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## **CORPORATE GOVERNANCE AND AUDIT COMMITTEE**

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**Meeting to be held in Civic Hall, Leeds on  
Monday, 29th September, 2008  
at 2.00 pm**

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### **MEMBERSHIP**

#### **Councillors**

G Driver  
P Grahame  
M Iqbal  
N Taggart

C Campbell  
G Kirkland

J Bale (Chair)  
G Latty

J Elliott

D Blackburn

#### **Co-opted Member**

M Wilkinson  
(Chair of Standards Committee)

# 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 25 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 25, written notice of an appeal must be received by the Chief Democratic Services Officer 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 those 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.</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 INTERESTS</b></p> <p>To declare any personal / prejudicial interests for the purpose of Section 81(3) if the Local Government Act 2000 and paragraphs 8 to 12 of the Members Code of Conduct.</p>	
5			<p><b>APOLOGIES FOR ABSENCE</b></p> <p>To receive any apologies for absence from the meeting.</p>	
6			<p><b>MINUTES OF THE PREVIOUS MEETING - 30TH JUNE 2008</b></p> <p>To confirm as a correct record the minutes of the meeting held on 30<sup>th</sup> June 2008.</p>	1 - 6
7			<p><b>MINUTES OF THE STANDARDS COMMITTEE</b></p> <p>To note the minutes of the Standards Committee meetings held on 1<sup>st</sup> July 2008 and 14<sup>th</sup> July 2008.</p>	7 - 16
8			<p><b>LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL LETTER 2007/08</b></p> <p>To receive a report of the Chief Customer Services Officer presenting the key findings of Leeds City Council's Annual Letter from the Local Government Ombudsman for 2007/08.</p>	17 - 28

Item No	Ward	Item Not Open		Page No
9			<p><b>LOCAL GOVERNMENT OMBUDSMAN PERFORMANCE REPORT: 1ST MAY 2008 - 31ST JULY 2008</b></p> <p>To receive a report of the Chief Customer Services Officer providing an update on the complaints received by the Local Government Ombudsman between May and July 2008 and on the changes introduced by the Ombudsman during the same period.</p>	29 - 34
10			<p><b>COMPREHENSIVE AREA ASSESSMENT - USE OF RESOURCES 2009 SELF ASSESSMENT</b></p> <p>To receive a report of the Director of Resources presenting the results of the self-assessment exercise carried out by officers in relation to the Comprehensive Area Assessment Use of Resources Key Lines of Enquiry for 2008/09.</p>	35 - 44
11			<p><b>EXTERNAL AUDIT AND PUBLICATION OF THE ACCOUNTS 2007/08</b></p> <p>To consider the report of the Director of Resources advising of any amendments to the Statement of Accounts for 2007/08 which have been agreed with the Council's external auditors.</p>	45 - 74
12			<p><b>WORK PROGRAMME</b></p> <p>To receive a report of the Assistant Chief Executive (Corporate Governance) notifying and inviting comment from the Committee upon the work programme for the remainder of the 2008/2009 municipal year.</p>	75 - 82

# Agenda Item 6

## Corporate Governance and Audit Committee

Monday, 30th June, 2008

**PRESENT:** Councillor J Bale in the Chair  
Councillors D Blackburn, G Driver, J Elliott,  
G Latty, N Taggart, C Campbell and  
G Kirkland  
**Co-optee** Mr M Wilkinson

**16 Chair's Opening Remarks**

The Chair welcomed all in attendance to the meeting, particularly Councillor Kirkland who was attending his first meeting as a member of the Corporate Governance and Audit Committee and Jillian Burrows and Alison Ormston of KPMG.

**17 Appeals Against Refusal of Inspection of Documents**

There were no appeals against refusal of inspection of documents.

**18 Exempt Information - Possible Exclusion of the Press and Public**

There were no resolutions to exclude the public.

**19 Late Items**

In accordance with his powers under Section 100B(4)(b) of the Local Government Act 1972, the Chair admitted to the agenda the minutes of the previous meeting held on 18<sup>th</sup> June 2008, which were to be considered at agenda item 6 (Minute No. 22 refers).

Due to the limited timescales between the previous meeting and the publication of the agenda papers for this meeting, the minutes had been unavailable at the time of the agenda despatch, and were required to be submitted to this meeting, in order to enable them to be considered and confirmed as a correct record.

**20 Declaration of Interests**

No declarations of interest were made at the meeting.

**21 Apologies for Absence**

Apologies for absence from the meeting were received on behalf of Councillors Iqbal and Grahame.

**22 Minutes of the Previous Meeting**

That the minutes of the Corporate Governance and Audit Committee meeting held on 18<sup>th</sup> June 2008 be approved as a correct record.

## **23 Leeds Joint Area Review Report**

The Committee received a report of the Director of Children's Services presenting the outcomes from the Leeds Joint Area Review (JAR) and advising of the formal requirement to produce an action plan in response to the review's recommendations. Members noted that in accordance with the Protocol for the Co-ordination of External Audit and Inspection Reports, a further report on the implementation of the actions arising from the JAR was scheduled to be submitted to the Committee later in the municipal year.

Having received a summary of the key outcomes and recommendations from the JAR, the Committee particularly discussed the following:

- The relationship which existed between the Council and the partner organisations delivering Children's Services provision in Leeds, and the extent to which such partner organisations were accountable for the outcome of the Leeds JAR and the delivery the actions arising from it;
- Clarification was sought on several areas identified by the JAR as requiring further development, these included the levels of security in place for the protection of computerised records, the proportion of 16 and 17 year olds not in education, employment or training (NEET), the need for one comprehensive register of children with disability and the take up rate by schools of the careers education and guidance monitoring arrangements provided by Connexions;
- Reference was made to the fact that the main strengths identified by the JAR were mainly procedural, and the main weaknesses were generally outcome based;
- The criteria used to determine the Local Authority's statistical neighbours;
- The timescales involved in the restructure of education and training provision for 14-19 year olds in Leeds;
- With reference to the city's large geographical area and its wide ranging socio-economic conditions, Members requested that the report which was scheduled to be considered by the Committee later in the municipal year contained more localised information on the outcomes and recommendations of the JAR.

In conclusion, Members acknowledged the considerable number of major strengths which had been identified by the review, when compared to the number of weaknesses.

### **RESOLVED –**

- (a). That the contents of the report be noted;
- (b). That an update report on the implementation of the actions arising from the JAR, which provides more localised information on the outcomes and actions from the review be submitted to the Committee later in the municipal year.

(Councillor Taggart arrived at 1.30 p.m., during the consideration of this item)

## **24 Annual Report on Risk Management Arrangements 2007/08**

Members received a report of the Director of Resources providing a review of the key risk management developments which had occurred across the

Draft minutes to be approved at the meeting  
to be held on Monday, 29<sup>th</sup> September 2008

Council, Education Leeds and the Housing Arms Length Management Organisations (ALMOs) during 2007/08.

Having received a brief summary of the key issues detailed within the report, Members particularly discussed the following:

- The processes by which risks existing in directorates were assessed, and the criteria which was used to determine whether such risks were included within the Corporate Risk Register (CRR);
- Having made reference to the implications associated with the publication of the CRR, a matter which had been referred to in the Annual Report of the Corporate Governance and Audit Committee, it was noted that following the submission of the Annual Report to Council, a series of meetings would be sought between the Leader of Council and the Chair, in order to discuss issues such as the potential publication of the CRR;
- Members highlighted that Eastmoor Secure Unit was the only critical service yet to establish a Business Continuity Management Plan, and proposed that an update report on this matter was submitted to the next meeting of the Committee for consideration;
- The method of risk assessment which was currently used by the Council, and the possibility of consideration being given to the adoption of alternative methods of risk assessment in the future.

**RESOLVED –**

- (a). That the Annual Report on Risk Management Arrangements 2007/08 be approved;
- (b). That an update report on the issues associated with the establishment of a Business Continuity Management Plan for Eastmoor Secure Unit be submitted to the next meeting of the Committee for consideration.

**25 External Audit and Inspection Plan for 2008/09**

The Committee received a report of the Director of Resources providing a summary of the key audit risks, in addition to details of KPMG's planned work programme and audit and inspection fee for 2008/09.

Members particularly discussed the following:

- The relationship which existed between Leeds City Council, KPMG and the Audit Commission;
- The processes and criteria used to identify the key areas which were to be addressed as part of KPMG's 2008/09 work programme, and the nature of the guidance which would be offered by the external auditor on such key areas;
- The need for the Committee to revisit the External Audit and Inspection Plan later in the municipal year, in order to monitor the service which was being delivered by the external auditors.

**RESOLVED –**

- (a). That the Audit and Inspection Plan for 2008/09 be agreed;
- (b). That further consideration be given to the External Audit and Inspection Plan for 2008/09 later in the municipal year.

## **26 Review of the Effectiveness of the System of Internal Audit**

The Committee received a report of the Director of Resources reviewing the Council's system of Internal Audit for 2007/08. The report also highlighted those areas of Internal Audit where improvements would be sought during 2008/09.

Members particularly discussed the following:

- The need for consideration to be given to the effectiveness of the Corporate Governance and Audit Committee during the current municipal year;
- The Committee's role in ensuring that appropriate control environments were in place across all directorates;
- Clarification was sought on whether Chairs of other Council committees were precluded from sitting on Corporate Governance and Audit Committee;
- Congratulations were extended to Internal Audit for the work which had led to CIPFA adopting certain practices previously developed and established by the Council;
- The need for a greater level of Member Development to be undertaken across the field of Internal Audit.

### **RESOLVED –**

(a). That the report be approved and the positive outcomes of the review of the effectiveness of the system of Internal Audit be noted;

(b). That a review of the effectiveness of the Corporate Governance and Audit Committee be added to the Committee's work programme.

## **27 Corporate Governance Statement 2008**

The Assistant Chief Executive (Corporate Governance) and the Director of Resources submitted a joint report introducing and commenting upon the 2008 Corporate Governance Statement, which was appended to the report for the Committee's approval.

The Committee sought a minor revision to the statement concerning the developing relationship between the Council and local people and stakeholders.

Members discussed the desirability of Education Leeds, the ALMOs and other third party organisations producing annual governance statements to inform future Corporate Governance Statements.

**RESOLVED -** That subject to the minor amendment as referred to above, the 2008 Corporate Governance Statement be approved, and the Leader of the Council, the Chair of the Corporate Governance and Audit Committee, the Chief Executive and the Assistant Chief Executive (Corporate Governance) be authorised to sign the document on the Council's behalf.

## **28 Statement of Accounts 2007/2008**

Members received a report of the Director of Resources presenting the Council's 2007/08 Statement of Accounts for approval.

Draft minutes to be approved at the meeting  
to be held on Monday, 29<sup>th</sup> September 2008



The Committee's approval was also sought on a revision which was required to be made to the figures concerning contingent liabilities.

Members discussed the provision which had been made to cover pay and grading costs and the increased number of officers who were now earning in excess of £50,000 per year.

The Committee highlighted the increased reserve for the estimated net pensions liability and discussed the criteria used to calculate the amounts needed for that reserve.

**RESOLVED** - That subject to the revision referred to above, the 2007/08 Statement of Accounts be approved, and in acknowledging the Committee's approval, the Chair be authorised to sign on behalf of the Committee, the appropriate section within the Statement of Responsibilities on page 1 of the Accounts.

(Councillors Driver and Latty left the meeting at 2.45 p.m. and 3.00 p.m. respectively, during the consideration of this item)

## **29 Work Programme**

Members received a report of the Assistant Chief Executive (Corporate Governance) presenting the Committee's work programme for the remainder of the current municipal year.

Having discussed the possibility of splitting the September meeting into two separate sessions in order to maintain a manageable workload, it was proposed that Members would be canvassed for their availability on any revised arrangements.

Members considered the possibility of providing the Committee with an opportunity to reflect upon its role and the work it had previously undertaken. Consideration was also given to the Committee's role in terms of issues such as the review of polling districts.

### **RESOLVED -**

(a). That the Committee's work programme for the remainder of the current municipal year be noted;

(b). That the Chair be authorised to revise the work programme, in line with Members' wishes.

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## Standards Committee

Tuesday, 1st July, 2008

### PRESENT:

#### Independent Members

Mike Wilkinson (Chair) (Independent Member)  
Rosemary Greaves (Independent Member)

#### Councillors

D Blackburn            J L Carter            E Nash  
C Campbell            J Elliott

#### Parish Members

Councillor Mrs P Walker    Pool in Wharfedale Parish Council  
Councillor John C            East Keswick Parish Council  
Priestley

### APOLOGIES:

Philip Turnpenny (Independent Member)

#### **1 Appeals against refusal of inspection of documents**

There were no appeals against refusal of inspection of documents in accordance with Procedure Rules 25 of the Access to Information Procedure Rules.

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

The Standards Committee identified Item 9 of the agenda (minute 9 refers) as containing appendices which officers had identified as containing exempt information, and where officers considered that the public interest in maintaining the exemption outweighed the public interest in disclosing the information, for the reasons outlined in the report. The Standards Committee decided to accept the officers recommendation in respect of the above information.

**RESOLVED** - That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows:-

The final report of the Investigating Officer and the bundle of evidence in relation to a local investigation into a complaint against a Member classified as exempt under Access to Information Procedure Rule 10.4 (1, 2 and 7c) as the report makes reference to the personal health situation of the Councillor, and contains the opinion of the investigating officer, which, if the report were made public, would be disclosed prior to the Committee having had the opportunity to discuss that opinion and forming their own view of it.

