a number of short training sessions.</li> <li>3. A number of training sessions will be made available to commissioning officers in the wider council.</li> <li>4. The implementation of CPRs and the monitoring of waivers sought will be undertaken by the procurement support team within PACS.</li> <li>5. If a significant number of waivers are being sought by Directorates a report will be taken to CLT to make the relevant Directors aware.</li> </ol>	<p>No later than 1<sup>st</sup> October 2020</p> <p>October 2020</p> <p>Ongoing</p>	<p>Director of Resources and Housing</p> <p>Chief Officer Financial Services</p> <p>Contact – Kieron Dennett</p>	To be reported to Corporate Governance and Audit Committee as part of the annual Procurement Assurance Report
15	We will measure and collate key performance indicators to ensure that social value outcomes are achieved through our procurement practice.	<p>The Social Value Portal enables monitoring of social value delivered by suppliers for contracts over £100K in value.</p> <p>National themes, outcomes and measures (TOMS) aligned to local priorities and approved by Director of Resources and Housing</p>	<p>3 year contract commencing 1<sup>st</sup> April 2020</p> <p>July 2020</p> <p>September 2020</p>	<p>Director of Resources and Housing</p> <p>Chief Officer Financial Services</p> <p>Contact – Kieron Dennett</p>	Annual assurance report to Corporate Governance and Audit Committee

	<b>Key Action</b>	<b>Outline plan</b>	<b>Key decision times</b>	<b>Officer accountability</b>	<b>Democratic Oversight</b>
		Social Value advisors will report outcomes quarterly to LCC. Additional reports can be accessed in real time by LCC officers. Contract management and escalation protocol to be established.			
16	We will review how Leeds’ approach in developing and monitoring the Best Council Plan compares with that of other core cities.	<p>The Intelligence &amp; Policy Service has recently completed a desktop exercise reviewing the corporate plans and key performance indicators of other Core City local authorities. This has highlighted the similarities between the plans in terms of their headline objectives / priorities but also the differences in their level of detail, KPIs and how they are presented. The key findings will be included in the annual assurance report on the corporate planning and performance management arrangements.</p> <p>To better understand how the different authorities develop and monitor their corporate plans, Leeds had been due to host a get-together of the Core City Heads of Performance (or equivalent) this summer but due to the pandemic, this was cancelled. We will therefore look to alternatives to capture this information and feed the results into the assurance report referred to above.</p>	December 2020	<p>Director of Resources and Housing</p> <p>Chief Officer Strategy and Policy</p> <p>Contact – Coral Main</p>	Corporate Governance and Audit Committee
17	We will review the key performance indicators relating to inclusive growth and development of housing mix and will add additional	All Best Council Plan KPIs – including those relating to inclusive growth and housing mix – will be formally reviewed as part of the next Best Council Plan update (see action 5 above) with additional KPIs added as required. The	Feb 2021	<p>Director of Resources and Housing</p> <p>Chief Officer Strategy and Policy</p>	?

	<b>Key Action</b>	<b>Outline plan</b>	<b>Key decision times</b>	<b>Officer accountability</b>	<b>Democratic Oversight</b>
	meaningful KPIs as required to the Best Council Plan	current performance management arrangements also allow for in-year changes as required in response to a change in policy, strategy or context.		Contact – Coral Main	
18	We will continue to pursue actively the appointment of an Independent Member to the Corporate Governance and Audit Committee in the 2020/21 Municipal Year	Second round of recruitment  Appointment of Independent Member by Full Council  Induction of Independent Member	Commencing October 2020 February 2021  Prior to commencement of 2021/22 municipal year	Director of Resources and Housing  Head of Internal Audit  Contact Kate Sadler	Panel to be constituted from Corporate Governance and Audit Committee  Full Council to formally appoint successful candidate
19	We will include the identification of areas for future work in our Committees' annual reports to Council.	Scrutiny	2019/20 report to Scrutiny Chairs 22/7/20; 2020/21 report July '21	Director of Resources and Housing  Head of Democratic Services Contact - Andy Hodson	Scrutiny Board Chairs  Deputy Leader and Executive member for Resources
		Standards and Conduct Committee	19/20 approved March 2020; 20/21 report scheduled for March 2021	Director of Resources and Housing  Head of Democratic Services Contact - Andy Hodson	Standards and Conduct Committee
		CGAC	19/20 approved March 2020; 20/21 scheduled for March 2021	Director of Resources and Housing  Head of Internal Audit	Corporate Governance and Audit Committee

	<b>Key Action</b>	<b>Outline plan</b>	<b>Key decision times</b>	<b>Officer accountability</b>	<b>Democratic Oversight</b>
				Contact - Kate Sadler	
		Planning	19/20 approved October 2020.	Director of City Development  Chief Planning Officer contact - Helen Cerroti	Executive Member and Plans Panel Chairs.
		Licensing	2020 report to Licensing Committee in March 21	Director of Communities and Environment  Chief Officer Elections and Regulatory Contact John Mulcahy	Licensing Committee
		Community Committees	19/20 report prepared for September Council	Director of Communities and Environment  Chief Officer Communities Contact - Liz Jarmin	Community Committee Chairs  Executive Member for Communities
20	We will monitor and review the process we have implemented to ensure consistent emphasis on delivery of planned savings throughout the lifecycle of invest to save initiatives.	Business cases will be considered at Financial Performance Group to identify robustness and Best Council Design Team for approval. Anticipated savings will be built into MTFS and annual revenue budget assumptions. Delivery of schemes will therefore be monitored through budget delivery and escalated through budget variation process.	Ongoing	Director of Resources and Housing  Chief Officer Financial Services  Contact Richard Ellis	Executive Board receive regular budget monitoring reports.



This page is intentionally left blank



Report author: Mary Hasnip  
Tel: x89384

**Report of**    **the Chief Finance Officer**

**Report to**    **Corporate Governance and Audit Committee**

**Date:**       **23<sup>rd</sup> November 2020**

**Subject:**    **Approval of the Audited Statement of Accounts and Grant Thornton Draft Audit Report**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

## Summary of main issues

1. Grant Thornton’s audit of the final accounts is nearing completion, and a draft report of their findings is attached. A further report covering the findings of their IT audit is also attached as an appendix. The main points are that :
  - Grant Thornton anticipate being able to issue an unqualified opinion on the 2019/20 Statement of Accounts, with an Emphasis of Matter paragraph relating to the material uncertainty surrounding property asset valuations at 31<sup>st</sup> March 2020, arising from the impact of the Covid 19 pandemic on property markets;
  - There are expected to be no unadjusted audit differences affecting the financial statements;
  - The review of the Annual Governance Statement has concluded that it is not misleading or inconsistent with information they are aware of from their audit of the financial statements, and that it complies with CIPFA/SOLACE guidance;
  - Subject to completion of their audit work, Grant Thornton anticipate issuing an ‘except for’ opinion in relation to the use of resources - that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources except for a weakness in the level of its General Fund Reserves to deal with significant unforeseen circumstances.

2. An updated copy of the accounts as at 13<sup>th</sup> November is included with this report. A verbal update will be provided at the meeting as to whether audit work has sufficiently progressed for the Committee to be asked to approve the accounts. The accounts will be certified by the Chief Finance Officer as a true and fair view of the Council's financial position as at 31<sup>st</sup> March 2020 prior to the Committee being asked to approve them.
3. During the 2019/20 public inspection period, no objections were received from local electors.

### **Recommendations**

4. Members are asked to receive the draft report of the Council's external auditors on the 2019/20 accounts and to note that there are expected to be no unadjusted audit differences to the accounts.
5. Subject to sufficient progress having been made in completing the audit, Members are asked to approve the final audited 2019/20 Statement of Accounts, and the Chair is asked to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts. In the event that audit work is not sufficiently complete, Members are asked to defer approval of the accounts until the December meeting of the Committee.
6. On the basis of the assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
7. Members are asked to note Grant Thornton's anticipated conclusion on the use of resources, and their associated recommendations in relation to the Council's ability to deliver a balanced outturn position for 2020/21 and a realistic budget for 2021/22.



## **1 Purpose of this report**

- 1.1 At its meeting in July, the Committee considered the unaudited 2019/20 Statement of Accounts, shortly after they were made available for public inspection. Under this Committee's terms of reference, members are required to approve the Council's final audited Statement of Accounts and to consider any material amendments identified by the Council or recommended by the auditors.

## **2 Background information**

- 2.1 In accordance with the Accounts and Audit Regulations 2015, the Council's Responsible Financial Officer, the Chief Finance Officer, will certify that the Statement of Accounts presents a true and fair view of the financial position of the Council prior to the Committee being asked to approve the accounts. On completion of the Audit, the regulations also require that the accounts are approved by resolution of a Committee and published, together with the auditor's opinion and report. In the event that the audit has not been concluded by 30<sup>th</sup> November, the Council is required to publish a notice on its website explaining that it is not yet able to publish audited accounts, and the reasons for this. Provided that such a notice is published, the Council would be in compliance with its duties under the Regulations. The Council would then be required to publish its audited accounts as soon as reasonably practicable after the receipt of the final audit report.

## **3 Main issues**

### **3.1 Key External Audit Findings**

#### 3.1.1 Audit Opinion

Subject to completion of some areas of their audit work, Grant Thornton have indicated that they are satisfied the 2019/20 accounts give a true and fair view of the Council's financial position, and that they anticipate being able to issue an unqualified audit opinion with an Emphasis of Matter paragraph relating to the material uncertainty surrounding property asset valuations at 31<sup>st</sup> March 2020, arising from the impact of the Covid 19 pandemic on property market. Their draft report notes that there are a number of issues to be concluded before this can be done, which may delay the opinion until after 30<sup>th</sup> November.

#### 3.1.2 Audit Misstatements

Subject to conclusion of the audit, there are not expected to be any unadjusted misstatements.

#### 3.1.3 Audit Risks

Grant Thornton's External Audit Plan, as reported to this Committee in January 2020, identified two key areas of audit risk for the 2019/20 accounts, due to the materiality of the figures involved. These were the valuation of property, plant and equipment and the valuation of net pension liabilities. The update to the audit plan presented at the June meeting of the committee identified the consequences of the Covid 19 pandemic as a further risk.

- 3.1.4 Grant Thornton have now audited these areas and their conclusions are included in the attached report.

### 3.1.5 Audit recommendations in respect of the accounts

Grant Thornton have made four recommendations in relation to the statement of accounts. One high priority recommendation relates to the fact that related party disclosures for senior officers included in the draft accounts had to be based on the 2018/19 register of interests, as the 2019/20 exercise had been delayed as a result of the coronavirus pandemic. HR have since carried out an exercise to update the register of interests for senior officers. This has been reviewed, with the result that no additional transactions require disclosure, however some items which were disclosed as related party transactions in the draft accounts have been removed as there is no longer a relationship with the relevant entity.

Grant Thornton's draft report also makes three medium priority recommendations. They have again recommended that the Council moves the valuation date for its property assets to 31<sup>st</sup> March. The Council's valuers have advised that it would not be practicable to produce valuations based on observable data at 31<sup>st</sup> March in the timescales required for the draft accounts. However the possibility of moving to an early January valuation date is being explored. In respect of heritage assets, Grant Thornton have recommended that procedures are improved for identifying artworks and other exhibits which have increased sufficiently in value to be included in the Council's balance sheet. Officers from Corporate Finance will work with the Museums and Galleries Service to address this. Grant Thornton have also noted issues in relation to working papers. The lack of opportunity for face to face meetings under current circumstances led to difficulties in the communication of changes to the working paper requirements for this year. The Finance team will liaise with Grant Thornton to ensure that the nature and scope of the working papers required can be clarified in advance of future audits.

In respect of their IT audit, Grant Thornton have made six recommendations relating to lower level risks. Their detailed report is attached, and this provides an update on officers' responses to these recommendations.

### 3.1.6 Use of Resources

Grant Thornton are required to report to those charged with governance, any governance issues identified when discharging their statutory audit responsibilities. They have therefore included in their report an update on the Council's arrangements to secure value for money in its use of resources.

Subject to completion of their audit work, Grant Thornton anticipate issuing an 'except for' opinion in relation to the use of resources - that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources except for a weakness in the level of its General Fund Reserves to deal with significant unforeseen circumstances, on the scale of the current coronavirus pandemic.

Their draft report makes three high priority recommendations in relation to value for money arrangements. These cover the need for the Council to continue to review the level of its reserves, to continue the ongoing process to identify further savings, and to ensure that the necessary actions are in place to monitor and secure the Council's financial position. Regular meetings will take place between the Chief Finance Officer and Grant Thornton to provide an update on savings identified and the actions taken to achieve them.

### 3.1.7 Review of the Annual Governance Statement

Grant Thornton have confirmed that, in their opinion, the Annual Governance Statement is not misleading or inconsistent with other information they are aware of from their audit of the financial statements, and that it complies with the CIPFA/SOLACE guidance 'Delivering Good Governance in Local Government : A Framework'.

### **3.2 Post Balance Sheet Events and other significant amendments**

- 3.2.1 Under proper accounting practice the Council is required to consider any post balance sheet events which, if known at the time of the accounts being produced, would have significantly altered the Council's financial statements. If such events have occurred then the Council is required to amend the accounts if the cumulative value of the events would have a material impact on the Council's financial statements. Such events must be considered up until this Committee approves the final accounts and the auditors provide their audit certificate.
- 3.2.2 As at the 13<sup>th</sup> November the council has identified a number of post balance sheet events and corrections which are sufficiently material to require an adjustment to be made to the final accounts.
- 3.2.3 In respect of pensions, the council has been notified by its actuaries of an error in the calculation of the West Yorkshire Pension Fund's assets at 31<sup>st</sup> March 2020. Correction of this error results in an increase in the council's pension fund assets of £21.6m. However a post balance sheet event in the form of a pension tribunal ruling (known as the Goodwin ruling) in July 2020 has meant that the council is also required to recognise additional pension liabilities of £9.7m as the estimated potential cost of changes to local government pension scheme benefits as a result of this ruling. The net impact of these two changes is to reduce the council's net pension liabilities at 31<sup>st</sup> March 2020 by £11.9m.
- 3.2.4 The level of the provision for business rates appeals has been reviewed based on the latest available data. This has resulted in a reduction in the provision of £1.1m for the Collection Fund as a whole, of which the council's share is £0.8m. However the level of bad debt provision for business rates has also been reviewed, and has been increased by £1.9m, of which the Council's share is £1.4m.
- 3.2.5 The council has reviewed its accounting treatment for its holding in the Merrion House LLP (Limited Liability Partnership) in the light of the LLP's accounts to the year 30<sup>th</sup> June 2019, which were published in June 2020. In order to align its approach with the LLP's accounting treatment, the council has concluded that the capital distribution balance of £25.6m which was originally received in 2018/19 and was previously treated as deferred income should be recognised immediately as income, and credited to an earmarked reserve. There will be a corresponding reduction of £26m in the carrying value of the council's long term investment. The net impact of these adjustments will be a reduction in net worth of £0.6m and an increase in spendable reserves of £25.6m.
- 3.2.6 Officers have reviewed the revaluations of fixed assets since the draft accounts were published, and identified corrections to the values of two properties, totalling £4.2m. It has also been identified that a painting valued at £2m had been omitted from the list of high value art works which was supplied for inclusion as heritage assets on the balance sheet.