### **3 Late items**

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

### **4 Declaration of interests**

There were no declarations of personal/prejudicial interests for the purpose of section 81(3) of the Local Government Act 2000 and paragraphs 8 to 12 of the Members' Code of Conduct.

### **5 Minutes of the previous meeting**

The minutes of the Standards Committee meeting on 14<sup>th</sup> April 2008 were approved as a correct record.

### **6 Minutes of the Corporate Governance and Audit Committee**

The minutes of the Corporate Governance and Audit Committee meetings on 19<sup>th</sup> March 2008, 23<sup>rd</sup> April 2008 and 14<sup>th</sup> May 2008 were received and noted.

### **7 Complaints to the Local Government Ombudsman**

The Corporate Customer Relations Manager presented a report of the Chief Officer (Customer Services) outlining the new remit of the Local Government Ombudsman, and potential revised working arrangements between the Ombudsman and the Standards Committee and Monitoring Officer.

It was outlined that certain activities of the Standards Committee and the Monitoring Officer now fall within the jurisdiction of the Ombudsman as they will be carrying out administrative procedures on behalf of the Council. It was also indicated that the Ombudsman may contact the Standards Committee or the Monitoring Officer about any cases which may affect them. However, there was unlikely to be a large amount of contact with the Ombudsman, as they were only likely to become involved with the Standards Committee when investigating possible injustice through maladministration.

**RESOLVED** – Members of the Standards Committee resolved to note the provisions of the Local Government and Public Involvement in Health Act 2007 and the potential implications this may have.

## **8 Politically Restricted Posts**

The Human Resources Manager presented a report of the Chief Officer (Human Resources) outlining the current situation in relation to politically restricted posts in Leeds, and the implications and initial proposals for the Standards Committee (subject to final regulations being published).

It was outlined that this would require an amendment to the Standards Committee Terms of Reference once regulations were released.

During the discussion, Members made the following points:

- That there needed to be a clear definition of a 'council employee';
- That the status of employees working for companies wholly owned by the Council needed to be made clear. ALMOs and Education Leeds were particularly mentioned. The Human Resources Manager agreed to come back to the Committee with this information in due course;
- That the list of politically restricted posts needed to be kept up to date at all times; and
- That a briefing note may be required to employees on this subject and the Committee's new role.

**RESOLVED** – Members of the Committee resolved to note the information in the report, and to request a further report in due course (once regulations have been released).

## **9 LOCAL INVESTIGATION INTO A COMPLAINT AGAINST A MEMBER** **Reference SBE 19277.07**

The Chief Officer (Legal, Licensing and Registration) presented a report detailing his findings on completing an investigation into a Parish Councillor in respect of an allegation of misconduct. The investigation followed the submission of a complaint to the Standards Board for England which was subsequently referred back to the authority.

The report was designated as exempt under Access to Information Procedure Rule 10.4 (1, 2 and 7c).

Members of the Standards Committee decided to defer their consideration of this matter until the Investigating Officer could obtain copies of the minutes from the relevant Parish Council to see if they provided any assistance.

**RESOLVED** – Members of the Committee resolved to:

- Defer their consideration of the matter until the Investigating Officer could obtain copies of the minutes from the relevant Parish Council; and
- Convene an additional meeting as soon as possible to consider the final report afresh in light of any additional information arising from the minutes.

## **10 Process for the receipt, referral and management of allegations of misconduct**

The Assistant Chief Executive (Corporate Governance) submitted a report outlining the proposed final arrangements for receiving and logging allegations, and for informing the public of the new process.

During the discussion, Members made the following points:

- It was outlined that Arthington Parish Council had queried the accuracy of the draft guidance leaflet on making complaints, particularly in respect of the types of behaviour covered by the Code of Conduct. It was agreed that officers would contact Arthington Parish Council about their concerns;
- That information regarding the types of complaints that won't be considered by the Standards Committee should be made clearer; and
- That officers should ensure the widest possible access to the statutory notice which is required by regulations. It was reported that the Standards Committee could also produce a press release in a few months time giving details of the new system for local newspapers to use.

**RESOLVED** – Members of the Standards Committee resolved to approve the proposed arrangements for advertising the new complaints process, and for receiving and logging allegations of misconduct against Members.

## **11 Final proposals for the local assessment arrangements**

The Assistant Chief Executive (Corporate Governance) submitted a report outlining final proposals for the Standards Committee's new role in determining allegations of misconduct, including proposed amendments to the Constitution and revised arrangements for the operation of the Committee.

It was outlined that since the agenda was finalised, officers had found that the Adjudication Panel for England appeal form (included in the Standards Committee Procedure Rules at Annex J), had been amended. It was proposed that the Standards Committee remove Annex J from their Procedure Rules, and instead direct Councillors to the Adjudication Panel website should they wish to appeal against a finding of the Standards Committee.

During the discussion, Members made the following points:

- That the report author should be thanked for the report and the clarity of the presentation;
- That it would be sensible to review the new process after three months; and
- Members felt that it would be appropriate to increase the parish membership of the Committee by one to avoid the risk of a meeting being inquorate, and that the Standards Committee would review its size and membership by the end of the calendar year.

**RESOLVED** – Members of the Standards Committee resolved to:

- appoint the Assessment Sub-Committee with membership as set out in paragraph 3.6 of the report;
- approve the terms of reference for the Assessment Sub-Committee as shown in Appendix 2 to the report;
- appoint the Review Sub-Committee with membership as set out in paragraph 3.14 of the report;
- approve the terms of reference for the Review Sub-Committee as shown in Appendix 3 to the report;
- formally dissolve the Town and Parish Council Hearings Sub-Committee, as proposed in paragraph 3.20;
- approve the amended Standards Committee Procedure Rules as shown in Appendix 4 to the report, with the removal of Annex J;
- agree that the Monitoring Officer will advise the subject Member of the complaint unless it is not in the public interest;
- agree that the Monitoring Officer or other nominated officer will prepare a short summary of each complaint for the Assessment Sub-Committee;
- agree the proposed assessment criteria as shown in Appendix 5 of this report; agree a set of criteria for deciding whether complaints should be considered anonymously, as proposed in paragraphs 3.41;
- agree that a review of the operation of the new Standards Committee Procedure Rules be undertaken after 3 months; and
- agree to recommend that the Full Council increase the parish membership of the Committee by one to avoid the risk of a meeting being inquorate.

## **12 Members Induction Period 2008**

The Assistant Chief Executive (Corporate Governance) submitted a report regarding new Members' declaration of acceptance of office, Register of Members' Interests, and training for Members during the induction period.

**RESOLVED** – Members of the Standards Committee resolved to note the report.

## **13 Review of the Members' Register of Interests and Gifts and Hospitality**

The Assistant Chief Executive (Corporate Governance) submitted a report outlining the results of the review of the Members' Register of Interests and Gifts and Hospitality for the municipal year 2007/08.

**RESOLVED** – Members of the Standards Committee resolved to note the report.

## **14 Adjudication Panel for England: Decisions of Case Tribunals**

The Assistant Chief Executive (Corporate Governance) submitted a report detailing recent decisions made by the Adjudication Panel's Case Tribunals in respect of allegations of misconduct.

**RESOLVED** – Members of the Standards Committee resolved to note the latest decisions of the Adjudication Panel.

**15 Standards Committee Work Programme**

**RESOLVED** – Members of the Standards Committee resolved to note the updated work programme.



## Standards Committee

Monday, 14th July, 2008

### PRESENT:

#### Independent Members

Mike Wilkinson (Chair)      (Independent Member)

#### Councillors

D Blackburn                  J Elliott  
C Campbell                  E Nash

#### Parish Members

Councillor Mrs P Walker      Pool in Wharfedale Parish Council  
Councillor John C              East Keswick Parish Council  
Priestley

### APOLOGIES:

Rosemary Greaves, Philip Turnpenny and J L Carter

#### **16      Appeals against refusal of inspection of documents**

There were no appeals against refusal of inspection of documents in accordance with Procedure Rule 25 of the Access to Information Procedure Rules.

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

The Standards Committee identified Item 5 of the agenda (minute 20 refers) as containing appendices which officers had identified as containing exempt information, and where officers considered that the public interest in maintaining the exemption outweighed the public interest in disclosing the information, for the reasons outlined in the report. The Standards Committee decided to accept the officers recommendation in respect of the above information.

**RESOLVED** - That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows:-

The final report of the Investigating Officer and the bundle of evidence in relation to a local investigation into a complaint against a Member classified as exempt under Access to Information Procedure Rule 10.4 (1, 2 and 7c) as the report makes reference to the personal health situation of the Councillor, and contains the opinion of the investigating officer, which, if the report were made public, would be disclosed prior to the Committee having had the opportunity to discuss that opinion and forming their own view of it.

## **18 Late items**

There were no late items admitted to the agenda by the Chair for consideration.

## **19 Declaration of interests**

There were no declarations of personal/prejudicial interests for the purpose of section 81(3) of the Local Government Act 2000 and paragraphs 8 to 12 of the Members' Code of Conduct.

## **20 Local Investigation into a Complaint against a Member Reference SBE 19277.07**

The Chief Officer (Legal, Licensing and Registration) presented a report detailing his findings on completing an investigation into a Parish Councillor in respect of an allegation of misconduct. The investigation followed the submission of a complaint to the Standards Board for England which was subsequently referred back to the authority.

The investigating officer highlighted an error at page 35 of the agenda pack, which stated that the Councillor had resigned from office on 2<sup>nd</sup> July 2007. The investigating officer confirmed to the Committee that the Councillor had actually resigned on 2<sup>nd</sup> July 2008, and therefore was in office at the time of the alleged incident. A corrected copy of the relevant witness statement was circulated at the meeting.

The report was designated as exempt under Access to Information Procedure Rule 10.4 (1, 2 and 7c).

Members of the Standards Committee had previously decided to defer their consideration of this matter until the Investigating Officer could obtain copies of the minutes from the relevant Parish Council to see if they provided any assistance. In light of the additional information Members discussed their views regarding whether the former Councillor was acting in his official capacity at the time of the incident.

Members of the Committee also discussed whether the minutes of meetings needed to be more explicit and detailed, especially when a resolution is made. It was agreed that the Committee would revisit this issue after consideration of the first local complaints.

**RESOLVED** – Members of the Standards Committee resolved to accept the investigating officer’s finding of no failure.

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Originator: W Allinson

Tel: 26 60037

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**Report of the Corporate Customer Relations Manager**

***Corporate Governance and Audit Committee***

**Date: 29<sup>th</sup> September 2008**

**Subject: Government Ombudsman Annual Letter – 2007/08 Report**

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**Electoral Wards Affected:**

Ward Members consulted  
(referred to in report)

**Specific Implications For:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

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**Executive Summary**

1. Leeds City Council showed a 20% reduction in full and premature Ombudsman complaints received in 2007/08 compared to 2006/07.
2. The largest single area of complaint for 2007/08 was Housing. However it must be noted that there was a significant decrease in the number received from 121 in 06/07 to only 84 in 07/08, a reduction of nearly a third.
3. Of the 310 decisions made by the Ombudsman in 2007/08, there was only one decision of Mal Administration that went to Public Report against the council.
4. The Ombudsman's Annual Letter although on the whole complimentary about improvements we have made over the last year, reminds us that we still have areas to work on.
5. Work is still needed within services to improving the quality, clarity and timeliness of our responses.

## 1.0 Purpose Of This Report

- 1.1 To discuss the findings of the Local Government Ombudsman (LGO) Annual Letter of which a copy of the full letter can be found at Appendix 1 to this report.
- 1.2 To consider what service or performance improvement may be required.

## 2.0 Background Information

- 2.1 The LGO introduced an individual annual letter for every council for the first time in 2003/4.
- 2.2 The 2004/05 letter was the first annual letter to be presented to the Corporate Governance and Audit Committee.
- 2.3 For Members convenience the main points of the annual letter for 2007/08 have been summarized within this report. The full letter can be found at Appendix 1

## 3.0 Main Issues Complaints Received

- 3.1 Of the 35 Metropolitan Councils, only 11 of them received fewer Ombudsman complaints in 2007/08 than in 2006/07. Leeds City Council is one of those and showed a 17% reduction in Ombudsman complaints received in 2007/08 compared to 2006/07. This ranks Leeds as third out of the eleven Councils. ( Please note that this figures differs to the 20% quoted in the Executive Summary as the Ombudsman figures for all Metropolitan Councils are based on full cases only and excludes Premature cases).
- 3.2 The greatest decrease of 80% for a Metropolitan Authority was for Sefton Council. This reduction was reported as being partly due to the Council transferring out their Council Housing stock and therefore having fewer housing complaints. The second highest decrease was shown by Rotherham with a reduction of 23%.
- 3.3 The Ombudsman has not commented of why she feels there has been a reduction for Rotherham or Leeds in terms of complaints received. In general terms however, the Ombudsmen has commented that small reductions in the number of complaints received compared to previous year may signal improvements in service delivery and better complaint handling by local authorities.

**Table 1 – Complaints Received**

	Adult Social Care	Benefits	Children & Families	Education	Housing	Other	Planning & Building Controls	Public Finance	Social Services Other	Transport & Highways	Total
2007/08	7	6	4	26	84	57	65	9	0	17	275
2006/07	14	5	7	34	121	78	52	4	0	28	343
2005/06	13	11	12	79	127	54	61	5	2	18	382

- 3.4 Table 1 confirms information provided by the Ombudsman as part of their Annual Statistics supplied with the annual letter. The categories used by the Ombudsman for defining the type of complaint are close to those used by Leeds but do not match our service areas exactly. For example, the Ombudsman category “other” covers a number of areas such as Anti Social Behaviour, cemeteries, drainage, employment and pensions, land, leisure and culture and waste management.
- 3.5 The Ombudsman confirms the number of cases received for Leeds for the period April 2007 to March 2008 was 275, a reduction of 20% (this includes premature cases) on the previous years figure of 343. This continues the downward trend from 2005/06 when Leeds received a total of 382 cases.
- 3.6 Of the 275 cases the Ombudsman received in 2007/08, 107 were deemed to be Premature – this means that the Council had not had a proper chance to consider the complaint and respond to the customer. These cases were therefore returned to the Council to be dealt with through our complaints process.
- 3.7 The Ombudsman commented on the largest single area of complaint for Leeds being Housing but also noted a significant decrease in the number of complaints received from 121 in 2006/07 to only 84 in 2007/08, a reduction of nearly a third.
- 3.8 The Ombudsman also reported decreases in the number of complaints received for Education ( from 34 in 06/07 to 26 in 07/08), Transport & Highways ( from 28 in 06/07 to 17 in 07/08) and Adult and Children Services ( from 21 in 06/07 to 11 in 07/08) where the reduction is almost 50%.
- 3.9 The only area mentioned as having an increase in the number of cases received was Planning with a rise of 13 cases on the previous year. 65 cases were received in 07/08 and only 52 in 06/07. The Ombudsman did however state that there were a number of grouped complaints regarding the same matter.

### 3.10 **Commentary from City Development**

The Ombudsman has stated in their annual stats that 65 cases were Planning related issues. City Development have however received and had input on 66 cases. Although the Ombudsman shows a rise of 13 cases on the previous year, out of the 66 cases received:-

- 2 cases requested preliminary information where no decision has yet been made by the Ombudsman as to whether to investigate or not.
- 15 premature cases which were returned and handled at stages 1 and 2.
- 16 cases were received closed requiring no investigation.
- 2 cases were duplicated (logged twice as premature ombudsman cases)
- 3 do not relate to Planning and Building Control, but are for Legal Services, Housing Enforcement and Revenues Enforcement.
- 2 planning applications resulted in 5 separate Ombudsman cases

- 3.11 Leaving a total of 28 cases investigated and responded to in 2007/8.

### 3.12 Liaison and Timescales.

3.13 The target set by the Ombudsman for receipt of an initial response from the council is 28 calendar days.

3.14 In 06/07 the Council achieved an average of 28.9 days. In 07/08 the Council achieved an average of 31 calendar days, 3 days outside the target.

3.12 Work has been taking place during 2007/08 on improving the content and quality of our responses, this work was further marked at the beginning of 2008 with all services agreeing to Chief Officer sign off on all responses to the Ombudsman. This initially had a detrimental affect on response times whilst the process was bedding in. It is however six months since this process was put in place and services are aware of their responsibility to respond within timescales with Chief Officer sign off.

3.13 Work on improving the quality of responses and response times, continues to be a main focus for the Corporate Customer Relations Manager.

### 3.14 Decisions on Complaints

3.15 The Ombudsman made 310 decisions during 07/08. The number of decisions made is different to the number of cases received as some decisions will be on cases received during 06/07. There will also be some cases received between April 07 and March 08 that have not yet had a decision. These will be included in next years' figures.

### 3.16 Table 2 – Decisions made as a Percentage of the Total.

Total decisions made in 2007/08	Type of Decision	As a % of the Total
107	Premature	34%
74	No mal Administration	24%
68	Local Settlement	22%
37	Ombudsman Discretion	12%
23	Outside Jurisdiction	7%
1	Mal Administration	0.30%

### Anti Social Behaviour

3.17 Within the letter the Ombudsman draws attention to a number of complaints received this year regarding the Council's failure to respond effectively to some reports of Anti Social Behaviour (ASB).

3.18 The Ombudsman highlights that investigations revealed areas of serious concern about the management, supervision and working practices of some officers within this area. The letter does, however, go on to comment on the Council's positive response and actions regarding these concerns. Although a Public Report was avoided due to the Council's actions to improve services going forward, the working practices around Anti Social Behaviour must continue to be monitored to ensure that the improvements are sustained.



### **3.19 Commentary from the ASB Unit.**

Officers accepted the findings of the Ombudsman highlighting the weaknesses identified in the way that some Anti Social Behaviour cases had been handled.

3.20 As a result, changes have been made to the management and structure of the Anti-Social Behaviour Unit. A range of other measures have also been introduced to minimise the chances of anyone else having a poor experience.

- An improvement plan has been developed and actions taken include a full review of the performance monitoring framework and operational procedures for dealing with anti-social behaviour.
- Staff training on the new/revised procedures is currently being rolled out.
- A review of the service delivery agreement between the ASBU and the ALMOs has been completed.
- An improved process for responding to the needs of victims, including the development of a Victim Advice Pack and changes to the process for receiving and analysing feedback from victims, is now in place.

3.21 The Director of Environment and Neighbourhoods and the Executive Member are monitoring the progress of the improvement plan.

### **Adult Social Services**

3.22 Two specific cases were highlighted by the Ombudsman in the annual letter. Both cases belonging fully or in part to Adult Social Services. The first case was where the Ombudsman felt that the Council had failed to determine properly the complainants resources and therefore failed to properly assist with paying for residential care fees.

### **3.23 Commentary from Adult Social Services**

As stated in the Local Government Ombudsman's Annual Letter, Social Services complaints were roughly halved from 21 in 2006/07 to 11 in 2007/08. Of the 11 complaints, 6 related to Adults Social Care Services. Of the six cases, four were judged to be premature and the complainants were advised to use the local authority complaints process.

3.24 The initial complaint referred to in paragraph 3.22 above related to the outcome of a financial assessment, where a determination had been made that a service user had divested himself of his property in order to avoid paying care fees.

3.25 At issue in this case was that, the service user transferred a 50% share in his property by Deed to Gift his children (his wife had died previously and her share had already passed to their children). By August of the same year, the service user had been admitted into residential care. Officers determined that the service user had transferred the property knowingly and with the intention of avoiding charges. As a result the service user was required to fully fund his residential care.

- 3.26 The family were unhappy with the outcome of the financial assessment and complained to the Local Government Ombudsman. In the process of responding to the Ombudsman, the Manager undertook a further review of the Community Care Finance case file. The review identified concerns in respect of:-
- Responses to the family's earlier representations were not detailed enough and did not set out the Council's thinking clearly
  - Timeliness of legal advice, and a failure to record the advice provided to Legal Services
  - A failure to respond to an earlier representation from the family that stated that the Deed of Gift was made for legitimate reasons other than to avoid charges, and a
  - Dispute about the date of transfer to residential care
- 3.27 In view of the identified concerns, a revised financial assessment was undertaken, the outcome of which was to fund the service user's residential care fees and a refund of £12,655.18 to the service user for the fees they had already paid.
- 3.28 During 2007/08, 4 cases outstanding from 2006/07 were fully considered and decisions received. No evidence of mal-administration was found in two cases, however, one of the four remaining cases is the other Adult Social Service case referred to in the annual letter, which led to a Public Report and a settlement of £6,605.
- 3.29 **Commentary from Adult Social Services and Environment & Neighborhoods**
- 3.30 The second case highlighted in the Ombudsman letter investigation asked, why, for two years a seriously ill and profoundly disabled woman was without services which would have relieved her pain and discomfort? The background to case and summary of some of the improvements were detailed in the Executive Board Report of the Director of Environment and Neighborhoods and the Director of Adult Social Care dated 23 January 2008.
- 3.31 Satisfactory resolution of this case required cooperation and joint working between Adult Social Care, the Strategic Landlord, Environmental Health, the Adaptations Agency, the Medical Housing Team, two ALMOs, the Primary Care Trust and Leeds Teaching Hospitals NHS Trust.
- 3.32 This case highlights that the responsibilities of the Social Services under Section 2 of the Chronically Sick and Disabled Person's Act 1970 stand, and are not discharged once recommendation for adaptations has been passed through to the Environmental Health Service, a Housing Agency or their contractor.
- 3.33 As outlined in the Executive Board Report of 23 January 2008, actions are being taken by the various agencies involved, to ensure lessons are learned. Contact with the husband of the customer and the Advocate involved in this case is also continuing to ensure that their input and views on the proposed improvements are considered. In July 2008 a meeting took place involving all parties in this case to discuss what lessons could be learnt. As a result of this meeting the following actions were discussed:

- *All officers involved in delivering adaptations need to have a good understanding of all the relevant legislative powers and duties – training that was delivered in September 2006 is to be repeated in September 2008 and guidance for officers has been revised.*
- *All complex adaptation schemes for disabled people need to have an identified single coordinator on behalf of the Council – A case management process which includes this has been designed with the involvement of the complainant and advocate.*
- *The Council needs to have in place an Appeals process to resolve disputes regarding decisions on the adaptations / rehousing provided – An appeals panel process has been agreed by all services involved in delivering adaptations / rehousing for disabled people.*
- *The ALMO's Letting Policy needs to allow for "direct lets" in exceptional circumstances related to meeting housing needs of disabled people - This is now included in the lettings Policy.*

### **3.34 Training**

- 3.35 The Ombudsman draws attention to the range of training courses that they can provide to Authorities. Leeds has already taken advantage of the Good Complaint Handling and the Effective Complaint Handling.
- 3.36 This year Leeds requested and received bespoke training, created specifically for Leeds Officers by the ombudsman. The training was run over 3 separate days with a total of 39 officers from across the council attending.

### **3.37 LGO Developments**

- 3.38 The LGO reports that in April this year the new LGO Advice Team was launched. The Council welcomes this change but has highlighted an issue to the LGO regarding the LGO Advice Team in Coventry not being on the same IT systems as the Investigators in York. This means that the Advice Team do not have access to information about previous complaints and complainants.
- 3.39 This can be and has been an issue when persistent customers known to York commence contacting the new Advice Team regarding complaints that have already been investigated. This has been highlighted to the Assistant Ombudsman who confirmed that his office will monitor the situation.

## **4.0 Implications For Council Policy And Governance**

- 4.1 There are potential implications for Council Policy and Governance if lessons are not learnt on Ombudsman complaints.

## **5.0 Legal And Resource Implications**

- 5.1 This report is not considered to have any specific legal or resource implications, although individual LGO complaints may have both legal and financial implications, e.g. local settlements and Public Reports.

## **6.0 Conclusions**

- 61 The Ombudsman's Annual Letter although on the whole complementary about improvements we have made over the last year, reminds us that we still have areas to focus on.
- 6.2 Work is still needed on improving the quality and clarity of some of our responses.
- 6.3 Services where complaints remain at a high level must continue to analyse trends, lessons learnt and change processes / procedures where failures are identified.

## **7.0 Recommendations**

- 7.1 Members are asked to note the performance information and issues raised within.

**The Local Government Ombudsman's  
Annual Letter  
Leeds City Council  
for the year ended  
31 March 2008**

**The Local Government Ombudsman (LGO) provides a free, independent and impartial service. We consider complaints about the administrative actions of councils and some other authorities. We cannot question what a council has done simply because someone does not agree with it. If we find something has gone wrong, such as poor service, service failure, delay or bad advice, and that a person has suffered as a result, the Ombudsmen aim to get it put right by recommending a suitable remedy. The LGO also uses the findings from investigation work to help authorities provide better public services through initiatives such as special reports, training and annual letters.**

## **Annual Letter 2007/08 - Introduction**

This annual letter provides a summary of the complaints received about Leeds City Council and comments on the authority's performance and complaint-handling arrangements.

I hope that the letter will assist you in improving services by providing a useful perspective on how some people who are dissatisfied experience or perceive your services.

Two attachments form an integral part of this letter: statistical data covering a three year period and a note to help the interpretation of the statistics.

## **Complaints received**

### ***Volume***

Last year 275 complaints were received against the Council, 20% fewer than during the previous year, (343).

### ***Character***

As in previous years the single largest category of complaint was housing. However, the number of such complaints fell by nearly a third from 121 to 84. Complaints about education reduced from 34 to 26; complaints about transport and highways from 28 to 17; and social services complaints were roughly halved from 21 to 11. There were marginally more complaints about planning and building control which rose from 52 to 65 with some grouped complaints about the same matter.

## **Liaison with the Local Government Ombudsman**

Last year the Council took a little longer to respond to initial enquiries than it had during the previous year. With an average of 31 calendar days it still lies just outside the target time of 28 calendar days.

Liaison arrangements between the Council's and my office have improved considerably following a series of meetings. I note the commitment demonstrated by the Council to improving its performance, and am confident that there will be sustained improvement.

## **Decisions on complaints**

Last year decisions were taken upon 310 complaints, slightly fewer than in the previous year (327). Over a third of these (107) were premature – ie the Council had not yet had a proper chance to consider and respond to the complaint. This was notably more than in the previous year (82). A further 23 complaints were outside my jurisdiction, a similar number to the previous year. I discontinued my enquiries because there was insufficient evidence of maladministration in 74 complaints, and exercised my discretion not to pursue enquiries in 37 cases.