3.2.7 Following the above changes, the final accounts show an increase in the Council's net worth for the year of £167m, in comparison to the increase of £154m shown in the draft accounts.

3.2.8 As outlined in paragraph 3.2.1 above, any post balance sheet events must be considered up until the accounts are approved. A verbal update will be provided at Committee to confirm the final position.

### **3.3 Public Inspection Queries, Questions to the Auditors and Objections**

3.3.1 Under the statutory timescales for public inspection of the accounts, no formal objections or requests for additional information have been received for the 2019/20 accounts.

### **3.4 Management Representation letter**

3.4.1 The auditors are required by the Audit Commission's Code of Audit Practice to undertake the audit work on the accounts in compliance with International Standards on Auditing (ISAs). ISAs contain a mixture of mandatory procedures and explanatory guidance. Within the mandatory procedures are requirements to obtain written representations from management on certain matters material to the audit opinion. The management representation letter is designed to give Grant Thornton such assurances. In respect of the 2019/20 accounts the letter is attached as **Appendix A** to this report. After consultation with appropriate officers, the Chief Finance Officer has signed to confirm that officers are not aware of any compliance issues on the representation matters raised in the letter.

3.4.2 The Committee is asked to consider whether members are aware of any issues they want to bring to the auditors attention in respect of the matters addressed in the management representation letter. If there are no such issues the Committee is asked to agree that the Chair can sign the letter on behalf of the Committee.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

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

### **4.2 Equality and Diversity / Cohesion and Integration**

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

### **4.3 Council policies and Best Council Plan**

4.3.1 Under this Committee's terms of reference members are required to consider the Council's arrangements relating to external audit, including the receipt of external audit reports. This is to provide a basis for gaining the necessary assurance regarding governance prior to the approval of the Council's accounts.

#### Climate Emergency

4.3.2 There are no climate implications arising from this report.

### **4.4 Resources and value for money**

4.4.1 Grant Thornton's report includes their opinion as to 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 Accounts and Audit Regulations 2015 require the audited Statement of Accounts together with the final audit report to be published before the 30<sup>th</sup> November. If this is not possible, the Council would be able to comply with the Regulations by publishing a notice giving an explanation for the delay.

4.5.2 Under this Committee's terms of reference, members are required to approve the Council's final audited Statement of Accounts and consider any material amendments recommended by the auditors.

4.5.3 As this is a factual report based on past financial information 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 Grant Thornton's audit report sets out their views on the risks facing the Council in terms of its financial standing and the potential impact of Brexit.

### **5 Conclusions**

5.1 The external audit report provides the following assurances to members :

- Subject to the completion of some audit work, a proposed unqualified opinion on the 2019/20 Statement of Accounts, with an Emphasis of Matter paragraph relating to the material uncertainty surrounding property asset valuations at 31<sup>st</sup> March 2020, arising from the impact of the Covid 19 pandemic on property markets.
- An anticipated value for money conclusion that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources except for a weakness in the level of its General Fund Reserves to deal with significant unforeseen circumstances.
- Confirmation that in the auditor's opinion the Council's Annual Governance Statement is not misleading or inconsistent with other information they are aware of from their audit of the financial statements, and that it complies with CIPFA/SOLACE guidance.

### **6 Recommendations**

6.1 Members are asked to receive the report of the Council's external auditors on the 2019/20 accounts and to note that there are expected to be no unadjusted audit differences to the accounts.

6.2 Subject to sufficient progress having been made in completing the audit, Members are asked to approve the final audited 2019/20 Statement of Accounts, and the Chair is asked to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts. In the event that audit work is not sufficiently complete, Members are

asked to defer approval of the accounts until the December meeting of the Committee.

- 6.3 On the basis of assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
- 6.4 Members are asked to note Grant Thornton's anticipated conclusion on the use of resources, and their associated recommendations in relation to the Council's ability to deliver a balanced outturn position for 2020/21 and a realistic budget for 2021/22.

## **7 Background documents<sup>1</sup>**

- 7.1 None.

---

<sup>1</sup> 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.

Grant Thornton UK LLP  
No 1 Whitehall Riverside  
Leeds LS1 4BN

**Victoria Bradshaw**  
**Chief Finance Officer**  
Selectapost 3  
Civic Hall  
Leeds  
LS1 1JF

Contact: Victoria Bradshaw  
Tel: 0113 3788540  
Email: Victoria.bradshaw@leeds.gov.uk

23<sup>rd</sup> November 2020

Dear Sirs,

This representation letter is provided in connection with the audit of the financial statements of Leeds City Council for the year ended 31<sup>st</sup> March 2020 for the purpose of expressing an opinion as to whether the Council's financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements and for all material misclassification and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our assessment of our financial position and cashflow forecast in light of the Covid 19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis. This is an absolute requirement of the Code, but notwithstanding that we have not identified any material uncertainties related to going concern, and are satisfied that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the covid 19 pandemic from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.



- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

#### **Annual Governance Statement**

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

#### **Narrative Report**

- xxv. The disclosures within the Narrative Report, which is titled the Narrative Foreword, fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

#### **Approval**

The approval of this letter of representation was minuted by the Council's Corporate Governance and Audit Committee at its meeting on 23<sup>rd</sup> November 2020.

Yours faithfully,

Chief Finance Officer

Chair, Corporate Governance and Audit Committee

This page is intentionally left blank

# The Audit Findings (ISA260) Report for Leeds City Council

---

Year ended 31 March 2020

Page 2 November 2020

Page 139

**DRAFT FOR CIRCULATION  
CORPORATE GOVERNANCE AND AUDIT COMMITTEE**



# Contents



Your key Grant Thornton  
team members are:

**Gareth Mills**

**Engagement Lead**

T: 0113 200 2535

E: gareth.mills@uk.gt.com

**Perminder Sethi**

**Engagement Senior  
Manager**

T: 0113 2002547

E: perminder.sethi@uk.gt.com

**Andrew McNeil**

**Engagement Assistant  
Manager**

T: 0161 234 6366

E: andrew.mcneil@uk.gt.com

## Section

	Page
1. Headlines	3
2. Financial statements	6
3. Value for money	20
4. Independence and ethics	30

## Appendices

A. Action Plan	31
B. Follow up of prior year recommendations	33
C. Audit adjustments	34
D. Fees	37
E. Draft Audit Opinion	39
F. Management Letter of Representation (draft)	41

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Leeds City Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

<p><b>Covid-19</b></p>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council from March 2020. Given the impact of the pandemic only started from mid-March, additional costs have not had a major impact on the financial outturn for 2019-20, however, the scale of impact is being felt during 2020-21 and 2021-22.</p> <p>There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services, lost income through reduced trading activity and some cessation of services. In addition, council tax payments and business rates payments reduced as lock down started, businesses closed, and businesses furloughed staff.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 21 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VFM approach. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both Council and audit staff have had to work remotely, including remotely accessing working papers and financial systems. In addition, meetings have been replaced by telephone and video conferencing arrangements which has also been extended to Council Committee meetings including the Corporate Governance and Audit Committee.</p> <p>This remote working on both sides, combined with the increased level of audit testing performed and audit evidence required (particularly in respect of the significant risk areas of PPE and pensions) resulted in the audit fieldwork taking longer than planned. Given some element of remote/home working is likely to still be in place for 2020-21, we will be discussing with the finance team how we can continue to work together to mitigate these issues next year.</p> <p>We were provided with the Council's draft 2019-20 statement of accounts on 6 July 2020, ahead of the revised 31 August 2020 deadline.</p>
<p><b>Financial Statements</b></p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely during July to November 2020. Our findings are summarised on the following pages. We have identified the following adjustments to the financial statements:</p> <ul style="list-style-type: none"> <li>• Pension Fund Liability - an increase in the Council's pension fund liabilities of £9.73m resulting from the impact of the Goodwin judgement</li> <li>• Classification - £60m of Short Term Investments to correctly be classified as Cash Equivalents</li> <li>• Grants Receipts in Advance – currently included in Creditors but should properly be disclosed separately as Grant Receipts in Advance (£XXm)</li> <li>• Merrion House - We are currently considering with Officers whether a Prior Period Adjustment (PPA) is required for the proposed change in treatment of the receipt of 50% of the advance rental prepayment as a distribution, and the accounting treatment for reducing the fair value of the Council's holding in the LLP in the 2019-20 accounts. The Council is proposing that the balance of £25.65m shown as deferred income in its draft accounts would be recognised as revenue income and transferred to an earmarked reserve, to be applied during the remaining life of the lease.</li> </ul> <p>Except for Merrion House, none of the above adjustments impact on the Council's Useable Reserves position. Further details of the audit adjustments are detailed on pages 5 to 12 and at Appendix C. We have also raised recommendations for management as a result of our audit work at Appendix A. Our follow up of recommendations from the prior year's audit are detailed at Appendix B.</p>

**Financial Statements continued**

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters:

- completing our work on financial instruments, employee remuneration, PPE, MRP, Pension fund assets and liabilities, PFI schemes, REFCUS, Leases, Accounts disclosures, agreeing the draft accounts to the FMS system, grants testing, Merrion House accounting treatment and long term debtors
- receiving the Council's going concern assessment and our review thereof
- the finance team clearing any additional responses to the technical 'Hot Review' of the 2019-20 accounts. We can only conclude our audit once we have satisfactory responses to this review
- assurance from the West Yorkshire Pension Fund auditor on the 2019-20 Pension Fund accounts. Until received, currently expected during November 2020, we will be unable to complete our audit work and issue our audit opinion. Where the pension fund auditor's report refers to a material uncertainty relating to Covid-19, we will need to consider the impact on the Council's accounts and our audit report
- completion of our internal quality review processes, including final reviews of the file by both the senior manager and engagement lead, specifically in respect of significant audit risks of PPE revaluations and the Pension Fund liability
- procedures for Whole of Government Accounts
- reviewing the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.

Our anticipated audit report opinion will be **{TO BE CONFIRMED} unqualified with an Emphasis of Matter paragraph**, relating to the material uncertainty around the valuation of land and buildings and investment properties as a direct impact of Covid-19. This is due to the Council's valuers reporting a material uncertainty in their valuation reports and also being reported in the Council's financial statements. This is a consistent finding across our local authority audits.

**Value for Money arrangements**

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. The VFM risks identified at the planning stage of our audit were the Council's Financial Standing and preparations for Brexit. We have not identified any new VFM risks in relation to Covid-19.

Our risk based review of the Council's value for money arrangements is complete in respect of preparations for Brexit, but remains on-going in respect of its arrangements relating to financial standing. The Council went into the Covid-19 pandemic with low reserves as noted in our Audit Findings Report last year. We understand that in previous years, the Council made informed decisions regarding the level of balances and reserves as part of a strategy to protect the provision of front line services. Following our recommendation on the level of reserves last year, the Council recognised the need to increase General Fund reserves. These have increased from £28m at 31 March 2019 to £31.5m at 31 March 2020, whilst earmarked General Fund reserves have increased from £63.1m to £77.5m during the same period. However, Covid-19 took hold in March 2020 significantly impacting on the Council's financial position.

**Value for Money arrangements continued**

At that time, the Council took a range of actions to mitigate the financial impact of Covid-19, and believed it had sufficient time to manage the additional financial pressures resulting from Covid-19 in 2021-22, however, it considered it may not be able to absorb the additional costs relating to 2020-21, and in May 2020, requested additional support from the Ministry of Housing Communities and Local Government (MHCLG) and Treasury. We understand from management that the request for a capitalisation order was an informed decision taken by the Council to allow it to manage the situation over a longer period, rather than having to make short term decisions. Since this time, the Council has been taking steps to reduce the budget gap resulting from Covid-19 through a range of measures, and by November 2020, had reduced the gap to £30.5m (from £95.1m). At this point, the Council felt it was able to manage the remaining additional costs for 2020/21 and withdrew its application for a capitalisation order on 12 November 2020.

Overall, if Covid-19 had not taken place, the Council's financial position would have continued to be sufficiently stable to manage the financial impact of small unforeseen events as in previous years, however, the financial impact of Covid-19 has been significant and highlights the inadequacy of the Council's General Fund Reserves and balances to cushion the impact of major events, requiring the Council to take a range of unplanned and short term measures to manage the additional costs.

This situation indicates weaknesses in the level of General Fund Reserves to deal with significant unforeseen circumstances resulting from the Council's arrangements for financial management. Except for this matter, the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing a qualified 'except for' value for money conclusion **{TO BE CONFIRMED}**, as detailed at Appendix E. Our findings are summarised on pages 20 to 28.

It is important to note that we have agreed a number of recommendations with management relating to the delivery of a balanced outturn position for 2020/21, and an achievable and realistic budget for 2021/22 which can be delivered. Additionally, we have agreed to meet on a monthly basis with the Council's Chief Finance Officer to consider the actions being planned, taken and delivered to achieve savings in both 2020/21 and 2021/22 and to monitor the Council's financial position for both years. Any deterioration in the Council's financial position for 2020/21 or planned position for 2021/22, could lead us to consider exercising our additional statutory powers under Part 5, Section 24, Schedule 7 (Paragraph 2) of the Local Audit and Accountability Act 2014 in respect of written recommendations.

Page 143

**Statutory duties**

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of our work under the Code but will not be able to issue our completion certificate until we have completed our work on the Whole of Government consolidation pack. This is in common with the prior year and across our larger local authority audits. We expect to perform the WGA review in December.

**Acknowledgements**

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

## 2. Financial statements - Audit approach

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

### Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have had to alter our Audit Plan, as communicated to you on 21 April 2020, to reflect our response to the Covid-19 pandemic.