### ***Reports and local settlements***

We will often discontinue enquiries into a complaint when a council takes or agrees to take action that we consider to be a satisfactory response – we call these local settlements. In 2007/08 the Local Government Ombudsmen determined 27% of complaints by local settlement (excluding 'premature' complaints and those outside our jurisdiction).

I discontinued enquiries into 68 complaints on this basis. These included a number of complaints about the Council's failure to respond effectively to reports of anti-social behaviour. Our enquiries revealed that there was serious cause for concern about the management, supervision and working practice of some officers. The Council responded positively to these concerns; established new

arrangements and showed such determination to correct the problems that I was able to discontinue enquiries without issuing a public report. The situation needs to be monitored to ensure that the improvement is sustained

In another case, the Council had failed to determine properly the complainant's resources and, therefore, to properly assist with paying for residential care home fees. The Council had failed to consider relevant factors, failed to communicate properly with the complainant, and failed to make decisions properly. In recognition of these failings the Council agreed to pay the complainant £12,000.

If an investigation is completed I issue a public report. Last year I issued a report about a disabled facilities grant. My investigation showed that for two years longer than was necessary, a seriously ill and profoundly disabled woman was confined to her bed in the front living room of her home, unable to use a special wheelchair provided by the NHS that would have relieved her pain and discomfort, unable to use a toilet, bath or shower and strip washed on her bed by her carers, and unable to sit outside or with her family. The Council responded positively to my findings; paid £6,605 in recognition of the impact of its failings; has now made appropriate provisions to the family; and reviewed its policies and practice.

### **Training in complaint handling**

Part of our role is to provide advice and guidance about good administrative practice. We offer training courses for all levels of local authority staff in complaints handling and investigation. A detailed evaluation of the training provided to councils over the past three years shows very high levels of satisfaction.

The range of courses is expanding in response to demand. In addition to Good Complaint Handling (identifying and processing complaints) and Effective Complaint Handling (investigation and resolution) we now offer these courses specifically for social services staff and a course on reviewing complaints for social care review panel members. We will customise courses to meet your Council's specific requirements and provide courses for groups of staff from different smaller authorities.

Participants benefit from the complaint-handling knowledge and expertise of the experienced investigators who present the courses.

I enclose information on the full range of courses available together with contact details for enquiries and any further bookings.

### **LGO developments**

We launched the LGO Advice Team in April, providing a first contact service for all enquirers and new complainants. Demand for the service has been high. Our team of advisers, trained to provide comprehensive information and advice, have dealt with many thousands of calls since the service started.

The team handles complaints submitted by telephone, email or text, as well as in writing. This new power to accept complaints other than in writing was one of the provisions of the Local Government and Public Involvement in Health Act, which also came into force in April. Our experience of implementing other provisions in the Act, such as complaints about service failure and apparent maladministration, is being kept under review and will be subject to further discussion. Any feedback from your Council would be welcome.

Last year we published two special reports providing advice and guidance on 'applications for prior approval of telecommunications masts' and 'citizen redress in local partnerships'. Feedback on special reports is always welcome. I would particularly appreciate information on complaints protocols in the governance arrangements of partnerships with which your Council is involved.

## **Conclusions and general observations**

I welcome this opportunity to comment on our experience of complaints about the Council over the past year. I hope that you find the information and assessment provided useful when seeking improvements to your Council's services.

**Anne Seex  
Local Government Ombudsman  
Beverley House  
17 Shipton Road  
YORK  
YO30 5FZ**

**June 2008**

Enc: Statistical data  
Note on interpretation of statistics  
Leaflet on training courses (with posted copy only)





Originator: W Allinson

Tel: 26 60037

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## Report of the Corporate Customer Relations Manager

### Corporate Governance and Audit Committee

Date: 30<sup>th</sup> September 2008

Subject: Local Government Ombudsman Performance Report

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#### Electoral Wards Affected:

Ward Members consulted  
(referred to in report)

#### Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

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## Executive Summary

1. This report details the council's performance in relation to complaints received from the Local Government Ombudsman (LGO) for the period 1<sup>st</sup> May 2008 to 31<sup>st</sup> July 2008.
2. An update is provided for the Committee on a change in working practices. Commencing 1 August 2008, the LGO Advice Team no longer follow up with customers on premature complaints.
3. Members are asked to consider the performance information and any issues raised within this report.

## **1.0 Purpose Of This Report**

- 1.1 To update members on complaints received from the Local Government Ombudsman (LGO) for the period May 2008 to July 2008
- 1.2 To update Members on changes brought in by the Ombudsman during the reporting period.

## **2.0 Background Information**

- 2.1 Members requested a regular report on LGO cases. It was agreed that a quarterly report would be submitted to the Corporate Governance and Audit Committee.

## **3.0 Main Issues**

### **3.1 LGO Advice Team update**

Since its launch in April 2008, demand for the LGO Advice Team service has been greater than expected. The team of 12 advisers, who provide a first contact service for all enquirers and new complainants across the country, has dealt with thousands of calls.

The purpose of the new team is to increase access to the Ombudsman service and to provide a consistent standard of information and guidance for all first contacts whether by telephone, letter, email or text.

Early feedback from the Ombudsman service suggests that callers are pleased with the service that the Advice Team are providing. If demand continues at the current rate, the Advice Team would receive well in excess of 40,000 enquiries in 2008/09.

#### **No follow up to premature complaints**

The Advice Team also deals with all 'premature' complaints ie where the council has not yet had a proper chance to deal with the complaint. They make the referrals to councils by email.

Previously the Ombudsman service would follow up these complaints with the customer after 12 weeks by contacting them and offering to consider their complaint further if it had not been resolved satisfactorily by the council.

In order for the Advice Team to focus on the first contact, the Ombudsmen have agreed that from 1 August 2008 they will no longer follow up on premature complaints.

Should a customer remain unhappy with the outcome of their complaint at the end of the complaints process, the onus will now be on them to contact the Ombudsman.

## **4.0 Complaint Performance & Commentary**

- 4.1 The table below shows the complaints received by services during this period.
- 4.2 All tables in this report still refer to the old Departments as the complaints logging and performance management system (Siebel) has not yet been updated to show the new Directorates.

**Table 1 – Complaints Received**

Department	May	June	July	Total
Chief Executives	0	0	0	0
City Services	1	4	1	6
Corporate Services	0	1	1	2
Development	1	0	5	6
Education	5	12	7	24
Learning & Leisure	0	0	1	1
Social Services	0	0	0	0
Neighbourhoods & Housing	3	1	0	4
Belle Isle TMO	0	0	0	0
Leeds East North East	0	1	3	4
Aire Valley Homes	0	1	1	2
Leeds West North West	1	4	0	5
<b>Total</b>	<b>11</b>	<b>24</b>	<b>19</b>	<b>54</b>

4.3 The high number of complaints received for Education is due to school appeals and is the norm for the time of year.

4.4 The trend of a reduction in overall complaints received continues. For the same period in 2007, the council received 63 complaints from the Ombudsman.

#### 4.5 **Complaints Determined**

4.6 The table below shows complaints determined during the period. These are cases where we have received the Ombudsman's final decision during the reporting period.

**Table 2 – Complaints Determined**

Department	May	June	July	Total
Chief Executives	0	1	0	1
City Services	1	2	2	5
Corporate Services	1	1	1	3
Development	2	6	5	13
Education	4	8	7	19
Learning & Leisure	0	1	0	1
Social Services	1	0	1	2
Neighbourhoods & Housing	2	2	1	5
Belle Isle TMO	0	0	0	0
Leeds East North East	3	2	5	10
Aire Valley Homes	1	3	1	5
Leeds West North West	2	3	0	5
<b>Total</b>	<b>17</b>	<b>29</b>	<b>23</b>	<b>69</b>

#### 4.7 Average Response Times

4.8 The LGO asks for responses to be made to their enquiries within 28 calendar days. The 28 days starts the day the Ombudsman posts / e-mails their request to us and ends the date they receive our response.

4.9 Detailed below is the average response times for the period May to July 2008. The month quoted is the month in which the initial request was received from the Ombudsman.

Month	Ave Response Time	Difference to Target
May	28.12	+0.12
June	17.13	-10.87
July	18.60	-9.40

4.10 Response times on the whole across the period are within the 28 calendar days. The average response times shown above have been reduced greatly by the response times on Education Leeds cases received during this period. Response times on these cases has been between 2 and 15 working days, the majority responded to in less than 10 working days.

#### 4.11 Complaint Outcomes

4.12 The table below details the Ombudsman decisions on cases received during May and July 2008.

4.13 **Table 3 - Complaint Outcomes**

Department	Local Settlement	No Mal-Admin.	Mal-Admin.	Ombudsman's Discretion	Out of Jurisdiction	Service Failure	Mal-Admin. No Injustice	Total
Chief Executives	1							1
City Services	2			2	1			5
Corporate Services					2			2
Development	4	4		5				13
Education	4	8		2	5			19
Learning & Leisure		1						1
Social Services	1			1				2
Neighbourhoods & Housing	1	3		1				5
Belle Isle TMO								0
Leeds East North East	8	1		1				10
Aire Valley Homes	4	1						5
Leeds West North West	2	1		1	1			5
<b>Total</b>	<b>27</b>	<b>19</b>		<b>13</b>	<b>9</b>			<b>68</b>

4.14 Below is a key explaining the outcome categories: This report also includes for the first time the new categories brought in by the Ombudsman from April 2008.

- **Local Settlement:** These are decisions discontinuing an investigation because an acceptable local settlement has been obtained. They relate to cases where there has been administrative fault and a remedy is agreed by the Council during the course of an investigation.

- **No maladministration:** These are decisions by letter discontinuing an investigation because the LGO have found no, or insufficient, evidence of maladministration.
- **Maladministration:** These are cases where the LGO have concluded an investigation and issued a *formal report* finding maladministration causing injustice.
- **Ombudsman Discretion:** These are decisions by letter discontinuing an investigation where the Ombudsman has exercised her general discretion not to pursue the complaint. This can be for a variety of reasons, but usually that they have found no or insufficient injustice to warrant pursuing the matter.
- **Outside Jurisdiction:** These are complaints which were not pursued because they were outside the Ombudsman's jurisdiction.
- **Service Failure:** From April 2008 the LGOs may now make a finding of service failure even if there is no maladministration. This could relate to failure in a service which was the local authority's function to provide and, also, failure to provide such a service.
- **Maladministration without injustice:** The LGOs already advises Council's of any fault that has been identified during the course of an investigation. This new power from April 2008 enables the Ombudsman, in a *formal report* where there is no injustice, to recommend action. This would be to prevent injustice being caused in the future in consequence of similar maladministration.

4.15 There has been no cases of maladministration or maladministration without injustice during this period.

## **5.0 Implications For Council Policy And Governance**

5.1 There are potential implications for Council Policy and Governance if lessons are not learnt on Ombudsman complaints and the handling of these complaints.

## **6.0 Legal And Resource Implications**

6.1 This report is not considered to have any specific legal or resource implications, although individual LGO complaints may have both legal and financial implications, e.g. local settlements. Any local settlements made are met from the relevant Department's budget

## **7.0 Conclusions**

7.1 The changes in legislation implemented by the Ombudsman from April 2008 could potentially have far reaching issues for services if complaints where fault against the council can be proven are not resolved whilst being dealt with at stage 1 or 2 of the corporate complaints process.

## **8.0 Recommendations**

8.1 Members are asked to note the performance information and consider the issues raised within this report.

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Originator: Doug Meeson

Tel: 247 4250

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## Report of the Director of Resources

### Corporate Governance and Audit Committee

Date: 29<sup>th</sup> September 2008

Subject: **Comprehensive Area Assessment – Use of Resources 2009  
Self Assessment**

**Electoral Wards Affected:**

**Specific Implications For:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

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## 1.0 Purpose of This Report

- 1.1 The Terms of Reference of the Corporate Governance and Audit Committee require the Committee to consider and review the Council's governance arrangements. Many of these arrangements are externally reviewed through the Audit Commission's Use of Resources (UoR) assessment which has been an integral part of the Government's Comprehensive Performance Assessment (CPA). Members received a report at their meeting of the 19<sup>th</sup> March 2008 which set out the background and approach proposed by the Audit Commission for assessing the UoR under the new Comprehensive Area Assessment (CAA) to be introduced from 2009 onwards.
- 1.2 The report concluded that the new regime marked a significant development from the current UoR assessment and as such represented a significant challenge to the Council. In view of this it was proposed that a self assessment be undertaken to identify where improvements would need to be made and actioned by the end of 2008/09.
- 1.3 Three themed workshops were held in June 2008 to consider the requirements as set out in the new model as follows:-
- Managing Finances
  - Governing the Business
  - Managing Resources
- 1.4 This report summarises the results of the self assessment, and provides a mechanism by which the Committee can monitor and support the Council's progress towards achieving a satisfactory outcome for the Use of Resources Assessment in 2009.

## 2.0 Background Information

2.1 The use of resources is just one element under the new Comprehensive Area Assessment (CAA) framework which has yet to be finalised. The Audit Commission are currently consulting on their latest proposals for CAA and within this consultation the use of resources assessment forms part of an organisational assessment carried out on all councils. This organisational assessment comprises the three use of resources themes and a fourth theme on managing performance. It is unclear at this stage how these two elements would be aggregated together and within the consultation three options are put forward:

- Overall score is a combination of both scores with the managing performance score carrying more weight;
- Overall score is a combination of both scores with the assessors making a judgement as to which carries more weight; or
- Reporting the two scores separately.