### Conclusion

We have substantially completed our audit of your financial statements and subject to the outstanding queries being resolved, we anticipate issuing **{TO BE CONFIRMED}** an **unqualified audit opinion including an Emphasis of Matter paragraph**, relating to the material

uncertainty around the valuation of land and buildings and investment properties as a direct impact of Covid-19, as detailed at Appendix E. These outstanding items include:

- completing our work on financial instruments, employee remuneration, PPE, MRP, Pension fund assets and liabilities, PFI schemes, REFCUS, Leases, Accounts disclosures, agreeing the draft accounts to the FMS system, grants testing, the Council's going concern assessment, Merrion House accounting treatment and long term debtors
- receiving the Council's going concern assessment and our review thereof
- the finance team clearing any additional responses to the technical 'Hot Review' of the 2019-20 accounts. We can only conclude our audit once we have satisfactory responses to this review
- assurance from the West Yorkshire Pension Fund auditor on the 2019-20 Pension Fund accounts
- procedures for Whole of Government Accounts
- reviewing the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our Audit Plan and Audit Plan Addendum.

Materiality area	Council Amount (£)	Qualitative factors considered:
Materiality for the financial statements	26,852k	Materiality has been based on 1.3% of the Authority's gross expenditure
Performance materiality	18,796k	Our performance materiality has been set at 70% of our overall materiality
Trivial matters	1,074k	This is set at 4% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties.
Materiality for specific transactions, balances or disclosures	15k	The senior officer remuneration disclosure in the Statement of Accounts has been identified as an area requiring a lower materiality due to its sensitive nature.



# Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
<p><b>Covid- 19</b></p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expected current circumstances to have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to:</p> <ul style="list-style-type: none"> <li>• Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation</li> <li>• Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates</li> <li>• Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen</li> <li>• Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.</li> </ul> <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> <li>• worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation’s ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 6 July 2020</li> <li>• liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council’s property valuation expert</li> <li>• evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic</li> <li>• evaluated whether sufficient audit evidence could be obtained through remote technology</li> <li>• evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations</li> <li>• evaluated management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment</li> <li>• discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.</li> </ul> <p>On the basis of our work, we concluded that our anticipated audit report opinion would be unqualified with an emphasis of matter relating to the material uncertainty around the valuation of land and buildings. Note that this change to our opinion is a direct result of the impact of Covid-19. The reporting of a material uncertainty on the valuation of land and buildings is consistent across our local authority audits.</p>

Page 145

# Significant audit risks

## Risks identified in our Audit Plan

### The revenue cycle includes fraudulent transactions

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited

the culture and ethical frameworks of local authorities, including at Leeds City Council, mean that all forms of fraud are seen as unacceptable.

### Management over-ride of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

## Auditor commentary

We reviewed our rebuttal of this risk during the final accounts audit and concluded our assessment as detailed in the Audit Plan was still appropriate.

As we did not consider this to be a significant risk for the Council, we did not undertake any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non domestic rates and central government grants income.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work on journals remains on-going, including the adjusting journals from the Council's FMS trial balance to the draft accounts. Audit work completed to date has not identified any issues in respect of the management override of controls.

# Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
<p><b>Valuation of land and buildings</b></p> <p>The Authority re-values its land and buildings on an annual and rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £5.3 billion) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>As part of our audit work, we have:</p> <ul style="list-style-type: none"> <li>• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluated the competence, capabilities and objectivity of the valuation experts</li> <li>• discussed with the valuers the basis on which the valuation was carried out</li> <li>• carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate including floor areas</li> <li>• challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding</li> <li>• in a new development for 2019-20, engaged our own valuer to assess the instructions to the Authority's valuers, the Authority's valuers' report and the assumptions that underpin the valuation</li> <li>• tested revaluations made during the year to see if they had been input correctly into the Authority's asset register</li> <li>• evaluated the assumptions made by management for those assets not revalued during the year and how management had satisfied themselves that these were not materially different to current value at year end</li> <li>• considered, where the valuation date was not 31 March 2020 for assets valued in year, the arrangements management had used to ensure the valuation remains materially appropriate at 31 March 2020.</li> </ul> <p>Whilst our audit work remains on-going, our audit work to date has not identified any issues in respect of the valuation of land and buildings except for the following matters:</p> <ul style="list-style-type: none"> <li>• the Council uses five specialist valuers: <ol style="list-style-type: none"> <li>1. JLL – Investment Properties</li> <li>2. Hilco – PFI Recycling and Energy Recovery Facility (Plant and Equipment)</li> <li>3. Avison Young – PFI Recycling and Energy Recovery Facility (Land and buildings)</li> <li>4. Leeds City Council – Internal Valuer (PF) - Council Housing</li> <li>5. Leeds City Council - Internal Valuer (NR) - General Fund Assets</li> </ol> </li> </ul> <p>Three of the valuation reports (JLL and the two Leeds City Council Internal valuations) include a material valuation uncertainty paragraph as a result of Covid-19 as well as being reported in the Council's financial statements. We consider it appropriate to include an emphasis of matter in our audit opinion relating to this material uncertainty in respect of Council Housing and Investment Properties. It is important to note that this is a national issue, applying to most local authorities with material land and building asset bases.</p>

# Significant audit risks

## Risks identified in our Audit Plan

### Valuation of pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1.5 billion in the Authority's balance sheet at 31 March 2019) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

## Auditor commentary

As part of our work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- commenced work to obtain assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our audit work on the valuation of the pension fund net liability remains on-going. To date, no issues have been identified except for:



- the Council was advised by the West Yorkshire Pension Fund (WYPF) in early September that AON Hewitt (the actuary) had identified an error in the asset return calculations used for the overall WYPF fund asset figures. The impact for Leeds is to increase the value of pension assets by £21.597m. The Council has adjusted for this error.

We asked the Council to obtain confirmation that the impact of the McCloud judgement had been included and the likely impact of the Goodwin judgement on the pension fund net liability at 31 March 2020. The Council's actuary has confirmed:




- the impact of the McCloud judgement has been included in the pension fund net liability at 31 March 2020
- the impact of the Goodwin judgement totals -£9.73m at 31 March 2020. This is an emerging national issue relating to equal survivor benefits between same and opposite sex widowers. This issue arose after the Council had prepared its draft accounts in July 2020. The Council is adjusting for this amount.

We also are awaiting assurance from the West Yorkshire Pension Fund auditor on the 2019-20 Pension Fund accounts. Until received, currently expected during November, we will be unable to complete our audit work and issue our audit opinion. Where the pension fund auditor's report refers to a material uncertainty relating to Covid-19, we will need to consider the impact on the Council's accounts and our audit report.


# Significant findings – key estimates and judgements

Accounting area	Summary of management’s policy	Auditor commentary	Assessment
<b>Provisions for NNDR appeals - £20.6m</b>	The Council is responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required and is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. There has been a small reduction in this provision of £0.22m during the year.	<ul style="list-style-type: none"> <li>The underlying information used to determine the estimate appears appropriate</li> <li>The calculation of the NNDR provision is consistent with the approach taken last year</li> <li>An appropriate accounting policy is included in Note 4 of the Statement of Accounts.</li> </ul>	 <b>Green</b>
<b>Land and Buildings – Council Housing - £2,201m</b>	<p>The Council is required to revalue its Council housing in accordance with DCLG’s Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its in-house valuer to complete the valuation of these properties. The valuation was at 30 September 2019 and valued Council Housing at £2,201m, a net increase of £101m from 2018-19 (£2,100m).</p> <p>In line with RICS guidance, the Council’s valuer disclosed a material uncertainty in the valuation of the Council’s land and buildings at 30 September 2019 as a result of Covid-19.</p> <p>The Council has included a Covid-19 disclosure in Note 15.1e relating to the valuation uncertainty.</p>	<ul style="list-style-type: none"> <li>The Council’s in-house valuer has valued the Council’s housing stock on 30 September 2019 using the beacon methodology. Whilst the valuer has confirmed that there has been no material change in beacon values from 30 September 2019 to 31 March 2020, we requested additional information from management and the Valuer to support this view</li> <li>There has been an increase in the housing stock valuation of £101m. Our review of the increase when comparing to the Gerald Eve report movements indicates the increase is reasonable</li> <li>Capital additions to Council housing total £93.9m for 2019-20. There were £5.5m of Council house disposals during the year and £1.8m of impairments</li> <li>We have assessed the Council’s in-house valuer to be competent, capable and objective</li> <li>We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report</li> <li>The valuation method remains consistent with the prior year. Whilst we recognise the progress made by the Council in moving its valuation date from 1 April to 30 September in 2018, we consider it appropriate for the valuation date to be at the year end (31 March) providing a more accurate valuation position. We have raised a recommendation in this respect in the Action Plan at Appendix A</li> <li>We have agreed the HRA valuation report to the Statement of Accounts.</li> </ul> <p>Our audit work is substantially complete except for the review of the work by the engagement lead and engagement manager and the impact of any issues arising from the ‘hot review’ of the draft accounts. We will provide a further update to the Audit Committee on 23 November.</p>	 <b>Amber</b>


**Assessment**

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated (red)
-  We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic (amber)
-  We consider management’s process is appropriate and key assumptions are neither optimistic or cautious (green)

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Land and Buildings – Other - £2,493m</b>	<p>Other land and buildings comprises £2,086m of specialised assets such as schools and libraries as well as the PFI Recycling and Energy Recovery Facility (£120m), which are required to be valued at depreciated replacement cost (DRC), reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings (£407m) are not specialised in nature and are required to be valued at existing use value (EUV - £72m) for example car parks, and open market value (OMV - £335m) for example Council Offices at the year end. The Council has engaged its in-house valuer to complete the valuation of properties as at 30 September 2019 with two external valuers valuing the Waste to Energy Plant. Approximately 94% of total assets (by value) were revalued during 2019-20.</p> <p>In line with RICS guidance, the Council's in-house valuer disclosed a material uncertainty in the valuation of the Council's land and buildings as a result of Covid-19, a similar material uncertainty was also included by JLL, in respect of the valuation of Investment Properties. The Council has included a Covid-19 disclosure in Note 15.1e relating to the valuation uncertainty.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £222m. Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 30 September 2019, based on the market review provided by the valuer as at 31 March 2020, to determine whether there has been a material change in the total value of these properties.</p> <p>Management's assessment of assets not revalued has identified no material change to the properties value.</p> <p>The total year end valuation of Other land and buildings was £2,493m.</p>	<ul style="list-style-type: none"> <li>We have assessed the Council's in-house valuer, and the two external valuers to be competent, capable and objective</li> <li>We have carried out completeness and accuracy testing of the underlying information provided to the valuers used to determine the estimate including floor areas where appropriate and have no issues to report</li> <li>The valuation method remains consistent with the prior year. Whilst we recognise the progress made by the Council in moving its valuation date from 1 April to 30 September in 2018, we consider it appropriate for the valuation date to be at the year end (31 March) providing a more accurate valuation position. We have raised a recommendation in this respect in the Action Plan at Appendix A.</li> <li>We confirm consistency of the estimate against the Gerald Eve report, and reasonableness of the increase in the estimate</li> <li>We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts.</li> </ul> <p>Our audit work is substantially complete except for the review of the work by the engagement lead and engagement manager and the impact of any issues arising from the 'hot review' of the draft accounts. We will provide a further update to the Audit Committee on 23 November.</p>	 <p><b>Amber</b></p>

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Heritage Assets - £122m</b>	<p>Heritage assets are those assets with historical, artistic or cultural qualities that are held and maintained for their contribution to knowledge and culture, and are intended to be preserved for future generations.</p> <p>Heritage assets are held at current value where a valuation can be obtained, otherwise they are recorded at historic cost. Where no cost or valuation information is available, heritage assets are not included in the balance sheet. The Council records two groups of heritage assets on its balance sheet, historic buildings, and artworks and museum exhibits. The Council's accounting policy is to record all Heritage assets over £1m.</p> <p>The value of historic buildings at 31 March 2020 totalled £6.7m and artworks and museum exhibits amounted to £6.2m, both of which were held at cost. A further £108.9m of artworks and museum exhibits were held at valuation.</p> <p>The total year end value of Heritage Assets was £122m, an increase of £25m over the previous year, mainly due to revaluations of £23.9m and acquisitions of £0.8m.</p>	<ul style="list-style-type: none"> <li>• We have reviewed the valuations undertaken on a sample basis to ensure the appropriateness of the valuations used</li> <li>• We have considered valuations which have been based on past auction market prices in addition to insurance values</li> <li>• We reviewed the revaluation movement for the year and identified this included ten assets valued over £1m and totalling £17.85m being erroneously omitted over a number of years. This error arose as a result of a number of heritage assets under £1m increasing to over the £1m de-minimis amount and not being notified to the finance team.</li> <li>• The Council should strengthen its arrangements for identifying heritage assets over £1m and the process to formally inform the finance team to ensure all heritage assets above the £1m threshold are recorded in the financial statements. We have raised a control recommendation in this regard at Appendix A (no adjustment to the financial statements is required).</li> <li>• We have agreed Heritage Assets to the Statement of Accounts.</li> </ul> <p>We understand following discussions with management that a further asset is expected to be added to heritage assets as its valuation is in excess of £1m. The Finance team are awaiting further information from the Museum Curator. Our audit work remains on-going.</p>	 <b>Amber</b>



# Significant findings – key estimates and judgements

Accounting area	Summary of management’s policy	Auditor commentary	Assessment
-----------------	--------------------------------	--------------------	------------

**Net pension liability – £1,747m**  
(includes Teachers discretionary pensions £77m)

The Council’s net pension liability at 31 March 2020 is £1,747m (PY £1,539m) comprising the Council’s element of the West Yorkshire Pension Fund (WYPF).

The Council uses AON Hewitt to provide actuarial valuations of the Council’s assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019.

A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £208m net actuarial loss during 2019-20 (as per the draft accounts).

Our work on the Council’s net pension liability remains on-going.