2.2 It is also difficult at this stage to put the use of resources assessment fully into context under CAA and to understand how the results of the organisational assessment will influence the overall area assessment as there are still a significant number of unknowns. However, what we do know is that use of resources will form an important part of the council's individual assessment and this is looking like the only part of the framework where an overall score will be given. Therefore as the only scored element it will continue to have significance going forward.

2.3 Whilst getting a good score in our organisational assessment is both desirable and of considerable benefit to the council, overall it should not be overlooked that many of the elements of the use of resources assessment are what should be expected in a high performing organisation. This coupled with the local government financial settlements over the next few years provide a huge driver to further improve our value for money across the organisation.

## 3 Outcomes from UoR workshops

### 3.1 Managing Finances

There are three KLoE for this theme

#### 3.1.1 Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?

KLoE Focus: the organisation:	Workshop Outcomes
Integrates financial planning with strategic and service planning processes on a medium to long term basis	Good progress on the production of service plans We can demonstrate that we have planned finances to deliver our strategic priorities However priorities not fully costed and we are not good at stopping doing things which are not priorities Service planning and budget planning processes could be better aligned.
Engaging local communities and other	We already have in place residents survey,



stakeholders in the financial planning process	place survey Budget consultation has included the Youth Council, Chamber of Commerce, Health, voluntary sector, scrutiny. Participatory budget pilots carried out.
Managing spending within available resources and being financially sound over the medium term and ;	Already demonstrated this under existing UoR regime
Recognising individual and collective responsibility for financial management and values and developing financial skills.	Section 151 officer part of CLT who take collective responsibility for the finances of the Council E Learning packages developed Financial competency framework being developed Improved budget reports to managers and training on how to analyse budget information being developed.

**3.1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?**

<b>KLoE Focus: the organisation:</b>	<b>Workshop Outcomes</b>
Understands its costs, including whole life transactions and unit costs, the main factors that influence these and how they link to performance.	There is a gap with our ability to use unit cost information on a consistent ongoing basis, and linking this to service planning, although there are pockets of good practice.
Takes account of this understanding of its costs and performance in decision making and commissioning and;	Strong in capital projects, but some weaknesses on day to day service management
Identifies the scope for making efficiencies and is on track to achieve planned efficiencies	Has delivered significant efficiencies, but it is recognised that there is a need to develop consistent and formal approach for the delivery of value for money, and this work is underway. This is a priority within the Council Business Plan 2008 to 2011

**3.1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?**

<b>KLoE Focus: the organisation:</b>	<b>Workshop Outcomes</b>
Produces relevant, timely and reliable financial monitoring and forecasting information	Budget reporting is strong.
Uses financial and related performance information to monitor performance during the year	Not consistent. There is no integrated finance and performance management system. However, the Council Business Plan does integrate financial performance within its performance indicators.

	Limited evidence of an understanding of the costs of performance improvements
Produced financial reports that are clear, relevant and concise to support strategic decision making	Fully met
Prepares accounts that meet statutory requirements, financial reporting standards and present fairly, or give a true and fair view of, the financial performance and position and:	Fully met

### 3.2 Governing the Business

There are three KLoE for this theme

#### 3.2.1 Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?

<b>KLoE Focus: the organisation:</b>	<b>Workshop Outcomes</b>
has a clear vision of intended outcomes for local people which shapes its commissioning and procurement, and is based on an ongoing analysis and understanding of needs	Clear vision in the Leeds Strategic Plan and the developing JSNA will further inform and evidence this. Is unclear as to how this shapes commissioning and procurement in all areas although there are examples of good practice. One Council commissioning framework should address this inconsistency but also needs to address link to partners There are other good examples of assessments of local needs, and we need to ensure this links effectively to JSNA.
involves local people, partners, staff and suppliers in commissioning services	Examples of good practice rather than a systematic approach
seeks to improve the customer experience, quality and value for money of services through service redesign, making effective use of IT	Good customer strategy evidence, but we need to follow through to understand cause and effects links The work underway to meet the requirements of NI 14 will move us forward on this.
understands the supply market and seeks to influence and develop that market;	Significant work carried out in some areas, but again not across the organisation. However, these focus on the areas where we really need to influence eg social care. Need to improve the quality of our monitoring systems in some areas.
evaluates different options (internal, external and jointly with partners) for procuring services and supplies; and	DSC and capital programme and PFI approach is embedding this across the organisation and there are plenty of good

	examples. The five year financial plan includes this as a core principle. Need to use the service prioritisation model to further target the approach in key areas.
reviews the competitiveness of services and achieves value for money, while meeting wider social, economic and environmental objectives.	This links closely with unit cost information and benchmarking and again there is no clear evidence of this being consistently done. Again service prioritisation approach has potential here.

### 3.2.2 Does the organisation produce relevant and reliable data and information to support decision making and manage performance?

<b>KLoE Focus: the organisation:</b>	<b>Workshop Outcomes</b>
produces relevant and reliable data and works with partners to ensure the quality of partnership data	Good evidence of this. Reliability of data can be evidenced through Data Quality work
Understands the needs of its decision makers and provides them with information that is fit for purpose and is used to support decision making	Information Knowledge management vision sets out our aspirations in this area. Performance management information is good The delivering successful change shows our structured approach to decision making The officer governance framework and performance management framework both provide structure to how decisions are made in the council Good record of consulting with the public and this information has supported decision making.
Ensures data security and compliance with relevant statutory requirements'	This is an area of potential risk, although plans/systems can be put in place quite quickly to address this issue. However, some issues are cultural and we need to ensure that we all value information as a strategic resource which could take more time to change. We have a data security policy, which needs to be improved Some good practice, but this needs to be council wide We are signed up to Government Connect which details how information is shared between the public sector effectively and safely
Monitors performance against its priorities and targets, and addresses underperformance	Good evidence here e.g. tackling sickness, extension of services provided through the Contact Centre

**3.2.3 Does the organisation promote and demonstrate the principles and values of good governance?**

<b>KLoE Focus: the organisation:</b>	<b>Workshop Outcomes</b>
has adopted, promotes and demonstrates, the principles of good governance;	Corporate Governance and Audit Committee responsible for a range of governance issues Strong officer leadership with regard to governance Code of Corporate Governance Corporate Governance Standards Committee now taken on a national role Strong governance arrangements around capital programme
maintains focus on its purpose and vision;	The council has been restructured around its priorities. Key support functions have been restructured to come under one chief officer to provide consistency and better implementation of key initiatives
demonstrates a strong ethical framework and culture; and	Ethical Audit carried out for all members and staff. Members induction covers the code of conduct
applies the principles and values of good governance to its partnership working	Whistleblowing policy extended to partners Partnership Governance framework has been developed Memorandum of Understanding for the LAA in place.

**3.2.4 Does the organisation manage its risks and maintain a sound system of internal control?**

<b>KLoE Focus: the organisation:</b>	<b>Workshop Outcomes</b>
has effective risk management which covers partnership working	Good Risk Management Policy now embedded in service plans Corporate and directorate risks registers in place and key risks closely monitored Key projects use DSC methodology which includes risk assessment Partnership working particularly overall accountability for risk management within the partnership not always well monitored
has a clear strategy and effective arrangements, including allocation of appropriate resources, to manage the risk of fraud and corruption; and	Good evidence of training for officers and members; Business continuity plans; Risk management framework; National Fraud initiative Some inconsistencies across directorates Partnership Business continuity plans not yet assessed Fraud and corruption policy not approved

has a sound system of internal control including internal audit	Annual statement of corporate governance Assurance and compliance through internal audit and internal control Corporate Governance and Audit Committee meet quarterly Compliance with the national code of practice for internal audit, which was largely compiled by Leeds auditors.

### 3.3 Managing Resources

There are three KLoE for this theme

#### 3.3.1 Is the organisation making effective use of natural resources?

<b>KLoE Focus: the organisation:</b>	<b>Workshop Outcomes</b>
understands and can quantify its use of natural resources and can identify the main influencing factors	Strong story to tell here with our EMAS system where we set targets for reductions in water usage etc but must not be complacent especially with a £20m utility bill Good understanding of our use of natural resources (water, fuel, electricity etc) but we do not have data for all buildings yet but are due to complete programme of smart meter installation this year Reducing CO <sub>2</sub> footprint is a key priority within the Business Plan. Other good examples: Travel to work, assisted bike purchase, metro cards City centre office accommodation project – aim to reduce office space Links to homeworking and flexible working. Planning influence on land use, biodiversity, flood risk etc
manages performance to reduce its impact on the environment; and	EMAS still needs to be fully embedded into performance management framework – again environmental performance is now included within the business plan.
manages the environmental risks it faces, working effectively with partners	Good arrangements for oil & chemical storage Water Asset management group looking at flood risk Cross agency work on flood defence for city centre Partnership based climate change strategy – about understanding and quantifying risks

**3.3.2 Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?**

<b>KLoE Focus: the organisation:</b>	<b>Workshop Outcomes</b>
has a strategic approach to asset management based on an analysis of need to deliver strategic priorities, service needs and intended outcomes	Beacon Status for asset management. Received a 4 in all years of the old CPA regime Strong Capital and Asset management strategy Robust process for linking to service planning led by Asset Management and feeding through to the capital programme. Already good examples of joint working with partners LIFT buildings, Joint service centres BSF
manages its asset base to ensure that assets are fit for purpose and provide value for money; and	Backlog maintenance is an issue with scale of historic under-investment.
works with partners and community groups to maximise the use of its assets for the benefit of the local community	Asset management are developing a robust process for assessing and evaluating requests for transfer of property to the local community

**3.3.3 Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?**

<b>KLoE Focus: the organisation:</b>	<b>Workshop Outcomes</b>
has a productive and skilled workforce; knows in the medium to longer term what staff it will need, with what skills, and has plans to achieve this;  engages and supports staff in organisational change; and  has policies which support diversity and good people management.	HR focus of work on four areas <ul style="list-style-type: none"> <li>➤ Change and innovation</li> <li>➤ Sustaining what we have around turnover, skills gaps, aging workforce</li> <li>➤ Productivity – pay and reward scheme job redesign</li> <li>➤ Attendance - prioritised within the Council Business Plan</li> </ul> This KLOE will not be tested for 2009

**4.0 Conclusions**

4.1 There are clearly some areas where we are already in a strong position, especially those KLoE which were present under the old regime. There also some quick wins which officers are already working on.

4.2 There are however, some areas which will require a great deal of work to achieve the standard by the end of 2008/09. These include:

- Establishing a corporate approach to value for money and the generation of efficiencies which includes:
  - Ensuring a systematic approach to benchmarking
  - Ensuring key service unit costs are available and understanding how to use this data alongside performance information and a full understanding of the cost of change.

- Implementation of Service prioritisation throughout the Council and using this to inform and prioritise the roll out of this approach
- Systematic approach to challenging who provides services to clients
- More work with partners to ensure
  - risk and governance issues are included in partnerships arrangements
  - provision for dealing with under performance
- Involving more stakeholders in commissioning
- The ability to effectively link finance, performance and risk information for both officers and members.
- Ensuring systems and process are in place to secure our data

We also need to ensure we have effective workforce planning processes but we do have until the 2010 assessment to implement this.

4.3 The issues that are identified above fall within the work programmes of a number of sections within Central and Corporate Services,, and will need to be incorporated within the individual action plans of the relevant section. It is also intended that the Corporate Governance Board take on the role of reviewing progress towards the 2009 assessment and that a progress report is submitted to this committee in January 2009.

## **5.0 Implications for Council Policy and Governance**

5.1 This report at this time does not have any specific proposals for Council policy and governance, but responding to the new 2009 framework may potentially require the Council to review certain of its governance arrangements.

## **6.0 Legal and Resource Implications**

6.1 There are no new legal implications of the subject of this report. It is clear that it is likely that there will be resources implications.

## **7.0 Recommendations**

7.1 Members of the Corporate Governance and Audit Committee are asked to note the results of the self assessment and to request a further progress report for the January 2009 meeting.

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**Report of the Director of Resources**

**Corporate Governance and Audit Committee**

**Date: 29th September 2008**

**Subject: EXTERNAL AUDIT AND PUBLICATION OF THE ACCOUNTS 2007/08**

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**Electoral Wards Affected:**

**Specific Implications For:**

Ethnic minorities

Women

Disabled people

Narrowing the Gap

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**1.0 Executive Summary**

- 1.1 The Accounts and Audit Regulations 2006 require the annual audited accounts to be published by the 30<sup>th</sup> September.

Members are asked to receive the report of the external auditors and note any agreed amendments to the accounts. The Chair is also asked to sign the letter of management representation on behalf of the Corporate Governance and Audit Committee.

**2.0 Purpose Of This Report**

- 2.1. Under this Committees terms of reference, members are required to approve the Council's Statement of Accounts and consider any material amendment recommended by the auditors. The Committee approved the Council's 2007/08 Statement of Accounts on the 29<sup>th</sup> June 2008 subject to external audit. The Council's external auditors have now reported on the 2007/08 accounts and their report is attached. The report informs members as to amendments to the approved accounts which have been agreed with the Council's external auditors.

**3.0 Background Information**

- 3.1 The Accounts and Audit Regulations 2006 require that the Council's statutory finance officer, the Director of Resources, report any material amendments to the accounts to the Committee or sub committee of the Council which originally approved them.

## **4.0 Main Issues**

### **4.1 Audit Differences.**

4.1.1 On conclusion of the audit, KPMG found only one technical issue which required correction (see 4.1.2 below) and a small number of minor presentational issues. All audit points raised have been adjusted for in the accounts currently awaiting publication.

4.1.2 The technical adjustment identified above was in respect of the treatment of premiums and discounts held on the Balance Sheet from previous debt rescheduling. The ambiguous nature of the wording in the Statement of Recommended Practice led to difference in the treatment of these transactions across Authorities. Some Authorities, including Leeds, transferred such transactions through the Income and Expenditure account and others through the Statement of Movement on General Fund Balances (SMGFB). In both case the entry is reversed through the SMGFB and has no impact on either the Balance Sheet or General Fund Reserves. In order to ensure consistency across Authorities, KPMG requested guidance from the Audit Commission as to their preferred treatment. The resulting national decision has required the Council to reverse £71.0m out of the Income and Expenditure Account and charge the transactions through the SMGFB. Although the Council maintains that our original accounting treatment was more appropriate to UK accounting standards we have accepted that a consistent and standard approach from all Authorities is preferable. Consequently the accounts have been amended accordingly.

### **4.2 Audit notification of significant judgments and estimates used in the accounts**

4.2.1 In order to ensure that the Council's accounts are close down in line with statutory deadlines, officers need to make a number of estimates based on the latest information available. The auditor's report highlights some of the more significant estimates in order to make members aware of any changes, or potential changes, in the estimates used.

### **4.3 Audit recommendations.**

4.3.1 The audit report identifies two issues within the accounts which KPMG have recommended specific action or improvements for 2008/09. Firstly, the review of collection rates on specific bad debt provisions in light of the current economic climate and secondly, the monitoring of school deficits. For both issues the audit report includes a management response and timescales for implementing any recommendations. The report also informs members on the progress in improving the frequency of school bank account reconciliations, an issue raised during the 2006/07 audit.

### **4.4 Management Representation letter**

4.4.1 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. Attached as Appendix 1 to this report is a management representation letter designed to give audit such assurances in respect of the 2007/08 accounts. After consultation with appropriate officers, the Director of Resources has signed to

confirm that officers are not aware of any compliance issues on the representation matters raised in the letter. 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 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.

## **5.0 Implications For Council Policy And Governance**

- 5.1 The Statement of Accounts and related audit reports are published on the internet as well as being available on Compact Disc and in hard copy format. In addition a less technical summarised set of accounts is also available on the internet and the autumn edition of the Council newspaper contained a supplement on the highlights of the 2008 accounts. All these formats encourage stakeholder comments and views.
- 5.2 As required by the Accounts and Audit Regulations 2006, the accounts were made available for public inspection for twenty working days. Under these stakeholder rights, no objections or issues were raised that had a material impact on the accounts.

## **6.0 Legal And Resource Implications**

- 6.1 The Accounts and Audit Regulations 2006 require the audited Statement of Accounts to be published before the 30<sup>th</sup> September. This is a factual report of the Director of Resources on the financial accounts of the Council for 2007/08. There are no additional legal or financial implications.

## **7.0 Recommendations**

- 7.1 Members are asked to receive the report of the Council's external auditors on the 2007/08 accounts and to note the amendment made to the Accounts.
- 7.2 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.

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## Appendix 1



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**A T Gay**  
**Director of Resources**  
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Civic Hall  
Leeds  
LS1 1JF

Contact: Doug Meeson  
Tel: 0113 247 4250  
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29<sup>TH</sup> September 2008

Dear KPMG LLP

The Council understands that auditing standards require you to obtain representations from management on certain matters material to your opinion. Accordingly I can confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of the council, the following representations given to you in connection with your audit of the financial statements for Leeds City Council for the year ended 31 March 2008.

All the accounting records have been made available to you for the purpose of your audit and the full effect of all the transactions undertaken by Leeds City Council has been properly reflected and recorded in the accounting records in accordance with agreements, including side agreements, amendments and oral agreements. All other records and related information, including minutes of all managements and Board meetings, have been made available to you.

I can confirm that we have disclosed all material related party transactions relevant to the council and we are not aware of any other such matters required to be disclosed in the financial statements, whether under FRS 8 or other requirements.

I can confirm that we are not aware of any actual or potential non-compliance with laws and regulations that would have had a material effect on the ability of the council to conduct its business and therefore on the results and financial position to be disclosed in the financial statements for the year ended 31 March 2008.

I acknowledge that I am responsible for the fair presentation of the financial statements in accordance with the Local Government Statement of Recommended Practice ("SORP") and wider UK accounting standards. I have considered and approved the financial statements.

I can confirm that we;

- Understand that the term "fraud" includes misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Misstatements resulting from fraudulent financial reporting involve intentional misstatement or omissions of amount or disclosure in financial statements to deceive financial statement users. Misstatements resulting from misappropriation of assets involve the theft of an entity's assets, often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

## Appendix 1

- Are responsible for the design and implementation of internal control to prevent and detect fraud and error.
- Have disclosed to you our knowledge of fraud or suspected fraud affecting the Council involving:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
- 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.
- Have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the council's financial statements communicated by employees, former employees, regulators or others.

I can confirm that the presentation and disclosure of the fair value measurements of material assets; liabilities and components of equity are in accordance with applicable reporting standards. The amounts disclosed represent our best estimate of fair value of assets and liabilities required to be disclosed by these standards. The measurement methods and significant assumptions used in determining fair value have been applied on a consistent basis, are reasonable and they appropriately reflect our intent and abilities to carry out specific courses of action on behalf of the Council where relevant to the fair value measurement or disclosures.

I can confirm that there are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than that already disclosed in the financial statements.
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements.

With reference to the specific issues on which you have requested assurances in the report to members, I can confirm that :

- there are no material audit differences, material weaknesses in the internal control environment and that an unqualified audit opinion has been or is likely to be received from the respective auditors of those entities consolidated within the group accounts.

Finally, no additional significant post balance sheet events have occurred that would require additional adjustment or disclosure in the financial statements, over and above those events already disclosed.

Alan Gay  
Director of Resources

## Appendix 1

To the best of our knowledge and belief, and having made appropriate enquiries of other officers and members of the council, we can confirm, our agreement to the above representations, given to you in connection with your audit of the financial statements for Leeds City Council for the year ended 31 March 2008.

We also confirm that we have considered and approved the financial statements.

This letter of representation was approved by the Corporate Governance and Audit Committee on 29 September 2008.

Signed on behalf of Leeds City Council.

Councillor John Bale

Chair, Corporate Governance and Audit Committee

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GOVERNMENT

Report to those  
charged with  
governance

**Leeds City Council**  
**September 2008**

AUDIT

# Content

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The contacts at KPMG in connection with this report are:	
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<ol style="list-style-type: none"><li>1. Proposed use of resources conclusion</li><li>2. Proposed audit report</li><li>3. Audit differences</li><li>4. Accounts recommendations</li><li>5. Judgements and estimates</li><li>6. Prior year recommendations</li><li>7. Audit reports</li><li>8. Declaration of independence and objectivity</li><li>9. Draft management representations letter</li><li>10. Audit fee</li></ol>	

This report is addressed to Leeds City Council and has been prepared for the sole use of Leeds City Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Adrian Lythgo who is the engagement lead to Leeds City Council on 0113 231 3054, email adrian.lythgo@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4063, email trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Team, Nicholson House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SU or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

### Purpose of this report

The Audit Commission's Code of Audit Practice (the Code) requires us to summarise the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. We report to those charged with governance (in this case the Corporate Governance and Audit Committee of Leeds City Council) at the time you are considering the financial statements. We are also required to comply with an International Standard on Auditing (ISA260) which sets out our responsibilities for communicating with those charged with governance.

This report meets both these requirements. It summarises the key issues identified during our audit of the financial statements for the year ended 31 March 2008. It has been prepared for presentation to the Corporate Governance and Audit Committee on 29 September 2008.

This report does not repeat matters we have previously communicated to you. A summary of the reports we have issued in the year is set out in Appendix 7. Once we have finalised our opinions and conclusions we will prepare our Annual Audit and Inspection Letter jointly with your Audit Commission CAA lead to close our audit. We will also issue an Annual External Audit Report in January 2009 and this summarises all of our work during 2007/08

### Our opinions and conclusions

#### *Use of resources*

Leeds City Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and regularly reviewing their adequacy and effectiveness.

Our responsibility is to satisfy ourselves that you have in place proper arrangements by reviewing and, where appropriate, examining evidence that is relevant to your corporate performance and financial management arrangements and reporting on them.

Based upon this we have concluded that **Leeds City Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.**

Our findings are detailed in section two of this report and our proposed conclusion is set out in Appendix 1.

#### *Accounts and Annual Statement of Governance*

Leeds City Council is responsible for putting in place systems of internal control to ensure the regularity and lawfulness of transactions, to maintain proper accounting records and to prepare financial statements that present fairly its financial position and its expenditure and income. It is also responsible for preparing and publishing an Annual Statement of Governance with its financial statements.

We have completed our work on your accounts audit and **propose to provide an unqualified opinion on your 2007/08 accounts.**

Our findings are detailed in section three and our proposed opinion on the accounts is presented in Appendix 2.

#### *Exercise of other powers*

We have a duty under section 8 of the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to our attention in order for it brought to the attention of the public. In addition we have a range of other powers under the 1988 Act. We did not exercise these powers or issue a report in the public interest in 2007/08.

#### *Certificate*

We are required to certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice. If there are any circumstances under which we cannot issue a certificate, then we are required to report them to you and to issue a draft opinion on the financial statements.

There are no issues that would cause us to delay the issue of our certificate of completion of the audit.

## Executive summary (continued)

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### Status of the audit

At the date of this report our audit work is substantially complete.

We now require a signed management representation letter, and have provided a draft of this in Appendix 9.

### Declaration of independence and objectivity

In relation to the audit of the financial statements of Leeds City Council for the financial year ending 31 March 2008, we confirm that there were no relationships between KPMG LLP and Leeds City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 8 in accordance with ISA 260.

### Fees

Our fee for the audit is £489k. This has been contained within the totals agreed with you in our audit plan.

## Section two

# Use of resources

**We are required to satisfy ourselves that you have proper arrangements in place to secure economy, efficiency and effectiveness in your use of resources. We reach this conclusion by considering the various assessment we make during the year, including the use of resources assessment.**

**Based upon this we have concluded that Leeds City Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.**

### Introduction

In our audit plan we outlined the work streams we consider to assess whether the arrangements you have in place to ensure that your resources are deployed effectively are appropriate. Our conclusion is based on these work streams, including your use of resources (UoR) self assessment, our cumulative audit knowledge and specific work to address the arrangements in place.

### UoR assessments

This assessment analyses your performance against the five themes published by the Audit Commission. The scoring of the themes ranges from one (inadequate) to four (performing strongly). A score of level 2 or above is sufficient to support an unqualified opinion value for money conclusion. Your results for last year are summarised below:

Theme	Score	How findings have been reported
Financial Reporting	3	This work was undertaken in September 2007 and the score finalised in November 2007. This was reported to officers and those charged with governance in November 2007.
Financial Management	3	
Financial Standing	3	
Internal Control	3	
Value for Money	3	

The overall score from your 2007 assessment indicates that you are “performing well” across all areas. Our work for the 2008 assessment is under way and our theme assessments will be communicated to you in November 2008. The results of the VFM assessment so far do not indicate that there are any significant issues arising that would prevent us from issuing an opinion by the 30 September stating that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Other work

If we identify a need for it we are expected to perform other work as necessary to meet our responsibilities under the Code of Audit Practice. During 2007/08, we carried out reviews of the following:

- Children and Young People’s Agenda;
- Business Continuity;
- Project Management; and
- Corporate Social Responsibility.

The recommendations arising from our work have been separately reported to the Council or are to be in coming months. The work we have undertaken did not suggest that there are or there will be any issues which have an adverse implication for our VFM conclusion. Recommendations are to help the Council’s arrangement and performance.

## Accounts and Annual Statement of Governance

**We have now completed the audit in line with the deadline. We have identified no issues in the course of the audit that are considered to be material. On receiving your management representations letter we will issue an unqualified audit opinion on 29 September 2008. We have also provided you with a review of the accounts production process and how this can be improved in the future. We will also report that the wording of your Annual Statement of Governance accords with our understanding**

### Introduction

The tasks we perform in our review of your financial statements are summarised below. They are split between those which are undertaken before, during and after production of the accounts.

Work Performed	Accounts production stage		
	Before	During	After
<b>1. Business Understanding:</b> review your operations.	✓	✓	-
<b>2. Controls:</b> assess the control framework.	✓	-	-
<b>3. Prepared by client list:</b> issue our prepared by client request.	✓	-	-
<b>4. Accounting standards:</b> agree the impact of any new accounting standards.	✓	✓	-
<b>5. Accounts Production:</b> review the accounts production process.	✓	✓	✓
<b>6. Testing:</b> test and confirm material or significant balances and disclosures.	-	✓	-
<b>7. Representations &amp; opinions :</b> seek and provide representations before issuing our opinions.	✓	✓	✓

We reported on the work carried out relating to the pre-accounts production stage as part of our interim audit findings report. Below we focus on stages five and six:

### Accounts Production

Your accounts production process is assessed as part of our UoR assessment. As part of this process we have considered the production process against three criteria:

Element	Commentary
Completeness of draft accounts	We received a set of accounts well before our final accounts audit visit on 7 July 2008. The draft accounts required minimal adjustment following our audit. In the main, disclosure notes were complete and the draft accounts were subject to only one material adjustment in a technical area relation to the write off of premia and discounts – see Appendix 3 for further detail.
Quality of supporting working papers	As part of our interim audit we issued a 'Prepared By Client List' which detailed the working papers we expected to support the statement of accounts. The quality of the working papers was found to be very high and was an improvement on the prior year. Officers have continued to discuss key accounting issues with us at the earliest opportunity and this has contributed to the smooth process of the audit.
Response to audit queries	Officers dealt with our queries promptly and efficiently. This helped to ensure that the audit was completed on time.