- We have assessed the Council’s actuary, AON Hewitt, to be competent, capable and objective
- We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019 roll forward calculation carried out by the actuary.
- We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:

Assumption	Actuary Value	PwC comments	Assessment
Discount rate	2.3%	The methodology is reasonable and results in assumptions within, albeit towards the bottom (prudent) end of our expected ranges at 31 March 2020 for all employers.	● Green
Pension increase rate	2.1% – 1.90%	Inflation sits towards the top, more prudent end, of our expected range as at 31 March 2020 and hence the assumption can be considered reasonable.	● Green
Salary growth	3.0% - 3.6%	In line with the 2019 valuation. 1.0% to 1.5% above CPI plus promotional salary increases.	● Green
Life expectancy – Males currently aged 45 / 65	Pensioners: 20.8 - 23.0 Non-pensioners: 22.5 - 24.7	Overall mortality assumptions are reasonable.	● Green
Life expectancy – Females currently aged 45 / 65	Pensioners: 23.5 - 25.5 Non-pensioners: 25.0 - 27.2	Overall mortality assumptions are reasonable.	● Green

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2019-20 to the valuation method
- Reasonableness of estimate – following the quantification of the Goodwin judgement at 31 March 2020 of -£9.73m, Management is adjusting for this amount.
- We are awaiting the assurance letter from the West Yorkshire Pension Fund auditor on the 2019-20 Pension Fund accounts.



# Significant findings – Going Concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

## Background

It has been a challenging year due to the Covid-19 pandemic and the impact of this has been through additional costs to support operational services, lost income through reduced trading activity and some cessation of services (including leisure centres). In addition, council tax payments and business rates payments reduced as lock down started, businesses closed, and businesses furloughed staff. The additional costs have not had a significant impact on the financial outturn for 2019-20 as the pandemic only started to impact from mid-March, however, the scale of the impact is being felt during 2020-21 and into 2021-22. Given the impact of Covid-19 on the Council's finances, we have identified this as an area of focus in our audit.

## Going concern commentary

### Management's assessment process

Management has an established process in place and prepare a detailed budget each year which is approved by Members. The budget is developed based on a number of assumptions including funding from Government, savings required to be delivered and the pressures facing the Council. To ensure effective management, the budget is broken down by service area and routinely monitored on a monthly basis with performance reported to the Council's Executive Board. Cash flow is also routinely monitored as part of the Council's treasury management arrangements.

The Council has in place a five year Medium Term Financial Strategy 2021-22 to 2025-26 to allow it to effectively plan its finances ahead and ensure it is able to effectively manage its financial position. The updated MTFS was approved by Executive Board on 24 September 2020 and incorporates the impact of Covid-19.

In assessing its going concern position, management look ahead twelve months from its reporting date and have regard to its future cash flow position including whether current spending is in accordance with budget.

## Auditor commentary

- The Council delivered in year savings of £28.1m compared to the original savings target of £22.6m, which was subsequently revised to £29.0m. It has also managed the financial pressures faced in year to ensure expenditure remained within the approved budget. The Council delivered a small outturn General Fund overspend for 2019-20 of £0.3m compared to a budgeted balanced position for the year on service expenditure of £516.7m.
- The budget setting processes used to prepare the annual budget and the monitoring arrangements in place are considered appropriate and adequate. The Council's Chief Finance Officer routinely monitors the Council's financial position and reports regularly to Members.
- The Covid-19 pandemic has had a considerable impact on the Council from March 2020. The additional costs have not had a significant impact on the financial outturn for 2019-20 given the pandemic started to impact from mid-March. However, the scale of impact is being felt during 2020-21. There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services, lost income through reduced trading activity and some cessation of services including leisure centres.
- In addition, council tax payments and business rates payments have reduced as lock down began, businesses closed and businesses furloughed staff. The Council currently estimates the impact of Covid-19 for 2020-21 to be £163m which has been off set by underspends elsewhere of £5.8m resulting in net additional Covid-19 costs of £157.1m. The Council has received grants from Central Government to date of £67.9m, and with the Collection Fund income shortfall of £43.9m not impacting on the revenue position until 2021/22, the net COVID funding gap for 2020/21 stands at £30.5m which the Council has plans to deal within their existing resources. We note that the Council has withdrawn its earlier request from MHCLG and Treasury relating to a capitalisation order for 2020-21.
- The MTFS indicates an overall budget gap of £166.3m over the five year life of the Medium Term Financial Strategy, of which £118.76m relates to 2021-22. The Council has started a series of service and budget reviews which have been incorporated into budget savings proposals and consider this gap has now been reduced as a result of a number of measures including a proposed reduction of 617 FTEs, a review of the capital programme and departmental savings.
- We have yet to consider management's assessment of going concern as a basis for compiling the financial statements. At the time of drafting this report the Council is currently compiling its going concern assessment which we will review upon receipt and comment on in our updated report to the Corporate Governance and Audit Committee on 14 December 2020.

# Significant findings – Going Concern

Going concern commentary	Auditor commentary
<p><b>Work performed</b></p> <p>We considered management’s going concern assessment including the assumptions used and consideration of its Medium Term Financial Strategy.</p>	<ul style="list-style-type: none"><li>• <b>To be added once management’s assessment of going concern as a basis for compiling the financial statements is received. This will be updated for the Corporate Governance and Audit Committee meeting on 14 December 2020.</b></li></ul>
<p><b>Concluding comments</b></p>	<ul style="list-style-type: none"><li>• <b>TBC</b></li></ul>

# Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
<b>Matters in relation to fraud</b>	We have discussed the risk of fraud with the Chief Financial Officer and have also written to the Chair of the Corporate Governance and Audit Committee. We have also discussed the risk of fraud with the Head of Internal Audit and the Council's Monitoring Officer. We have not been made aware of any material incidents in the period except two, these do not impact on the draft financial statements. No other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed, however, the Council has only disclosed related parties in respect of senior officers using information from last year, 2018/19, as the normal returns expected in January and February 2020 have not been collated as a result of Covid-19. We have requested this information be collated and disclosed and have raised a recommendation at Appendix A.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	A letter of representation has been requested from the Council which is included at Appendix F.
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to the Council's banks. This permission was granted and we wrote directly requesting confirmation of balances, all bank confirmations have now been received. We also requested permission to send direct confirmations for investments held by the Council, these were issued earlier in the year and all have now been received We also requested loan confirmations of which one remains outstanding. We will continue to follow this up during completion of the audit.
<b>Disclosures</b>	<p>Our review found the following omissions in the financial statements to date:</p> <ul style="list-style-type: none"> <li>• the Code requires useable and unusable reserves to be disclosed on the balance sheet. Whilst there is breakdown of these reserves currently shown on the balance sheet total useable and unusable reserves are not disclosed</li> <li>• the Code requires the GF Balance to be shown in the MIRS. Whilst there are columns for GF and GF Earmarked Reserves there is no column for the total GF balance</li> <li>• there is no Glossary of Terms included to aid the reader</li> <li>• the balance sheet does not include a separate line for investments in associates and joint ventures</li> <li>• no disclosure is made of the amount of contractual commitments for the acquisition of property, plant and equipment</li> <li>• there are a number of disclosure omissions relating to finance leases (both lessee and lessor)</li> <li>• pension information about the maturity profile of the defined benefit obligations is not shown</li> <li>• renewal and termination options relating to service concession (PFI and PPP) arrangements is not disclosed.</li> </ul> <p>The finance team are currently considering these disclosure issues. Our work also identified a number of presentational disclosure amendments which are set out at Appendix B.</p>

# Other matters for communication

Issue	Auditor commentary
<b>Audit evidence and explanations / significant difficulties</b>	<p>The provision of accounts working papers was initially delayed as a suitable platform to provide these was not available. Whilst some working papers were initially provided using secure Mimecast transfer facilities, all working papers were not available at that time. Once an on-line shared facility was provided, working papers were added on an on-going basis. A general theme noted was that whilst working papers showed the build up of the numbers included in the accounts, there was generally a gap in reconciling these to the Council's FMS system. This required additional audit work to agree in some instances or further requests to management for additional information. A recommendation has been raised on this matter in the Action Plan at Appendix A. Our audit work to agree the Council's FMS (trial balance) to the CIES and Balance Sheet took considerably longer than expected, this was due to the Council's FMS system being complex, also including other entities that needed to be excluded, as well as being over 30 years old reducing its functionality. These issues are not prevalent on other local government audits where standard finance systems reconcile relatively straightforwardly to the accounts. We understand the Council is considering a new ledger system in the next few years.</p> <p>There were some undoubted challenges arising from delivering the year-end audit in a wholly remote fashion, with both finance colleagues and members of our audit team all working from home. This remote working on both sides, combined with the increased level of audit testing performed and audit evidence required resulted in the audit fieldwork taking longer than planned.</p> <p>Given some element of remote/home working is likely to still be in place for 2020-21, we will be discussing with the finance team how we can continue to work together to mitigate these issues next year.</p> <p>Except for the above, all information and explanations requested from management was provided. We would like to record our thanks to the finance team in providing the information requested remotely despite the challenges of remote working resulting from Covid-19.</p>

## Accounting Policy – Merrion House

Merrion House is a multi-story Office block situated in the Merrion Centre, an established Shopping Centre based in Leeds City Centre. The offices have been occupied by Leeds City Council for a number of years. The Council agreed a prepayment of the rental for the remaining duration of the lease to provide a significant saving to the Council.

A Rent Advance agreement was entered into in 2019, amending the original lease so that there would be a prepayment of rent of £54m to be followed immediately by a distribution of capital of £27m to each of the two Limited Liability Partnership (LLP) members (Town Centre Securities and Leeds City Council). This transaction was recognised by Leeds City Council in its 2018-19 accounts. The accounting treatment at that time was to recognise the gross prepayment of rent on the council's balance sheet as a payment in advance to be amortised over the life of the lease, and the capital distribution as deferred income, also to be recognised over the life of the lease.

Having now received the LLP's accounts for 2018-19, the Council has reconsidered its approach, the influencing change is that the LLP's accounts show the capital distribution to members as an immediate transfer of net worth from the LLP. In the light of this, the Council considers that it should now recognise the distribution it received fully as income, and reduce the fair value of its holding in the LLP correspondingly. The Council is proposing that the balance of £25.65m shown as deferred income in its draft accounts would be recognised as revenue income and transferred to an earmarked reserve, to be applied during the remaining life of the lease.

We are currently considering with Officers whether this change should properly be reflected in 2019-20 or 2018-19 (and require a Prior Period Adjustment (PPA) to be processed), as well as the accounting treatment for reducing the fair value of the Council's holding in the LLP.

# Other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Whilst our work has not identified any compliance issues, we did identify two possible development opportunities:</p> <ul style="list-style-type: none"> <li>the AGS is long at 63 pages and consideration should be given to reducing its length. We understand a review of the AGS is scheduled to be undertaken next year and the length of the AGS will be considered at this time. Given this planned review, we have not included a recommendation regarding the length of the AGS this year</li> <li>the action plan from last year, 2019 is shown along with the action plan for 2020. We consider it would be helpful to set out how many of the 29 actions from 2019 have been delivered and how many remain outstanding and when these will be implemented. Management is updating the AGS for this suggestion.</li> </ul> <p>No further inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – please see our proposed audit opinion at Appendix E.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>If we have applied any of our statutory powers or duties.</li> </ul> <p>Following the expected updating of the AGS referred to above, we have nothing to report on these matters</p>
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work is not yet commenced and will be completed once all other audit work has been concluded.</p>
<b>Certification of the closure of the audit</b>	<p>As a result of the need to complete the WGA work noted above, we do not expect to be able to certify the completion of the 2019-20 audit of the Council in our auditor's report, as detailed at Appendix E. This is in common with a number of local authorities where certification on closure of the audit takes place following completion of the WGA review by December 2020.</p>

# 3. Value for Money

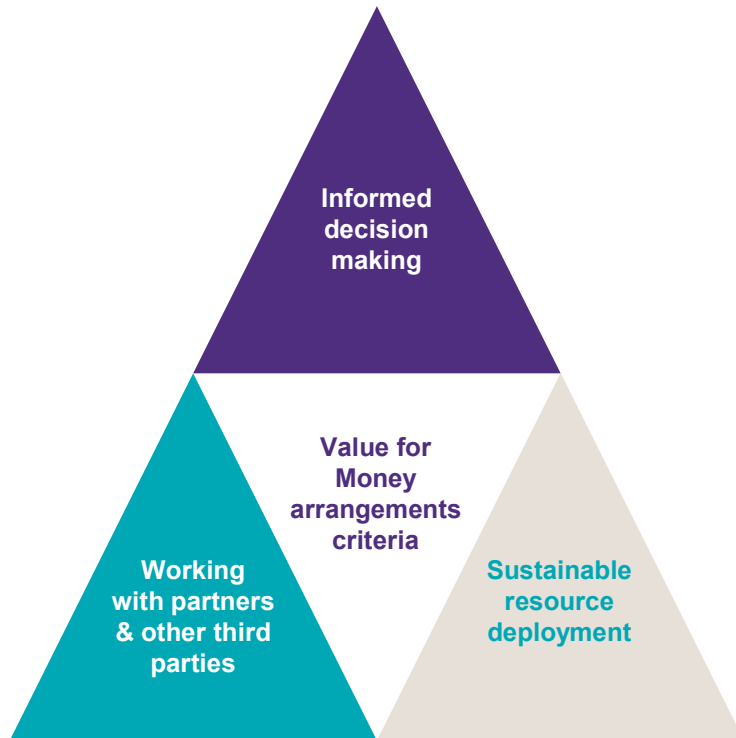
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in December 2019 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated January 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

1. **Financial standing** – the Authority as other authorities, continues to operate under significant financial pressures.
2. **Brexit** - the UK left the European Union on 31 January 2020 with a transition period until 31 December 2020. There will be national and local implications resulting from Brexit that will impact on the Authority, which it will need to plan for.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 20 to 25.

## Overall conclusion

Based on the work we performed to address the significant Brexit risk, we are satisfied that the Council had appropriate arrangements in place. However, the financial impact of Covid-19 has been significant on the Council and highlights the inadequacy of the Council's General Fund Reserves and balances to cushion the impact of major events, requiring the Council to take a range of unplanned and short term measures to manage the additional costs.

This situation indicates weaknesses in the level of General Fund Reserves to deal with significant unforeseen circumstances resulting from the Council's arrangements for financial management. Except for this matter, the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing a qualified 'except for' value for money conclusion **{TO BE CONFIRMED}**, as detailed at Appendix E. Our findings are summarised on pages 22 to 28.

## Recommendations for improvement

We discussed the findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

## Significant difficulties in undertaking our work

The significant impact which Covid-19 has had on the Council's finances, and the on-going dialogue with MHCLG (and Treasury) in respect of additional support, which remained on-going until recently, has resulted in us taking longer to complete our work. We did not identify any other significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.