From our work we have identified two recommendations during the year. These are detailed at Appendix 5. We have followed up on one recommendation from 2006/07 which is detailed at Appendix 6.

## Accounts and Annual Statement of Governance (continued)

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### Testing

We have not identified any uncorrected audit differences. In accordance with ISA 260 we are required to report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We have provided a summary of the one corrected audit difference in Appendix 3.

### Opinions and Representations

As part of the finalisation process we are required to provide you with representations concerning our independence and ability to act as your auditors. We have provided this at Appendix 8.

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Chief Officer – Financial Management on 4 September 2008. We have also included a copy of this as Appendix 9. Once we have received this we will issue our audit opinion.

In the representation letter you will notice that, as last year, we are requesting specific information commenting on the following issue:

- Group financial statements – in the preparation of the group financial statements, the council consolidates a number of group entities whose financial statements have yet to be approved by their own board or receive an auditors opinion. We are therefore seeking management representations that there are no material audit differences, no material weaknesses in the control environment and that an unqualified audit opinion has been or is likely to be received from the respective auditors of those entities consolidated in the group accounts.

### Other matters

ISA260 requires us to communicate “audit matters of governance interest that arise from the audit of the financial statements” to you which includes;

- material weaknesses in internal control identified during the audit;
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. issues relating to fraud, compliance with laws and regulations, subsequent events etc); and
- other audit matters of governance interest.

### Added value in the year

We have worked with the Council throughout the year to identify and resolve potential issues. This year we have worked with the Council on the following areas:

- Depreciation - During our interim accounts visit it was identified that depreciation had been charged on the land element of certain assets. This issue was raised with staff at the Council and an adjustment was made to remove any depreciation on land. The effect of this was approximately a reduction in the depreciation charged to the HRA assets of £16.4m and £1.7m on general fund assets, however this had no bottom line impact; and
- Emerging accounting issues – During the year we have worked with the Council to identify emerging accounting issues, for example we have given guidance to the Council on whether comparative figures were required and clarified unclear guidance on the classification of financial instruments.

**There are no others matters which we wish to draw to your attention.**

## Appendix 1: Proposed use of resources conclusion

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### Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

### Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to satisfy ourselves that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

In 2007 we were required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we had done so;
- stating whether we believed that the plan had been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### Proposed Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Leeds City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

### Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 in December 2007. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

KPMG LLP  
Chartered Accountants  
Leeds

29 September 2008



## Appendix 2: Proposed audit report

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### Independent auditor's report to the Members of Leeds City Council

#### Opinion on the statement of accounts

We have audited the Authority and Group statement of accounts and related notes of Leeds City Council, for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group statement of accounts comprises the Explanatory Foreword, Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. The statement of accounts has been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Leeds City Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Leeds City Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Leeds City Council, as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the statement of accounts in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the statement of accounts.

Our responsibility is to audit the statement of accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority and Group statement of accounts of Leeds City Council presents fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

#### Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group statement of accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group statement of accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Authority and Group statement of accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority and Group statement of accounts and related notes.

## Appendix 2: Proposed audit report

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### Opinion

In our opinion:

The Authority statement of accounts presents fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and

The Group statement of accounts presents fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and the Group as at 31 March 2008 and its income and expenditure for the year then ended.

KPMG LLP  
Chartered Accountants  
Leeds  
29 September 2008

## Appendix 3: Audit differences

We are required by ISA (UK and Ireland) 260 *Communication of Audit Matters to Those Charged with Governance* to communicate all uncorrected misstatements, other than those that we believe are clearly trivial, to the Corporate Governance and Audit Committee. We are also required to report all material misstatements that management has corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

This appendix sets out the audit differences identified by our audit of Leeds City Council for the year ended 31 March 2008.

### Uncorrected audit differences

There were no uncorrected material audit differences.

### Corrected audit differences

Detailed below is the audit difference that has been corrected.

Impact (£'000)		Basis of audit difference	Reason for adjustment
Income and expenditure	Statement of Movement on General Fund Balance		
(70,951)	70,951	<p>The Council had written off premia and discounts relating to 2006/07 through the Income and Expenditure Account.</p> <p>Based on the guidance that was provided in the Statement of Recommended Practice (SORP) there was uncertainty as to how premia and discounts should be accounted for. KPMG obtained clarification during the course of the audit, on this, and the Council agreed they would write off the premia and discounts through the Statement of Movement on General Fund Balance (SMGFB).</p> <p>The effect of writing off premia and discounts to the SMGFB is that it also results in a balance being recognised in the Statement of Total Recognised Gains and Losses (STRGL) in a different category.</p> <p>This adjustment does not have an impact on the General Fund reserve.</p>	<p>There was an area within the SORP that required national clarification during the audit. A number of authorities had treated this issue in a different manner. Following consultation with the Audit Commission which in turn involved consultation with CIPFA on the intention of the SORP an agreed treatment was identified. This resulted in the treatment of premia and discounts being written off to the Statement of Movement on General Fund Balance (SMGFB) rather than through the Income and Expenditure Account.</p>

### Issue raised by an elector

During the course of 2007/08 we have considered a question raised by a local government elector in respect of a donation made by the Council to an overseas disaster appeal. This is a matter on which the Council has taken its own legal advice and it appears that the factors that the Council have considered in making this payment are relevant to the discharge of its functions. Nevertheless, the payment by the Council to an appeal overseas whose beneficiaries are in a foreign country is an untested interpretation of the Local Government 2000 Act. On this basis we have recommended to the Council that it should take independent legal advice should it consider making any similar payments.

## Appendix 4: Judgements and estimates

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In the preparation of the accounts, there are a number of areas where it is necessary and standard practice to apply an element of judgement in calculating balances to recognise. Below we have outlined the audit discussions that were held in relation to some of these key judgements in 2007/08.

### Equal Pay

During the course of the year specialist officers of the Council have been reviewing information available to them in relation to equal pay claims. Based on these estimates the provision for equal pay within the accounts totalled £9.5m. The Council has also included a contingent liability within the accounts in respect of these claims.

We understand that the Council have robust procedures in place to ensure that they review the estimates used to calculate the equal pay provision on a regular basis to ensure that the estimates and hence level of provision remains appropriate.

### Actuarial assumptions

Information on the performance of the Council's pension fund is supplied by an actuary who undertakes a tri-annual valuation. To calculate the performance of the pension fund at the year end the actuary uses actual asset performance for the first ten months of the year and makes a projection for the last two months. This is undertaken to ensure that the statutory deadlines for the accounts preparation process are met.

This year the actual asset performance at the year end was approximately three percent better than the actuaries estimate at month ten. The effect of this is that if the actual asset performance was known when the estimates were made then the net pension liability would be reduced by £48m. The increase in the asset performance is a result of various factors within the wider economic climate.

### Fair value of loans

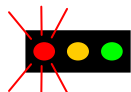
The SORP 2008 requires authorities to provide disclosures within the notes to the accounts about the fair values of their financial instruments, which include Public Works Loan Board (PWLB) loans. The Council determined a basis for calculating the fair value of loans. It has been identified by the Audit Commission however that there are currently two different methods being used to calculate the fair value of loans. The Audit Commission, whilst highlighting these two methodologies, have not clarified which basis should be used. If the alternative basis had been used this would have resulted in a decrease of the fair value in the PWLB loans of £87m.

## Appendix 5: Accounts recommendations

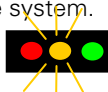
This appendix summarises the performance improvements that we have identified relating to the accounts production process while preparing this report. We have given each of our observations a risk rating (as explained below) and agreed with management what action you will need to take.

### Priority rating for performance improvement observations raised

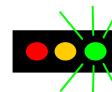
**Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.



**Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.



**Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.



Number	Risk	Issue and recommendation	Management response	Officer and due date
1	● (two)	<p><b>Schools in deficit</b></p> <p>In certain circumstances the Council allows schools to plan for a deficit budget. There are however detailed procedures in place that need to be followed for such schools. Where the deficit is greater than £100k it is expected that an action plan is in place which identifies how the deficit will be addressed within a three year period.</p> <p>During our review of schools with a deficit position as at the year end we identified the following:</p> <ul style="list-style-type: none"> <li>• One school with a deficit of £1.3m (£1.7m 2006/07) could potentially become an Academy at which point the deficit will transfer to the Council;</li> <li>• One school with a deficit of £0.3m is also subject to special measures; and</li> <li>• One school with a deficit of £0.4m has not submitted an action plan. This has been raised with the school governors.</li> </ul> <p>The Council should ensure that they review the action plans for any school where the Council could potentially become liable for the deficit, for example where a school may become an Academy.</p> <p>In addition the Council should ensure that they continue to follow the detailed procedures where schools are in deficit and that the schools have action plans in place.</p>	<p>Agreed. The Council will continue to monitor action plans and follow the appropriate procedures when schools are in deficit.</p>	<p>Chief Officer Financial Management; Ongoing</p>

## Appendix 5: Accounts recommendations - continued

Number	Risk	Issue and recommendation	Management response	Officer and due date
2	<p>● (three)</p>	<p><b>Bad Debt Provision</b></p> <p>The Statement of Recommended Practice (SORP) states that the proper accounting treatment for calculating the percentages to apply for bad debt provisions is to judge and use the probability of collection for each type of debtor.</p> <p>During our audit we found whilst historical collection rates on Council Tax debtors have been used in the past to inform the bad debt provision, these collection rates have not been reviewed for a number of years.</p> <p>We also found that the provision for bad debts for NNDR and HRA rent debtors were not based on historical collection rates.</p> <p>We have not found any indication that the provision for these debtors are incorrect as the collection rates for these debtors have not changed significantly during the year.</p> <p>We recommend that the Council undertake an exercise in year to review the collection rates within these areas to demonstrate that the provision applied is appropriate. This will become even more relevant over the coming year where economic conditions could potentially result in changing collection rates.</p>	<p>The Council will review its methodology for calculating each of these provisions to ensure that any changes to collection rates are reflected promptly in the level of the provisions.</p>	<p>Principal Financial Manager (Financial Development) &amp; Assistant Head of Finance (HRA). January 2009</p>

## Appendix 6: Prior year recommendations

This appendix summarises the progress made to implement the recommendations we identified in our previous reports. We have given each one a risk rating as explained in Appendix 4.

Year	Number of recommendations that were:		
	Included in original report	Implemented in year or superseded	Partially implemented (re-iterated below)
2006/07 Final	1	0	1

No.	Risk	Issue and recommendation	Management response	Officer and due date	Status at 29 September 2008
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### 2006/07 ISA 260 report

1	● (three)	<p><b>School bank accounts</b></p> <p>We identified that monthly reconciliations were not always undertaken by all of the schools. The percentage of nil returns over the 2006/07 averaged 57%.</p> <p>We agreed with the council that we would expect as a minimum that year end reconciliations would be monitored and reviewed.</p>	<p>School bank reconciliation returns to Education Leeds Financial Services are monitored twice yearly. The Schools' Finance Officer then contacts the school to establish if there are any reasons for non-returns (e.g. staff absences) and to remind them of their responsibilities. If this does not produce a response from the school Education Leeds formally write to schools, requesting that the issue is resolved.</p> <p>To strengthen these controls it is now proposed that more regular monitoring is carried of school returns. In addition it is also proposed that a follow up letter be sent, both reminding them of their obligations, and stating that further non-compliance would have implications on the school meeting the Financial Management Standard in Schools, and could result in the facility being withdrawn.</p>	<p>Patrick Fletcher Immediate</p>	<p><b>Partly implemented</b></p> <p>We identified that during 2007/08 there was 1 of school which had not completed any returns in year.</p> <p>In addition we found that at year end 17 out of 128 schools (13%) had not returned the year end reconciliation.</p> <p><b>Management response:-</b> Significant improvement has been made with the percentage of nil returns for 2007/08 now down to 21% (57% in 2006/07). Schools have been informed of the need to produce regular reconciliations, particularly at year end. Of the 17 schools who did not provide a year end reconciliation, 10 have now completed a reconciliation in the new year. Education Leeds Financial Services continue to monitor and chase schools who do not completed regular reconciliations.</p> <p><b>Officer and due date:-</b></p> <p>Team Leader, Financial Services to Schools Ongoing</p>
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## Appendix 7: Audit reports

A summary of the reports issued in the year to date is set out below.