# Value for Money

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk per our Audit Plan (January 2020)	Findings	Conclusion
<p><b>Financial Standing</b></p> <p>Leeds City Council, in common with other authorities, continues to operate under significant financial pressures.</p> <p>For 2019-20, the Council was planning to deliver a balanced outturn position but to achieve this, needed to deliver savings of some £24.4m whilst continuing to manage cost pressures within Children's Services.</p> <p>The Financial Monitoring Report presented to Executive Board on 7 January 2020 to Month 7 (October 2019), indicated the majority of savings plans were on track to be delivered although highlighted some risks that needed to be managed, including the impact of delayed capital receipts.</p> <p>We will continue to monitor the Authority's financial position through regular meetings with senior management and consider how the Authority manages overspends within Children's Services and the impact of delayed capital receipts. We will continue to assess progress in the identification and delivery of the £24.4m savings required and plans in place to identify cost improvements into 2020-21 and beyond.</p>	<p><b>2019-20 outturn:</b></p> <p>The Council delivered a small outturn General Fund overspend for 2019-20 of £0.3m compared to a budgeted balanced position for the year on service expenditure of £516.7m. The most significant factor in the overspend of £0.3m was an overspend of £1.3m within Children and Families which was offset by an underspend of £0.6m in the central accounts budget. Of the remaining directorates, Adults and Health achieved a balanced position, with Resources and Housing, Communities and Environment and City Development all recording small underspends.</p> <p>Actual savings delivered in 2019-20 totalled £28.1m compared to the original savings target of £24.4m which was then revised during the year to £29.0m. The Council contributed £3.5m to the General Fund Reserve at the year end increasing the General Fund Reserve to £31.5m at 31 March 2020. This increase continues to support the Council's strategy to increase reserves to strengthen its financial resilience.</p> <p>The percentage of local taxation collected in year was 95.9% for council tax (96.1% in 2018/19) and 97.3% for business rates (97.8% in 2018/19). The Housing Revenue Account delivered a balanced outturn position for 2019/20.</p> <p>Capital spend during the year totalled £270.4m (General Fund) compared to a budget of £290.4m, the variance arose mainly as a result of slippage on a number of schemes. Key developments during 2019-20 included the East Leeds Orbital Road, the West Yorkshire Playhouse and the vehicle replacement programme underpinning the Council's emissions reduction programme.</p> <p>The Council went into the Covid-19 pandemic with low reserves as noted in our Audit Findings Report last year.</p> <p><b>2020-21 budget, 2021-22 plans and the impact of Covid-19:</b></p> <p>The Council approved the 2020-21 budget on 26 February 2020 Council Tax for 2020-21 would increase by 1.99% plus an additional 2% for the Adult Social Care precept, a total increase of 3.99% on net expenditure of £525.7m. The Council needed to deliver savings of £28.4m in 2020-21, after the use of £10m from the Council's general reserves to balance the 2020-21 budget. This reduces the Council's general reserves from £31.5m at 31 March 2020, to £22.5m at 31 March 2021 (after a £1m contribution from treasury management savings). The Council's earmarked reserves at 31 March 2020 amounted to £77.5m, however, not all of these are available to support the Council's position (eg Schools Balances and Covid-19 support of £37m). These plans were in place prior to the initial national lockdown from Covid-19 on 23 March 2020.</p>	<p>In our Audit Findings Report last year, we reported that the Council had continued to maintain its reserves at around 5% of net revenue expenditure. Discussions with management indicate this was due to the Council making informed decisions regarding the level of balances and reserves as part of a strategy to protect the provision of front line services.</p> <p>We recommended in our Audit Findings Report last year that in the context of historic projected spending trends and the potential impact this could have on the level of useable reserves, the Council should consider the adequacy of its reserves going forward and the appropriate level of balances which should be linked to the approved MTFs and which should also be reviewed each year.</p> <p>The Council agreed to annually review its strategy to ensure that it retains an appropriate level of balances within its general reserves.</p> <p>Covid-19 has significantly impacted on the Council from March 2020. The impact is most significant in the current year, 2020-21 with additional costs of £30.5m and next year, 2021-22 where the budget shortfall is currently estimated at £118.7m.</p> <p>Prior to Covid-19, the Council continued to operate under significant financial pressures, however, it had effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any variances or additional calls on resources. This helped deliver the small overspend of £0.3m for 2019-20.</p>



Significant risk	Findings	Conclusion
<b>Financial Standing continued 2</b>	<p>The Covid-19 pandemic has had a considerable impact on the Council from March 2020. The additional costs (based on the September Executive Board Report) have not had a significant impact on the financial outturn for 2019-20 as the pandemic only started to impact from mid-March. However, the scale of impact is being felt during 2020-21.</p> <p>There have been significant financial challenges as the Council responded to the Covid-19 pandemic through additional costs to support operational services, lost income through reduced trading activity or cessation of some services (such as leisure centres). In addition council tax payments and business rates payments have reduced as lock down began, businesses closed and businesses furloughed staff. The Council estimates the impact of Covid-19 for 2020-21 to be £163.0m. The Council has been allocated grants from Central Government of £67.9m which will be used to offset the additional Covid-19 costs for 2020-21 reducing the net impact to £95.1m. Of this total amount, £42.6m relates to a shortfall in Council Tax and Non Domestic rates which would impact in the following year, 2021-22, resulting in the total net shortfall for 2020/21 of £52.5m.</p> <p>The Council implemented some immediate management measures to start to mitigate the financial pressures faced, including:</p> <ol style="list-style-type: none"> <li>1. Implementation of a recruitment freeze</li> <li>2. Restrictions on utilisation of agency and overtime</li> <li>3. Implementation of an immediate freeze on non-essential spend</li> <li>4. Review of the current procurement strategy to see whether commissioning could be stopped, slipped or re-specified at a lower value to achieve savings</li> <li>5. Capturing savings resulting from the current lockdown</li> <li>6. Active promotion of the Council's Early Leaver's Initiative (ELI) scheme, allowing staff to exit the Authority where a business case exists.</li> </ol> <p>We understand that due to existing agreements in place with Unions, the Council is unable to reduce staffing levels in the short term to assist with the 2020-21 shortfall.</p> <p>An updated Medium Term Financial Strategy covering the five years 2021-22 to 2025-26 was presented to Executive Board on 24 September 2020. The rolling five year strategy has been updated and incorporates the impact of Covid-19 and makes various assumptions about funding and business rates retention all based on the information known at the time the MTFs was prepared. In summary, there is an overall estimated budget gap of £166.3m over the life of the Medium Term Financial Strategy, of which £118.76m relates to 2021-22, £18.7m in 2022-23, £25.8m in 2023-24, £3.6m in 2024-25 and a small £0.5m surplus in 2025-26.</p>	<p>However, the impact of Covid-19 has had a significant impact on the Council from mid March 2020, with additional costs to support operational services, lost income, reduced council tax and business rates payments all impacting on the Council's financial standing.</p> <p>The level of the Council's general fund reserves which amount to £31.5m at 31 March 2020, were initially considered insufficient to absorb the additional costs associated with Covid-19. The Council also has an additional £77.5m of earmarked reserves.</p> <p>Whilst the Council believed it had sufficient time to manage its position for 2021-22 through a range of actions to reduce overall expenditure, it believed it was at that time unable to absorb the additional costs for 2020-21 without significantly impacting on services. As a result, the Council requested support from MHCLG in May 2020 through a capitalisation order to allow the Council to better manage the situation over a longer period, rather than having to make short term decisions.</p> <p>We understand from the November 2020 Executive Board Report, that if support is not agreed with MHCLG by the end of November, the Council will bring forward budget proposals to balance the budget for 2020-21 in December 2020. We understand the Chief Finance Officer does not consider a S114 Notice under the Local Government Finance Act 1988 (where expenditure of the authority is likely to exceed the resources available) will be likely, although this has not been ruled out.</p> <p>When Covid-19 took hold in late March and early April, the Council took a range of actions to mitigate the financial impact of Covid-19, and believed it had sufficient time to manage the additional financial pressures resulting from Covid-19 in 2021-22, however, it considered it</p>

Significant risk	Findings	Conclusion
Financial Standing continued 3	<p>The Council has started a series of service and budget reviews which have been incorporated into budget savings to contribute towards addressing the reported estimated budget gap for 2020-21 and 2021-22.</p> <p>The most recent projections to the Executive Board in November 2020 indicate the total impact of Covid-19 for 2020/21 at £160.0m which reduces to £153.8m after £6.2m of non Covid-19 savings.</p> <p>To date, the Council has received £51.6m of grants from Central Government relating to Covid-19, of which £2.6m have been applied in 2019-20, leaving £49.0m for 2020-21. A further £18.9m in grants is expected for lost income. The Government also announced an additional £1bn of funding for local authorities on 12 October, Leeds will receive £20.6m of this new funding, reducing the total impact of Covid-19 to £71.6m. The collection Fund shortfall for 2020-21 will impact in 2021-22 reducing the total impact for 2020-21 to a net £30.5m.</p> <p>The Executive Board Report also notes that if support is not agreed with MHCLG by the end of November, the Council will proceed to an emergency budget to balance the budget for 2020-21 in December 2020.</p> <p>The Council contacted MHCLG following the Executive Board on 19 May to ask for financial assistance to:</p> <ol style="list-style-type: none"> <li>1. Underwrite the shortfall in Business Rates resulting from Covid-19</li> <li>2. Compensate the Council for any shortfall against budget regarding the level of Council Tax collected as a result of COVID-19</li> <li>3. Fund 100% of the Local Council Tax Support (LCTS) scheme to protect authorities against loss of council tax income due to an increase in claimants</li> <li>4. Write off PWLB debt held by local authorities or, failing this, reduce interest rates for PWLB debt to the cost to Government</li> <li>5. Underwrite any variation in the level of income receivable from fees and charges that have been impacted by COVID-19.</li> </ol> <p>In total, we understand the request for financial assistance equates to a £50m capitalisation order over a 50 year period from MHCLG. The Council is continuing to have dialogue with MHCLG on this support. No decision had been reached at the time of drafting this report.</p> <p>We have continued to have regular discussions with the Council's Chief Finance Officer as to the actions being taken to address the budget shortfall and understand through these discussions that members have been fully briefed and are supportive of the actions being taken. We also wrote to the Chief Finance Officer on 1 June 2020 once we had discussed the financial pressures facing the Council resulting from Covid-19, this was also presented to the Audit Committee at its July meeting.</p>	<p>may not be able to absorb the additional costs relating to 2020-21, and in May 2020, requested additional support from the Ministry of Housing Communities and Local Government (MHCLG) and Treasury. We understand from management that the request for a capitalisation order was an informed decision taken by the Council to allow it to manage the situation over a longer period, rather than having to make short term decisions.</p> <p>Since this time, the Council has been taking steps to reduce the budget gap resulting from Covid-19 through a range of measures, and by November 2020, had reduced the gap to £30.5m (from some £95.1m). At this point, the Council felt it was able to manage the remaining additional costs for 2020/21 and withdrew its application for a capitalisation order on 12 November 2020.</p> <p>Overall, if Covid-19 had not taken place, the Council's financial position would have continued to be sufficiently stable to manage the financial impact of small unforeseen events as in previous years, however, the financial impact of Covid-19 has been significant and highlights the inadequacy of the Council's General Fund Reserves and balances to cushion the impact of major events, requiring the Council to take a range of unplanned and short term measures to manage the additional costs.</p> <p>This situation indicates weaknesses in the level of General Fund Reserves to deal with significant unforeseen circumstances resulting from the Council's arrangements for financial management. Except for this matter, the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing a qualified 'except for' value for money conclusion <b>{TO BE CONFIRMED}</b>.</p>

Significant risk	Findings	Conclusion
------------------	----------	------------

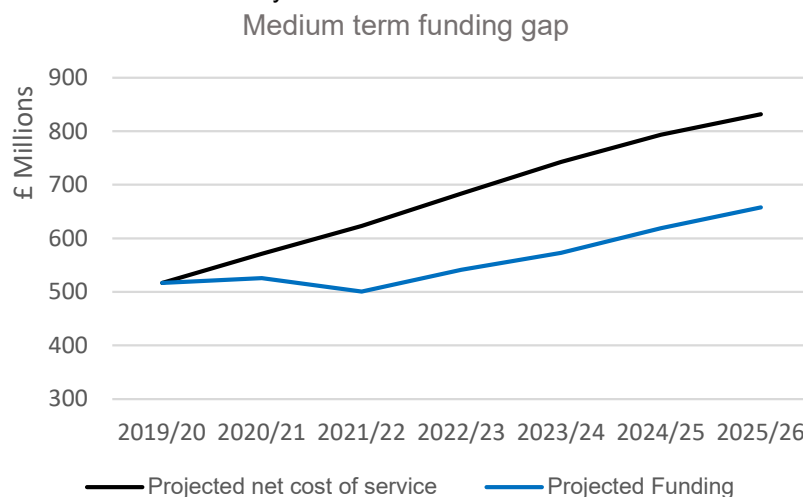
**Financial Standing continued 4**

We also understand that whilst discussions with MHCLG remain on-going, the Council continues to take action to reduce its cost base for 2021-22, including a reduction in 617 FTE staff, amounting to some £40.5m in savings and reducing the overall budget gap for 2021-22 to £78.3m. Further savings proposals will continue to be presented to the Council's Executive Board to address the remaining budget gap. Discussions with the Chief Financial Officer indicate additional savings plans of some £60m are being developed.

Following the reduction to the 2020/21 Covid-19 financial gap to £30.5m in November 2020, the Council reassessed its position and considered it was able to manage the remaining gap without additional support from MHCLG and Treasury. As a result, the Council withdrew its request for MHCLG and Treasury support on 12 November 2020.

**Financial Foresight model**

We asked our Specialist Financial Review Team to run a Financial Foresight model for the Council's medium term funding gap based on publicly available information. The analysis undertaken is based on the Council's outturn for 2019/20, and the projections included in its five year MTFS.



The analysis shown above indicates graphically the financial gap between the Council's projected levels of income, and its projected net spending, identifying the financial gap the Council needs to address from 2020/21 onwards.

In addition to the above, we have compared the Council's reserves and its long term borrowings with the core cities as at 31 March 2020.

We have repeated our recommendation from last year, that the Council should consider the adequacy of its reserves going forward and the appropriate level of balances which should be linked to the approved MTFS and which should be reviewed each year. Additionally, the Council should consider whether it has explored all possible options to further reduce expenditure in all service areas, including discretionary spending.

In addition, we have agreed a number of recommendations with management relating to the delivery of a balanced outturn position for 2020/21, and an achievable and realistic budget for 2021/22 which can be delivered. As part of considering the 2021/22 budget, we will also consider the Chief Finance Officer's Section 25 Report under the Local Government Act 2003 relating to the robustness of estimates and the adequacy of financial reserves. We have also agreed to continue to meet on a monthly basis with the Council's Chief Finance Officer to consider the actions being planned, taken and delivered to achieve savings in both 2020/21 and 2021/22 and to monitor the Council's financial position for both years. These recommendations have been included at Appendix A.

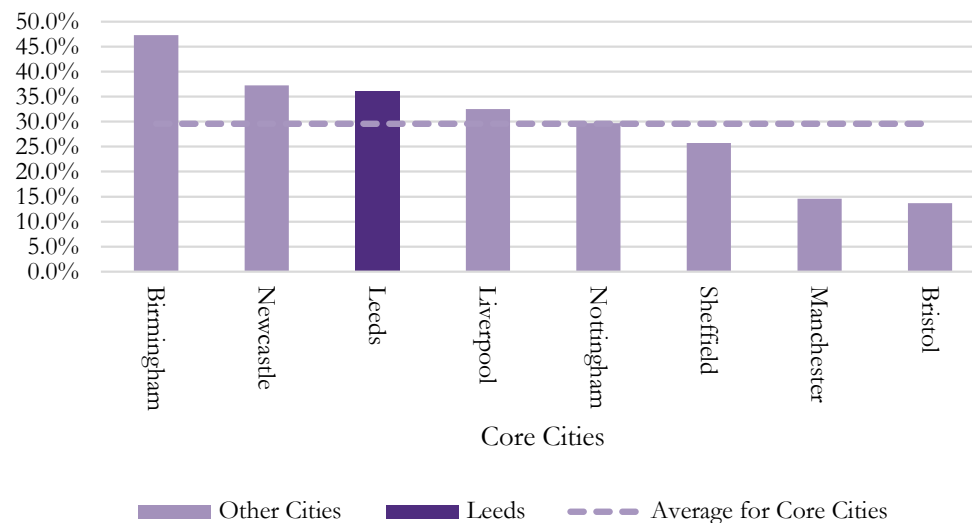
Any deterioration in the Council's financial position for 2020/21 or planned position for 2021/22, could lead us to consider exercising our additional statutory powers under Part 5, Section 24, Schedule 7 (Paragraph 2) of the Local Audit and Accountability Act 2014 in respect of written recommendations.

Significant risk	Findings	Conclusion
------------------	----------	------------

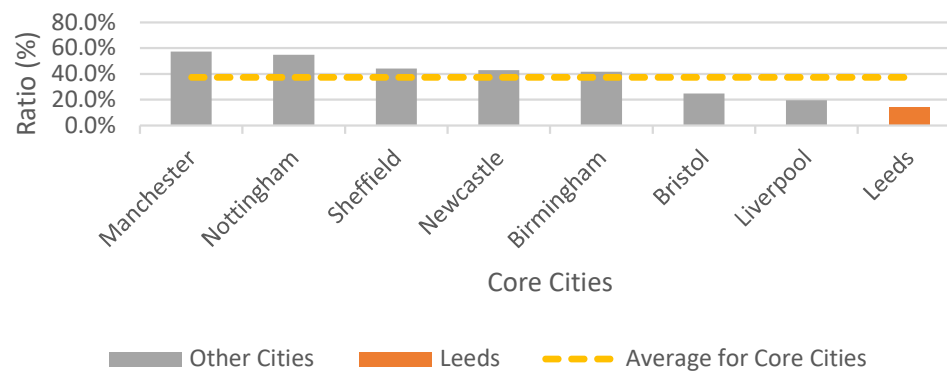
**Financial Standing continued 5**

This analysis indicates that the Council's long term borrowings are higher than a number of other core cities whilst its level of reserves are the lowest.

Long-term borrowing as a proportion of Long-term assets (%)



General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)



# Value for Money

Significant risk per our Audit Plan (January 2020)	Findings	Conclusion
<p><b>Brexit</b></p> <p>The UK left the European Union on 31 January 2020 with a transition period until 31 December 2020. There will be national and local implications resulting from Brexit that will impact on the Authority, which the Authority will need to plan for.</p> <p>We are aware of the Authority's planning for Brexit from our consideration of the Authority's arrangements as part of our prior year VFM related work. For the current year, we will consider the Authority's on-going arrangements and plans to mitigate any risks on Brexit.</p>	<p>On 23 June 2016, the UK voted to leave the European Union. Article 50 was triggered on 29 March 2017 and the UK formally left the EU on 31 January 2020. While the UK has agreed the terms of its EU departure, both sides are agreeing their future relationship during the transition period, which began immediately after the UK left the EU and is due to end on 31 December 2020. During this 11-month period, the UK will continue to follow all of the EU's rules and its trading relationship will remain the same.</p> <p>Following the result of the June 2016 referendum, Leeds City Council's Executive Board considered a report in July 2016 and approved the report outlining five main areas that the council and its partners would focus on in the run-up to Brexit: 1. Maintaining momentum on major development and infrastructure schemes, and economic growth projects; 2. Supporting business and key institutions; 3. Creating a more tolerant and united city; 4. Securing devolution; and 5. Providing confident, outward-looking leadership and image of Leeds as an international city.</p> <p>The majority of the council's work to prepare for Brexit has been undertaken as part of normal business arrangements at the Council. However, co-ordination of activity has been undertaken by the existing team based within the Chief Executive's Office and through the Brexit officer working group. Regular reports have also been presented to the Executive Board. There is also recognition that should an emergency situation arise, council officers may need to be temporarily redeployed as part of response and recovery arrangements.</p> <p>The Council has developed a strategic response plan to provide a framework to deal with the uncertainty in the build up to and the response phase after the UK's exit. The plan is structured around five key themes: 1. Infrastructure and supplies; 2. Business and economic impact; 3. Community; 4. Media and communications and; 5. Organisational impact. The response plan is able to be scaled up or down depending on the nature of the UK's final exit from the EU. The response plan is consistent with planning at a West Yorkshire level through the Local Resilience Forum (LRF) and national plans led by government.</p>	<p>The Council has continued to monitor Brexit developments following the referendum in June 2016 and has continued to liaise with neighbouring authorities and other agencies to ensure a co-ordinated approach to an EU exit through the West Yorkshire Local Resilience Forum. The Council has developed a strategic response plan to provide a framework to deal with the uncertainty in the build up to and the response phase after the UK's exit.</p> <p>The Council recognises Brexit may impact on local businesses and set up a dedicated page on Brexit on its website to support both individuals, businesses and people wanting to apply to remain under the EU Settlement Scheme.</p> <p>The Council continues to monitor developments and liaise with its partners to ensure it remains prepared for Brexit on 31 December 2020.</p> <p>The Council has appropriate arrangements in place for managing both the local and national implications resulting from Brexit as well as regular reporting to members.</p> <p>We will continue to monitor the Council's plans to manage Brexit as part of our 2020-21 audit.</p>

# Value for Money

Significant risk	Findings	Conclusion
<p><b>Brexit continued 2</b></p>	<p>The response plan draws on local consultation and national best practice, and recognises the dynamic nature of the Brexit landscape. Existing groups and networks in the city will continue to be utilised to minimise the creation of new bureaucracy. To date, the Council has received £315k from central government for Brexit preparations, which has been allocated to support specific Brexit related work and to cover staffing resources to co-ordinate Brexit preparedness.</p> <p>Executive Board has continued to receive regular reports on Brexit and the strategic response plan. The last report to Executive Board was on 21 October 2020 and highlighted the following key matters:</p> <ol style="list-style-type: none"> <li>1. As there was no extension to the transition period, the UK will no longer be bound by EU rules on 1 January 2021. From then, the UK and its businesses will trade on either the new terms negotiated in a free trade agreement (FTA), or the UK will leave the EU with “no deal”, and start trading with the EU on World Trade Organisation (WTO) terms.</li> <li>2. In the Government’s Reasonable Worst Case Scenario (RWCS) for borders at the end of the transition period, it has been made clear that regardless of the outcome, (trading on a new FTA basis, or on WTO terms), there will be additional checks for imports and exports. Those involved in cross-border trade such as traders and hauliers must act now and get ready for new formalities that will be in place from 1 January 2021.</li> <li>3 On 8 October the Government published an updated Border Operation Model. The model includes potential locations for inland border infrastructure locations, there are no potential sites in the Yorkshire &amp; Humber region. However the Government has passed secondary legislation providing the right to construct “lorry parks” if required, including one in East Yorkshire, to alleviate potential border delays.</li> <li>4. To aid UK businesses and individuals prepare for the end of the transition period, the Government introduced a new campaign in July – ‘The UK’s new start: let’s get going’. Its aim is to ensure everyone is ready to seize the opportunities available, prepare for any changes to how they may trade and travel after the transition period. The Council’s website has been updated to reflect the up to date advice given by the Government.</li> </ol>	

# Value for Money

Significant risk	Findings	Conclusion
<p><b>Brexit continued 3</b></p>	<p>5. The coronavirus pandemic has had unprecedented impact at a global, national and local level. This has led to a pause in some Brexit preparations while resources were redirected to tackle the immediate threat of the virus. However, the Council continues to focus on the economic and social implications of the transition arrangements. The Brexit Officer Working Group met in September, and will continue to co-ordinate preparedness and refresh the strategic response plan where needed.</p> <p>6. The cross party Member's Working Group met again in October and continues to play a key part in highlighting important issues which feed into the preparatory response work.</p> <p>7. The council continues to progress the local implementation of the EU Settlement Scheme. From the most recently available Home Office statistics (up to 30 June 2020), in Leeds there has been 38,880 applications to the EUSS, of which 35,330 have received a decision.</p> <p>8. Throughout the Coronavirus pandemic, the Council has continued to maintain a close relationship with businesses and business representative groups through a variety of meetings. The Council will continue to work with its partners in the coming months as the national context for the future relationship with the EU becomes clearer.</p>	



## 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are included at Appendix D

### Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

Page 1 of 3	Fees £	Threats identified	Safeguards
<b>Audit related:</b>			
<b>NONE</b>	-	-	-
<b>Non-audit related:</b>			
<b>CFO Insights</b>	£17,500	Self-Interest (because this is a recurring fee)	<p>This is an online software services that enable users to rapidly analyse data sets. CFO Insights is a Grant Thornton &amp; CIPFA collaboration giving instant access to financial performance, service outcomes and socio-economic indicators for local authorities.</p> <p>It is the responsibility of management to interpret the information. The scope of our service does not include making decisions on behalf of management or recommending or suggesting a particular course of action. These factors mitigate the perceived self-interest threat. The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £17,500 in comparison to the total fee for the audit of £198,954 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.</p>



# Appendix A: Action Plan

We have identified the following recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020-21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● <b>Medium</b></p>	<p><b>Valuation of land and buildings</b></p> <p>The Council moved its valuation date from 1 April to 30 September in 2018. This approach requires an estimation from 30 September to 31 March at the year end to ensure there has not been a material change in asset values.</p> <p>There is a risk that asset values are not correctly valued in the financial statements.</p>	<p>Management should revise its valuation date for the valuation of fixed assets from the current 30 September date, to the year end, 31 March each year.</p> <p><b>Management response</b></p> <p>As noted in previous years, the council's valuers have advised that it would not be possible to produce valuations based on observable data at the valuation date within the required timescales. The possibility of changing the valuation date to early January is being explored.</p>
<p>● <b>Medium</b></p>	<p><b>Heritage Assets</b></p> <p>Our review of the revaluation movement identified ten assets valued over £1m and totalling £17.85m being erroneously omitted over a number of years. This error arose as a result of a number of heritage assets under £1m increasing to over the £1m de-minimis amount and not being notified to the finance team.</p>	<p>The Council should strengthen its arrangements for identifying heritage assets over £1m and the process to formally inform the finance team to ensure all heritage assets above the £1m threshold are recorded in the financial statements.</p> <p><b>Management response</b></p> <p>The Corporate Finance team will work with the Museums &amp; Galleries Service to improve the process for identifying high value assets.</p>
<p>● <b>Medium</b></p>	<p><b>Working Papers</b></p> <p>The provision of working papers was initially delayed as a suitable platform to provide these was not available. Once a shared facility was provided, working papers were added on an on-going basis.</p> <p>A general theme noted was that whilst working papers showed the build up of the numbers in the accounts, there was generally a gap in reconciling these to the FMS system. This required additional work to agree or further requests to management for additional information.</p>	<p>Management should introduce a review process where working papers produced are reviewed by someone independent of the preparers and signed off before being uploaded for auditor access.</p> <p><b>Management response</b></p> <p>The Finance team will liaise with Grant Thornton to ensure that the nature and scope of working papers requested can be confirmed in good time in advance of future audits.</p>

## Key

- High priority (Red)
- Medium priority (Amber)
- Low priority (Green)