Report	Date issued
Audit and Inspection Plan	June 2007
Children and Young People's Agenda	November 2007
Corporate Social Responsibility	September 2007
Project Management	Still to be issued
EASEL regeneration project risk review	November 2007
Waste management	February 2008
Business Continuity	Still to be issued
BVPP	December 2007



# Appendix 8: Declaration of independence and objectivity

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### Declaration of Independence and Objectivity 2007/08

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

“Auditors and their staff should exercise their professional judgement and act independently of both the Audit Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body, which does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s *Annual Letter of Guidance and Standing Guidance* (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (‘Ethical Standards’).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Corporate Governance and Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

### General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm’s required independence. KPMG’s policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual (‘the Manual’). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

## **Appendix 8: Declaration of independence and objectivity (continued)**

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KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

### **Auditor Declaration**

In relation to the audit of the financial statements of Leeds City Council for the financial year ending 31 March 2008, we confirm that there were no relationships between KPMG LLP and Leeds City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

## Appendix 9: Draft management representations letter

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Dear KPMG LLP,

We understand that auditing standards require you to obtain representations from management on certain matters material to your opinion. Accordingly we confirm to the best of our knowledge and belief, having made appropriate enquiries of other members of Leeds City Council, the following representations given to you in connection with your audit of the financial statements for Leeds City Council for the year ended 31 March 2008.

All the accounting records have been made available to you for the purpose of your audit and the full effect of all the transactions undertaken by Leeds City Council has been properly reflected and recorded in the accounting records in accordance with agreements, including side agreements, amendments and oral agreements. All other records and related information, including minutes of all management and Board meetings, have been made available to you.

We confirm that we have disclosed all material related party transactions relevant to Leeds City Council and that we are not aware of any other such matters required to be disclosed in the financial statements, whether under FRS 8 or other requirements.

We confirm that we are not aware of any actual or potential non-compliance with laws and regulations that would have had a material effect on the ability of Leeds City Council to conduct its business and therefore on the results and financial position to be disclosed in the financial statements for the year ended 31 March 2008.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with the Local Government Statement of Recommended Practice ("SORP") and wider UK accounting standards. We have considered and approved the financial statements.

We confirm that we:

- understand that the term "fraud" includes misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Misstatements resulting from fraudulent financial reporting involve intentional misstatements or omissions of amount or disclosures in financial statements to deceive financial statement users. Misstatements resulting from misappropriation of assets involve the theft of an entity's assets, often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation;
- are responsible for the design and implementation of internal control to prevent and detect fraud and error;
- have disclosed to you our knowledge of fraud or suspected fraud affecting Leeds City Council involving:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting Leeds City Council's financial statements communicated by employees, former employees, analysts, regulators or others; and
- 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.

We confirm that the presentation and disclosure of the fair value measurements of material assets, liabilities and components of equity are in accordance with applicable reporting standards. The amounts disclosed represent our best estimate of fair value of assets and liabilities required to be disclosed by these standards. The measurement methods and significant assumptions used in determining fair value have been applied on a consistent basis, are reasonable and they appropriately reflect our intent and ability to carry out specific courses of action on behalf of Leeds City Council where relevant to the fair value measurements or disclosures.

We confirm that there are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than that already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements.

## Appendix 9: Draft management representation letter (continued)

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- With reference to the specific issues on which you have requested assurances from Members, we confirm that we are not aware of:
  - any material audit differences, material weaknesses in the internal control environment and that an unqualified audit opinion has been or is likely to be received from the respective auditors of those entities consolidated within the group accounts.

Finally, no additional significant post balance sheet events have occurred that would require additional adjustment or disclosure in the financial statements, over and above those events already disclosed.

This letter was tabled at the meeting of the Corporate Governance and Audit Committee on 29 September 2008.

Yours faithfully

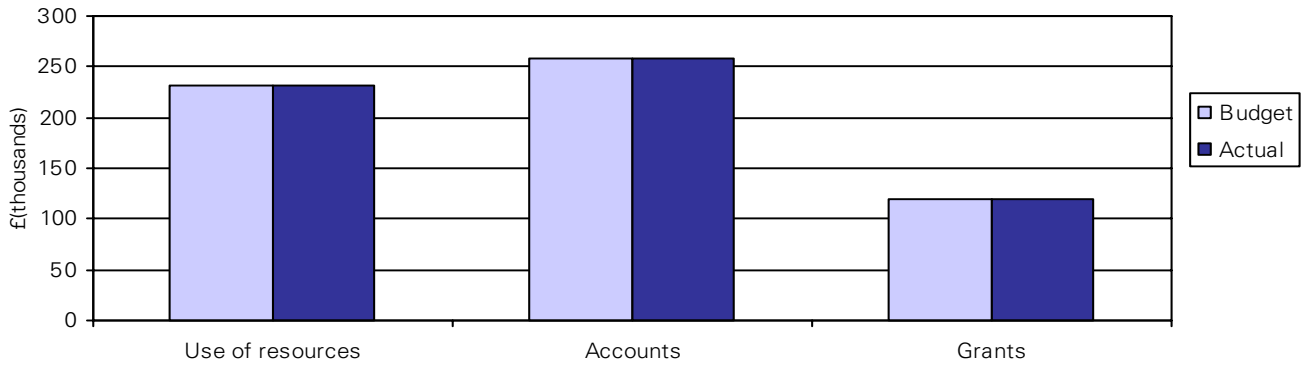
[Name of Executive Director signing letter on behalf of Leeds City Council]

On behalf of Leeds City Council

## Appendix 10: Audit Fee

To make sure that there is openness between us and your Audit Committee about the extent of our fee relationship with you, we have summarised below the out-turn against the 2007/08 agreed external audit fee:

**External audit fee for 2007/08**



At the moment the actual cost of auditing the grant claims is uncertain as the majority of the work is due to be completed by December 2008. However we estimate at this stage that the costs will be broadly in line with budget.

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Originator: G Watson

Tel: 39 52194

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**Report of the Assistant Chief Executive (Corporate Governance)**

**Corporate Governance and Audit Committee**

**Date: 29<sup>th</sup> September 2008**

**Subject: Work Programme 2008/09**

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**Electoral Wards Affected:**

Ward Members consulted  
(referred to in report)

**Specific Implications For:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

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**1.0 Purpose Of This Report**

1.1 To notify members of the Committee of the draft work programme for 2008/09, the draft work programme is attached at appendix 1 to this report.

**2.0 Background Information**

2.1 The work programme provides information about future items for the Corporate Governance and Audit Committee agenda, when items will be presented and which officer will be responsible for the item.

**3.0 Main Issues**

3.1 The work programme for the remainder of 2008/09 is attached at appendix 1.

3.2 Members are requested to consider whether they wish to add any items to the work programme.

**4.0 Implications For Council Policy And Governance**

4.1 There are no implications for Council Policy and Governance

## **5.0 Legal And Resource Implications**

5.1 There are no legal or resource implications.

## **6.0 Recommendations**

Members are asked to note the draft work programme for the remainder of the current municipal year and advise officers of any additional items they wish to add.



**CORPORATE GOVERNANCE AND AUDIT COMMITTEE  
WORK PROGRAMME 2008/2009**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
<b>October 22<sup>nd</sup> 2008</b>		
Council Planning Applications	Further to Standards Ctte resolution of the 5 <sup>th</sup> December to receive a report on the process by which the Council makes planning applications and by which these are decided. The Ctte is to consider this process and whether it provides assurance that the Council deals with these planning applications in the same manner as with others.	Chief Officer (Planning) Phil Crabtree  Head of Development & Regulatory Caroline Allen
Children's Services	To receive a report of the Director of Children's Services responding to the Committee's resolution at their meeting on the 19 <sup>th</sup> March 2008 – to detail accountabilities at a local level.	Director of Children's Services Rosemary Archer
Developing the community engagement portal	To receive a report regarding on-going work to develop the internet for community engagement.	Assistant Chief Executive (Policy, Planning and Improvement) James Rogers
Data Security	To receive a report on actions taken by the Council to ensure data security.	Head of Information and Knowledge Management Lee Hemsworth
Half Yearly Risk Management Report	To receive a half yearly report relating to work currently being undertaken with respect to the area of risk management.	Chief Officer (Audit and Risk) Tim Pouncey

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE  
WORK PROGRAMME 2008/09**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
<b>November 26<sup>th</sup> 2008</b>		
Half Year Internal Audit Report 2007/08	To receive a report detailing the work of the internal audit section to date.	Head of Internal Audit Neil Hunter
Governance Update Report	To receive an update report detailing the progress made against actions identified in the Corporate Governance Statement.	Chief Officer (Audit and Risk) Tim Pouncey  Head of Governance Services Andy Hodson
Half Yearly Report on Delivering Successful Change Programme	To receive a report updating Members	Chief Officer (Audit and Risk) Tim Pouncey
Update reports on the waste solution programme	To receive regular update reports regarding the governance arrangements in place for the waste solution programme.	Recycling and Waste Manager
<b>January 21st 2009</b>		
Standards Committee Update Report	To receive a report summarising the activities of the Standards Committee over the last 6 months	Head of Governance Services Andy Hodson
Update Report on complaints to the Ombudsman	To receive the regular performance report in relation to complaints to the Local Government Ombudsman.	Corporate Customer Relations Manager Wendy Allinson

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE  
WORK PROGRAMME 2008/09**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Leeds JAR – Monitoring Report	To receive a six monthly update report on any significant corporate governance matters associated with the implementation of the agreed actions arising from the JAR, as required by the Protocol for the Co-ordination of External Audit and Inspection Reports.	John Maynard, Strategic Leader – Intelligence and Innovation Mariana Pexton Deputy Director, Children’s Services Keith Burton, Deputy Director, Children’s Services
Update on External Audit and Inspection Plan for 2008/09 (Should this be required)	To receive an update report on the External Audit and Inspection Plan, in order to monitor the service which is being delivered by the external auditors.	Chief Officer (Audit and Risk) Tim Pouncey
International Financial Reporting Standards - Update	To receive a report providing an update on the progress being made in relation to the Council using International Financial Reporting Standards as part of its procedures.	Doug Meeson Chief Officer (Financial Management)  Helen Mylan Head of Accountancy (Control)
Progress Report – CAA Use of Resources – Self Assessment	To receive a report providing an update on the progress made in relation to the Self Assessment exercise undertaken in line with the Use of Resources – Key Lines of Enquiry for 2008/09.	Chief Officer (Financial Management) Doug Meeson

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE  
WORK PROGRAMME 2008/09**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
<b>March 18<sup>th</sup> 2009</b>		
Governance Update Report	To receive an update report detailing the progress made against actions identified in the Corporate Governance Statement, including an update on the provision of Member Development.	Chief Officer (Audit and Risk) Tim Pouncey Head of Governance Services Andy Hodson Head of Scrutiny and member Development Peter Marrington
Corporate Governance and Audit Committee Annual Report 2008/09	To receive a report setting out the draft Corporate Governance and Audit Committee Annual Report for 2008/09.	Head of Governance Services Andy Hodson
Half Yearly Risk Management Report	To receive a half yearly report relating to work currently being undertaken with respect to the area of risk management.	Chief Officer (Audit and Risk) Tim Pouncey
Review of Effectiveness of the Corporate Governance and Audit Committee	To receive a report considering the effectiveness of the Corporate Governance and Audit Committee.	Chief Officer (Audit and Risk) Tim Pouncey Head of Governance Services Andy Hodson
Annual Audit and Inspection Letter	To receive a report on the key findings of the Annual Audit and Inspection Letter.	Chief Officer (Audit and Risk) Tim Pouncey

## CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME 2008/09

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
<b>April 29<sup>th</sup> 2009</b>		
Update Report on complaints to the Ombudsman	To receive the regular performance report in relation to complaints to the Local Government Ombudsman.	Corporate Customer Relations Manager Wendy Allinson
Half Yearly Report on Delivering Successful Change Programme	To receive a report updating Members on the Delivering Successful Change Programme	Chief Officer (Audit and Risk) Tim Pouncey
Corporate Governance and Audit Committee Annual Report 2008/09	To receive a report inviting Members to approve the Corporate Governance and Audit Committee Annual Report for 2008/09, prior to its submission to Council.	Head of Governance Services Andy Hodson
Monitoring of Urgent Decisions	To receive a report providing information on the number of decisions taken which had been classed as 'urgent' and thereby were exempt from the Call In process	Head of Governance Services Andy Hodson
Annual External Audit Plan 2009/10	To receive a report on the Annual External Audit Plan for 2009/2010.	Chief Officer (Audit and Risk) Tim Pouncey
External Audit Interim Report (Should this be required)	To receive an interim report on the services being delivered by the external auditors.	Chief Officer (Audit and Risk) Tim Pouncey

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE  
WORK PROGRAMME 2008/09**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
<b>Unscheduled Items / Items for 2008-2009</b>		
Project Prioritisation	To receive a report demonstrating the application of project prioritisation.	Assistant Chief Executive (Planning, Policy and Improvement) James Rogers
Governance Issues relating to the problem of 'Phantom Tenancies'	To receive a report which provides information on the governance aspects relating to the issue of 'Phantom Tenants' in Leeds City Council Social Housing stock.	Chief Officer (Housing) Paul Langford
Section 106 and Section 278 Agreements - Update	To receive a report which updates Members on the actions being taken to ensure the transparent monitoring of Section 106 and Section 278 agreements.	Chief Officer (Planning Services) Phil Crabtree
Report on the governance arrangements in ALMOs and other arms length management organisations.	To receive a report regarding the management / governance arrangements in place to manage the Council's relationship with the ALMOs and other arms length management organisations.	Head of Strategic Landlord John Statham
EASEL Project – Update	To receive a report providing an update on the EASEL Project and key issues such as the project's governance arrangements.	Peter Anderson-Beck Head of EASEL Project