# Appendix A: Action Plan continued

Assessment	Issue and risk	Recommendations
<p>●</p> <p><b>High</b></p>	<p><b>Future level of useable reserves</b></p> <p>As reported last year, the Council has maintained the level of its reserves at around 5% of total net revenue expenditure. The impact of Covid-19 has shown the level of reserves is not sufficient for unforeseen events. There is a need for the Council to consider the adequacy of its reserves going forward.</p>	<p>The Council should consider the adequacy of its reserves going forward and the appropriate level of balances which should be linked to the approved MTFs and which should be reviewed each year.</p> <p><b>Management response</b></p> <p>Agreed. The Council recognises the requirement to keep the level of reserves under review. Whilst the current MTFs provides for a budgeted contribution to the General Reserve the Council will continue to maintain a robust approach towards its management of risk especially in the determination of the level of reserves that it maintains.</p>
<p>●</p> <p><b>High</b></p>	<p><b>Reducing Council expenditure</b></p> <p>The Council is currently trying to balance a budget gap of £30.5m for 2020-21. The Council should consider whether it has explored all possible options to further reduce expenditure in all service areas, including discretionary spending.</p>	<p>The Council should consider whether it has explored all possible options to further reduce expenditure in all service areas, including discretionary spending.</p> <p><b>Management response</b></p> <p>Agreed. Whilst from May the Council has implemented a number of measures such a freeze on non-essential spend, recruitment and the use of agency staff, further measures will be required to deliver a balanced budget position in 2020/21 and these will be reported to the Council's Executive Board and Full Council in December and January respectively.</p>
<p>●</p> <p><b>High</b></p>	<p><b>Related Parties</b></p> <p>The Council has only disclosed related parties in respect of senior officers using information from last year, 2018/19, as the normal returns expected in January and February 2020 have not been collated as a result of Covid-19.</p>	<p>All related parties should be fully disclosed based on current information. The Council should ensure related parties in respect of senior officers is fully disclosed within the 2019/20 financial statements.</p> <p><b>Management response</b></p> <p>Related party disclosures for the Council's draft accounts were produced using the most up-to-date register of interests for senior officers that was available. The register of interests is being updated and the disclosure will be reviewed for the final accounts.</p>
<p>●</p> <p><b>High</b></p>	<p><b>Financial Position</b></p> <p>The impact of Covid-19 has had a significant impact on the Council's financial position. The Council currently has a financial gap of £30.5m for 2020/21 and a remaining gap of £78m with £60m of proposals being developed for 2021/22. The Council is taking a range of actions to address the additional costs of Covid-19 and eliminate the remaining financial gaps for both 2020/21 and 2021/22. Without robust action to eliminate the remaining financial gaps in both years, there is a risk that the Council will be in a deficit position. Any deterioration in the Council's financial position for 2020/21 or planned position for 2021/22, could lead to us exercising our additional statutory powers in respect of written recommendations.</p>	<p>There is a need for the Council to:</p> <ul style="list-style-type: none"> <li>• continue to routinely monitor its financial position for 2020/21 and take remedial action for any slippage to the delivery of savings or additional expenditure identified</li> <li>• ensure all actions are taken to eliminate the current £30.5m financial gap and deliver a balanced outturn position for 2020/21</li> <li>• set an achievable, robust and realistic budget for 2021/22 which can be delivered with worked up savings plans and schemes that can be individually reviewed and monitored to deliver an outturn balanced position</li> <li>• meet regularly with us through monthly meetings (with the Chief Finance Officer) to consider the actions being planned, taken and delivered to achieve savings in both 2020/21 and 2021/22 and to monitor the Council's financial position for both years and its MTFs.</li> </ul> <p><b>Management response</b></p> <p>We accept these recommendations and welcome the regular liaison to monitor the Council's financial position for both 2020/21 and 2021/22.</p>

# Appendix B: Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2018-19 financial statements, which resulted in two recommendations being reported in our 2018-19 Audit Findings (ISA260) Report. We have reviewed the actions taken by the Council and have set out our findings below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p><b>Valuation of land and buildings</b></p> <p>The Council moved its valuation date from 1 April to 30 September in 2018-19. This has required an estimate at the year end to ensure there has not been a material change in asset values.</p> <p>There is a risk that asset values are not correctly valued in the financial statements. We recommended management should revise its valuation date for the valuation of fixed assets from the current 30 September date, to the year end, 31 March each year.</p>	<p>The Council's policy of using a valuation date of 30th September was established to ensure that it was possible to produce the required number of valuations based on observable data of conditions as at the valuation date. The Council has reviewed whether a material change in valuations has taken place between 30 September and 31 March and do not consider a change to the valuation date of 31 March is necessary.</p> <p>We have raised this recommendation again in the Action Plan for 2019-20.</p>
Partial	<p><b>Future level of useable reserves:</b></p> <p>The Council has maintained the level of its reserves at around 5% of total net revenue expenditure. However, looking ahead to future projections based on current spending patterns, the level of reserves are projected to reduce.</p> <p>We recommended there was a need for the Council to consider the adequacy of its reserves.</p>	<p>Management agreed, in the context of both the financial projections and financial risks reflected in the Council's Medium Term Financial Strategy, to annually review its strategy to ensure that it retains an appropriate level of balances within its general reserve.</p> <p>Whilst the Chief Finance Officer reviewed the level of available reserves during 2019-20 which have increased marginally, the impact of Covid-19 has significantly impacted on the Council's financial standing. There are insufficient general fund reserves to meet the additional costs of Covid-19 of £30.5m in 2020-21. In addition, given the demands on Council finances resulting from Covid-19, the level of useable reserves are unlikely to increase during the current MTFs. We have repeated our recommendation at Appendix A.</p>

## Assessment:

- ✓ Action completed
- X Not yet addressed

# Appendix C: Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on Useable Reserves £'000
Pension Assets - AON Hewitt (the actuary) identified an error in the asset return calculations used for the overall WYPF fund asset figures. Increase to the value of pension assets by £21.597m.	(21,597)	21,597	-
£60m of Short Term Investments to be classified as Cash Equivalents. Short Term Investments	-	(60,000)	
Cash Equivalents	-	60,000	-
Pension Liabilities - The estimated impact of the Goodwin judgement totals -£9.731m at 31 March 2020 and has not been adjusted in the financial statements. Increase to the value of pension liabilities of £9.731m.	9,731	(9,731)	
<b>Overall impact:</b>	<b>(11,866)</b>	<b>11,866</b>	<b>None</b>

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Credit Risk – Note 18.4	The prior year figures don't match the prior year accounts and need updating.	The prior year figures in Note 18.4 need updating to match the prior year accounts. <b>Management response</b> The differences relate to which classes of asset are included in the disclosure, rather than changes to the figures. Reverting to the 18/19 inclusion would give misleading comparators. We will consider additional disclosure to explain this.	X
Housing Revenue Account PPE - Note 5.1	The HRA PPE Note 5.1 prior year cost and accumulated depreciation for council dwellings and other land/buildings figures do not agree to the prior year accounts.	The prior year figures in HRA Note 5.1 need updating to match the prior year accounts. <b>Management response</b> Noted. Amended in final accounts.	✓

# Appendix C: Audit adjustments

## Misclassification and disclosure changes continued

Disclosure omission	Detail	Auditor recommendations	Adjusted?
PFI liabilities – Note 11	The fair value for PFI schemes has not been included as required.	The fair value for PFI liabilities should be disclosed within the accounts. <b>Management response</b> The Council is of the view that carrying value represents the best estimate of fair value.	X
Financial Instruments – Note 18	Cash and Cash equivalents have not been included as Financial Instruments.	Cash and Cash equivalents should be included as Financial Instruments. <b>Management response</b> Noted. Amended in final accounts.	✓
Contents page Page 173	The headings in the contents page don't agree exactly to the section headings, for example, the contents page shows Foreword rather than Narrative Foreword, Accounting Concept and Policies rather than Statement of Accounting Concepts and Policies.	The headings shown on the contents page should agree to the headings included within the financial statements. <b>Management response</b> Noted. Amended in final accounts.	✓
The Council's Group – Note 24	The Council does not produce group accounts but is involved with a number of entities. The accounts disclosure would benefit by showing the entities Leeds City Council controls and does not consolidate in to its accounts. This should include some high level financial information to aid the reader, for example, the main financial information for each of the Council's subsidiaries and associate companies.	The accounts disclosure should be expanded to include the entities Leeds City Council controls and does not consolidate in to its accounts, including high level financial information. <b>Management response</b> The disclosure already identifies the relevant entities that are not consolidated, and the fact that they are not material to the council's financial position.	X
Page xii – 7 Current accounting practice and new developments	Disclosure has been made relating to the delay in implementing IFRS16. This should be expanded to include the Council is still working on the impact of this standard on the Council's accounts in preparation for 2021-22.	The IFRS16 disclosure should be expanded to refer to the Council still working on the impact of this standard in preparation for 2021/22. <b>Management response</b> The Foreword is not the appropriate place for discussion of the potential impact, there is a separate disclosure note in the main accounts.	X

# Audit adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019-20 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on useable reserves £'000	Reason for not adjusting
NONE				
<b>Overall impact</b>	-	-	-	-

# Appendix D: Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee per Audit Plan £	Final fee £
Council Audit	198,954	TBC+
<b>Total audit fees (excluding VAT)</b>	<b>198,954</b>	<b>TBC+</b>

+ To confirm additional audit fees in relation to the extra work performed in agreeing the accounts to the ledger, considering 13 PFI schemes, reviewing the work of five valuers and our work on pensions, PPE balances and Merrion House accounting. In addition, over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:

- Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties.

Management's assumptions and estimates - there is increased uncertainty over many estimates including property, pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. There are similar challenges for management and ourselves on areas such as credit loss allowances, financial guarantees, and other provisions. We are including an Emphasis of Matter in the Audit Report in respect of the material uncertainty on property values.

- Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. For the Leeds City Council audit, we have undertaken significant additional work in this area given the major impact of Covid-19 on the Council's financial position as detailed in Section 3 of this report. This work has been completed at a senior level within the audit team and other senior colleagues within the Firm. This has increased the amount of work that we undertook on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260.
- Remote working – we, as other auditors, have experienced delays and inefficiencies as a result of remote working, including the availability and quality of working papers, and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

As a result of the above, increased costs have been incurred due to the additional time taken to deliver the audit this year. We have discussed the likelihood of an additional fee variation with the Chief Finance Officer, noting an expected variation of c20% of the above fee. We will provide a full breakdown of proposed fees on completion of our audit and this will be included in the Annual Audit Letter later this year. Please note that any proposed additional fees would be subject to approval by PSAA in line with the Terms of Appointment.

## Appendix D: Fees continued

Total audit fees do not currently reconcile to the financial statements as follows:

	<i>Per Accounts:</i>	<i>To be corrected to:</i>
Total fees per financial statements (Note 12.5)		
General Audit	£199k	£199k
Other Services	£1k	£17.5k (Relating to CFO Insights – see below)
<b>TOTAL Audit fees 2019-20</b>	<b>£200k</b>	<b>£216.5k</b>

Non-audit fees for other services	Proposed fee £	Final fee £
<b>Audit Related Services:</b>		
NONE	-	-
<b>Non-Audit Related Services:</b>		
CFO Insights	17,500	17,500
<b>Total non- audit fees (excluding VAT)</b>	<b>17,500</b>	<b>17,500</b>



# Appendix E: Draft Audit Opinion

We anticipate we will provide {TO BE CONFIRMED} an unqualified accounts audit report with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings as a direct impact of Covid-19. We anticipate issuing an 'except for' value for money conclusion relating to the Council's level of reserves and the impact of Covid-19 {to be confirmed}.

TO BE CONFIRMED

# Audit opinion

TO BE CONFIRMED

Page 178

# Appendix F: Management letter of representation (draft)

## LETTER TO BE PRINTED ON CLIENT HEADED PAPER

Our ref:  
Your ref: PSS

Grant Thornton UK LLP  
No 1 Whitehall Riverside  
Leeds LS1 4BN

14 December 2020

Dear Sirs

**Leeds City Council**

**Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with the audit of the financial statements of Leeds City Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the Council's financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the Council's financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the Council's financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

#### Information Provided

- xv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.

- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

#### Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

#### Narrative Report

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Corporate Governance and Audit Committee at its meeting on 14 December 2020.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Council**



© 2020 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# Leeds City Council

## Information Technology Audit Report

*Year Ended 31<sup>st</sup> March 2020*

**CONFIDENTIAL**



This document has been prepared only for Leeds City Council as part of the 2019-20 financial statements audit and for internal use only. Its existence may not be disclosed, nor its contents published in any way without the prior written approval from Grant Thornton. Grant Thornton does not accept any responsibility to any other party to whom it may be shown or into whose hands it may come.

## Contents

<b>1. EXECUTIVE SUMMARY</b>	<b>3</b>
1.1 Introduction	3
1.2 Summary of Observations	4
<b>2. SCOPE &amp; SUMMARY OF WORK COMPLETED</b>	<b>5</b>
<b>3. CLASSIFICATION OF RECOMMENDATIONS</b>	<b>5</b>
<b>4. DETAILED OBSERVATIONS AND RECOMMENDATIONS</b>	<b>6</b>
4.1 SAP Basis (Technical) Review Observations	7
4.2 IT General Controls Review Observations	11
<b>5. FOLLOW UP OF PRIOR YEAR FINDINGS</b>	<b>14</b>





# 1. EXECUTIVE SUMMARY

## 1.1 Introduction

To support its opinion on the financial statements of Leeds City Council, Grant Thornton has completed the design effectiveness of the IT General Controls (ITGC) within the IT environment, as they affect the financial statements for year-ended 31<sup>st</sup> March 2020.

The IT audit at Leeds City Council was a limited scope review. This report sets out the summary of observations, scope of the work, the detailed observations and recommendations for control improvements. This included completing a SAP technical review, which covered the controls relating to Leeds City Council’s SAP Basis components.

The matters raised in this report came to our attention as a result of the limited scope ITGC and SAP design review and are matters that we believe needed to be brought to your attention. Therefore, our comments cannot be expected to include all possible control improvements that a more wide-ranging engagement might identify.

We would like to take this opportunity to thank all the staff at Leeds City Council for their assistance in completing this IT Audit.

Page 185

## 1.2 Summary of Observations

- **Security & Access Controls:** Control weaknesses were noted in the Security and Access of Leeds City Council's SAP Payroll system. These weaknesses include:
  - End users granted inappropriate access to run programs from command line on SAP Payroll
  - Default / built-in accounts unlocked within SAP Payroll
  - Inadequate audit logging on SAP Payroll
  - Change management segregation of duties conflicts on SAP Payroll
  
- **IT General Controls:** Control weaknesses were noted in Leeds City Council's general IT controls related to other applications. These weaknesses include:
  - Inappropriate finance team access granted to IT support staff members on FMS
  - Inadequate information assurance policy

## 2. SCOPE & SUMMARY OF WORK COMPLETED



The primary objective was to complete an ITGC design review of Leeds City Council’s FMS, Capita Academy, SAP Payroll and, to a limited extent, Windows Active Directory to support the Financial Statements audit. The SAP security and authorisation review was performed by manually extracting user access listings while onsite and performing walkthroughs of the FMS, Academy, Active Directory and SAP controls.

We completed the following tasks, as part of this IT Audit:

- IT General Controls (Design Effectiveness on FMS, Academy, SAP Payroll and Active Directory);
- Completed security and authorisation review of Leeds City Council’s SAP system;
- Performed high level limited testing of configurable controls in the above areas within SAP; and
- Documented the test results and provided evidence of the observations to application support teams for remediation actions where necessary.

## 3. CLASSIFICATION OF RECOMMENDATIONS

The observations contained herein and the detailed recommendations supporting the individual points are broadly classified into two classifications. The assessment for each observation is a reflection of the effect the findings have upon internal control and the Financial Statements.

Assessment Key to assessment of internal control deficiencies	
	Significant Deficiency - risk of significant misstatement
<hr/>	
	Deficiency - risk of inconsequential misstatement
<hr/>	

## 4. DETAILED OBSERVATIONS AND RECOMMENDATIONS

The detailed observations and recommendations are grouped into following categories:

- **SAP Basis (technical) Review Observations** – Section 4.1 provides a technical review covering access and security controls within Leeds City Council’s SAP Payroll system.
- **IT General Controls Observations** – Section 4.2 provides details of the ITGC observations related to the FMS and Academy systems and the Leeds City Council’s Active Directory.

## 4.1 SAP Basis (Technical) Review Observations


As a general comment, please note that the number of users shown below only includes valid and unlocked dialogue users, unless otherwise specified.

Page 189

No	Observation and Risk	Recommendation & Management Response	Assessment
1	<p><b>End users granted inappropriate access to run programs from command line on SAP Payroll</b></p> <p>During our audit, we observed that there were 12 users from the BSC Pensions and FIM/NIP Teams with access to run programs from command line via the SAP transaction SA38.</p> <p>Per discussion with the SAP Lead Application Officer, we understood that a report was created for the BSC Pensions team, which they were currently testing through this transaction at the time of the audit, with a view to have this moved onto their normal profile once development was complete.</p> <p>We were informed that following our audit the process was completed and access revoked subsequent to our audit and that the access was also revoked from the FIM/NIP team. Additionally, the Lead Application Officer informed us that a monthly reporting process would be introduced with the objective of identifying inappropriate access to sensitive SAP transactions.</p> <p>Inappropriate access to sensitive transactions and authorisation objects within SAP increases the risk of</p>	<p>No further action recommended by management as the finding / inappropriate access was revoked subsequent to our audit.</p> <p><b>Management Response:</b></p> <p><i>This issue was addressed during the course of the audit, and monthly checks are now underway.</i></p>	<p>Deficiency</p> <p style="text-align: center;">●</p>

No	Observation and Risk	Recommendation & Management Response	Assessment
	<p>account misuse and processing of unauthorised transactions. Considering that account level activity is not logged and reviewed, there risk exists that any misuse will also go undetected by management.</p>		
2	<p><b>Default / built-in accounts unlocked within SAP Payroll</b></p> <p>During our audit, we observed that two default / built in user accounts (DDIC and or SAP*) were unlocked on SAP Payroll system.</p> <p>We however also observed that at the time of the audit both accounts had their passwords changed from the commonly known default values and neither accounts were set to accessible user types (User Type System).</p> <p>SAP standard accounts such these are often assigned the highest system privileges and are a target for unauthorised access attempts. The standard accounts do not need to be active in the system and increase the risk of unauthorised access if not locked down. Further the DDIC/SAP* accounts are often associated with background processes which will fail if the account is system locked when the number of failed login attempts parameter is exceeded.</p>	<p>We recommend that management should consider locking these accounts and, where possible, removing processes that run on the via the DDIC / SAP* accounts.</p> <p><b>Management Response:</b></p> <p><i>Officers are investigating what obstacles there are to locking the DDIC and SAP* roles, and whether these can be removed.</i></p>	<p>Deficiency</p> <p style="text-align: center;">●</p>

No	Observation and Risk	Recommendation & Management Response	Assessment
3	<p><b>Inadequate audit logging on SAP Payroll</b></p> <p>During our audit, we observed that audit logging within the SAP system, specifically automatic recording of SAP transaction (function) usage, was set to the default value / not enabled. This is configured through the following parameter:</p> <ul style="list-style-type: none"> <li>rsau/enable = 0</li> </ul> <p>Without adequate audit logging and subsequent monitoring of logs retained, the risk is significantly increased that unauthorised activities, including but not limited to, inappropriate changes to users, the system and data therein will not be identified in a timely manner.</p>	<p>We recommend that management should consider updating the SAP audit logging configuration in line with the Council's application and data security objectives, and may consider the following parameter value:</p> <ul style="list-style-type: none"> <li>rsau/enable = 1</li> </ul> <p>As part of enabling audit logging we would recommend that management review the users and transactions covered to ensure appropriate focus on high risk SAP transactions (functions), users with elevated levels of access and / or those users with most exposure to segregation of duty threats (i.e. combinations of IT and business responsibilities / access).</p> <p>A process should also be implemented for independent, periodic monitoring of logs produced.</p> <p><b>Management Response:</b></p>	<p>Deficiency</p> <p style="text-align: center;">●</p>

No	Observation and Risk	Recommendation & Management Response	Assessment
		<p><i>Officers are discussing with the council's SAP technical support provider, and seeking to make changes to these parameters.</i></p>	
4	<p><b>Change management segregation of duties conflict on SAP Payroll</b></p> <p>During our audit, we observed Segregation of Duties conflicts due to access assigned within the SAP Development, Quality Assurance (QA) and Production / (live) environments.</p> <p>Specifically, 1 SAP user (BOWLIM) possessed a development key and change transportation permissions (via STMS) in both the QA and Production environments. This would allow a user to create a change in the development environment and transport it into QA and then into the live environments. Additionally, the same user had access to open the system for direct change (via SCC4) and make changes to the system coding (via SE38). This would allow the user to open the SAP system for direct change and make those changes.</p> <p>Where change management segregation of duties is not maintained the risk is created that individual user are able to develop and implement changes without independent</p>	<p>No further action recommended as the finding/inappropriate access was revoked subsequent to our audit.</p> <p><b>Management Response:</b></p> <p><i>This issue was addressed during the course of the audit.</i></p>	<p>Deficiency</p> <p style="text-align: center;"></p>



No	Observation and Risk	Recommendation & Management Response	Assessment
	<p>approval and / or review.</p> <p>We were informed that following our audit this access combination had been removed from the relevant user.</p>		

## 4.2 IT General Controls Review Observations

No.	Observation and Risk	Recommendation & Management Response	Assessment
5	<p><b>Inappropriate finance team access granted to IT support staff members on FMS</b></p> <p>During our audit, we observed that 4 members of IT Application support team with Level 1 (Administrator) access to FMS also had access / ability to post journals on the FMS system.</p> <p>This creates a segregation of duties conflict as these users are also undertake FMS user administration (including, but not limited to, changing assigned access levels and creating new users) and this access combined with journal posting abilities creates risk of circumvention of system controls.</p> <p>Specifically, inappropriate access to finance functions by members of IT with level 1 privileged access on FMS may</p>	<p>We recommend that management review and remove access to finance functions within FMS e.g. posting and approving of journals for members of IT with Level 1 access.</p> <p>Where this is not possible due to operational requirements or technical limitations, we recommend that management should implement monitoring to periodically review activity by these users (i.e. journals posted) to ensure it is appropriate.</p>	<p>Deficiency</p> <p>●</p>

No.	Observation and Risk	Recommendation & Management Response	Assessment
	<p>grant them the opportunity to process unauthorised transactions without management detection.</p>	<p>This should be formally documented and completed by an individual independent of the IT application support team.</p> <p><b>Management Response:</b></p> <p><i>The council already had in place a system to check on a quarterly basis for the more significant risk of payment or order activity by IT support staff. Following the audit this has been extended to cover lower risk activity such as journals by these staff.</i></p>	
6	<p><b>Inadequate Information Security Assurance Policy</b></p> <p>During our audit, we noted that an Information Security Assurance Policy is documented. However, this policy did not address the below key areas of information security standards noted within the document as requiring detailed specification:</p> <ul style="list-style-type: none"> <li>• Governance;</li> <li>• Employee security</li> <li>• Training and awareness;</li> <li>• Network and access control; and</li> </ul>	<p>We recommend that management develop additional documentation in the following key areas of information security in support of the existing Information Security Assurance policy:</p> <ul style="list-style-type: none"> <li>• Governance;</li> <li>• Employee security</li> <li>• Training and awareness;</li> <li>• Network and access control; and</li> </ul>	<p>Deficiency</p> <p style="text-align: center;">●</p>

No.	Observation and Risk	Recommendation & Management Response	Assessment
	<ul style="list-style-type: none"> <li>Physical security.</li> </ul> <p>Without adequate information security policies and procedures, the risk is increased that the actions carried out by council staff will not support the organisation's security objectives, and this in turn may result in confidentiality, integrity or availability issues.</p>	<ul style="list-style-type: none"> <li>Physical security.</li> </ul> <p><b>Management Response:</b></p> <p><i>Those documents listed above which are not already in place are scheduled to be covered as part of an ongoing review programme for policies within DIS.</i></p>	

## 5. FOLLOW UP OF PRIOR YEAR FINDINGS

No.	Summary issue and risk previously communicated	Follow up commentary	Status
	<p><b>Generic user accounts on Academy</b></p> <p>During our review, we noted that there were generic user accounts on Academy, below are the details:</p> <p><b>Academy</b></p> <ul style="list-style-type: none"> <li>• tr2, tr3, tr4, tr5, tr6</li> <li>• train1, train3, train4, train5, train6</li> </ul> <p>Generic ids are well known in the public domain, so they tend to be one of the areas that external hackers will probe first, when attempting access. Failure to take precautions against the use of generic ids may leave the Council exposed to unauthorised access through these accounts. This is particularly important if the default accounts in question have sensitive access rights.</p>	<p>Generic user accounts were not identified on Academy as part of the 2019/20 IT audit.</p>	<p>Closed</p>

**Report of Chief Officer Financial Services**  
**Report to Corporate Governance and Audit Committee**  
**Date: 23<sup>rd</sup> November 2020**  
**Subject: Work Programme**

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<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
Will the decision be open 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’s work programme for the remainder of the Municipal Year. The 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 and when items will be presented. The work programme of the Committee should be reviewed regularly and be updated appropriately in line with the risks currently facing the Council.

2.2 In order to enable full consideration of all reports by the committee some agenda items may be received in a committee working group. A note of the discussions and recommendations of that working group will be received by the committee and taken into consideration when addressing the recommendations set out in the report.

**3. Main issues**

3.1 Members are requested to consider the work programme attached at Appendix 1 and determine whether any additional items need to be added to the work programme.

- 3.2 In particular Members may wish to note the following proposed amendments to the work programme as approved at the last meeting

#### Governance Arrangements for Devolution

- 3.3 Members will recall that at the request of Executive Board, an additional item was added to the work programme for December 2020 relating to the governance arrangements to be put in place under the devolution deal for West Yorkshire.
- 3.4 The focus of current work in relation to devolution is still on getting the deal itself over the line, with changes to the timetable by Government requiring a change in approach. Officers advise that a report to CGA would be more helpful to Members if brought after these technical matters are settled as the information available at a later date would be more useful.
- 3.5 In addition there is a piece of work being done regionally to work through the detail of concurrent powers, but this is unlikely to have concluded in time to give meaningful information in a report to the December meeting.
- 3.6 Finally, following discussions with other West Yorkshire councils as part of the benchmarking process it is proposed to undertake a shared piece of work on governance arrangements on behalf of all participant councils. This will allow an understanding of arrangements in each participating authority.
- 3.7 It is therefore proposed that the report on governance arrangements relating to the devolution deal is received at the February meeting of this Committee.

#### Information Management and Governance

- 3.8 Members will recall that the Council is due to submit its application for PSN certification by the end of the calendar year. It is therefore recommended that an additional report is received from the Head of Information Management and Governance on the Council's readiness to submit a compliant application.

### **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 the Best Council Plan**

- 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.

#### Climate Emergency

- 4.3.2 There are no implications associated with the climate change emergency

#### **4.4 Resources, procurement 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.

### **5. Recommendations**

5.1.1 Members are requested to consider the work programme and meeting dates at Appendix 1 and determine whether any additional items need to be added to the work programme.

5.1.2 Members are requested to agree that the following the items be considered by the working group prior to the December meeting:

- Annual assurance report on corporate performance management arrangements
- Applications Portfolio Programme – Update on Access Project
- PSN certification update report

### **6. Background documents<sup>1</sup>**

6.1 None

---

<sup>1</sup> 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



**CORPORATE GOVERNANCE AND AUDIT COMMITTEE – WORK PROGRAMME 2020-21**

<b>Date</b>		<b>Agenda</b>	<b>Purpose</b>
10:00am Monday 14 <sup>th</sup> <b>Dec</b> 2020 (An informal Working Group Meeting will take place at 10:00 a.m. on Monday 30 <sup>th</sup> November)	1	External audit – Final 2019/20 ISA260 Report	To receive the final 2019/20 ISA260 report from the Council’s external auditor.
	2	Annual assurance report on corporate business continuity arrangements	To receive the annual assurance report concerning the Council’s business continuity arrangements.
	3	Internal audit update report	To receive the update report from the Head of Internal Audit. This is a regular item
	4	Annual assurance report on corporate performance management arrangements	To receive the annual assurance report concerning the Council’s performance management arrangements.
	5	Applications Portfolio Programme – Update on Access Project	To receive an update report in relation to progress on the access project.
	6	PSN certification update report	To receive an update report in relation to the Council’s PSN certification
Jan			
10:00am Monday 8 <sup>th</sup> <b>Feb</b> 2020 (An informal Working Group Meeting will take place at 10:00 a.m. on Monday 25 <sup>th</sup> January)	1	External Audit briefing	The Redmond Review and New NAO Audit Code
	2	Annual Audit letter, external audit plan and update report	To receive the annual audit letter, the proposed external audit plan and update report from the external auditor.
	3	Internal audit update report	To receive the update report from the Head of Internal Audit. To receive an update on the operation of RIPA arrangements. This is a regular item
	4	Governance Arrangements for Devolution	At the request of Executive Board, to consider the proposed governance arrangements on devolution.
	5	Annual customer contact and satisfaction report	To receive the annual assurance report concerning customer contact and satisfaction

Date		Agenda	Purpose
	6	Annual information governance assurance report	To receive the annual assurance report on the council's information governance arrangements, including arrangements for discharge of the Caldicott guardian role
10:00am Monday 15 <sup>th</sup> Mar 2020 (An informal Working Group Meeting will take place at 10:00 a.m. on Monday 1 <sup>st</sup> March)	1	External Audit update report	To receive the update report from the external auditor. This is a regular item
	2	Internal audit plan	To receive the annual report seeking views on the proposed internal audit plan
	3	Annual financial management report	To receive the annual assurance report concerning financial planning and management arrangements at the council
	4	Annual treasury management report	To receive the annual assurance report on treasury management systems and processes
	5	Draft Annual report of Committee to Council.	To receive a proposed draft annual report from the committee for presentation by the Chair at Full Council
Apr			