



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Meeting to be held in Civic Hall, Leeds on
Wednesday, 29th September, 2010
at 10.00 am**

MEMBERSHIP

Councillors

G Driver (Chair)	C Campbell	P Harrand	J Elliott
P Grahame	G Kirkland	W Hyde	
N Taggart	S Smith		
A Lowe			
J Lewis			
T Hanley			

Co-opted Member

Gordon Tollefson
(Chair of Standards Committee)

**PLEASE NOTE A TRAINING SESSION WILL COMMENCE
AFTER THE MEETING AT 12PM ON THE COMMITTEE'S
ROLE IN MONITORING THE TREASURY MANAGEMENT
FUNCTION**

A G E N D A

Item No	Ward	Item Not Open		Page No
1			<p>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</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>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</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>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:-</p>	

Item No	Ward	Item Not Open		Page No
3			<p>LATE ITEMS</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>DECLARATION OF INTERESTS</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>APOLOGIES FOR ABSENCE</p> <p>To receive any apologies for absence from the meeting.</p>	
6			<p>MINUTES OF THE PREVIOUS MEETING.</p> <p>To receive the minutes of the previous meeting held on 29th July 2010.</p>	1 - 6
7			<p>AUDITED STATEMENT OF ACCOUNTS AND THE VALUE FOR MONEY ASSESSMENT 2009/10</p> <p>To receive a report of the Director of Resources requiring the Committee to approve the Council's final audited Statement of Accounts and consider any material amendments recommended by the auditors.</p>	7 - 38
8			<p>FINAL ANNUAL GOVERNANCE STATEMENT 2010</p> <p>To receive a report for the Assistant Chief Executive (Corporate Governance) providing an introduction and commentary to the Council's Final Annual Governance Statement for 2010.</p>	39 - 58

Item No	Ward	Item Not Open		Page No
9			<p>DISBANDING THE AUDIT COMMISSION; ISSUES FOR CORPORATE GOVERNANCE AND AUDIT COMMITTEE</p> <p>To receive a report of the Deputy Chief Executive and the Director of Resources providing members with emerging issues following the announcement on 13th August 2010 by the Communities and Local Government Secretary, Eric Pickles, that the Audit Commission is to be disbanded.</p>	59 - 62
10			<p>COUNCIL ASSURANCE FRAMEWORK FOR ALMOS/ BITMO</p> <p>To receive a report of the Strategic Landlord advising the Committee on the ALMO/ BITMO Assurance Framework.</p>	63 - 66
11			<p>INFORMATION SECURITY REPORT</p> <p>To receive a report of the Assistant Chief Executive (Policy, Planning and Improvement) detailing any security breaches that the Council has been subject to and the work done to reduce the impact and mitigate against such attempts.</p>	67 - 72
12			<p>WORK PROGRAMME</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 municipal year.</p>	73 - 80

Agenda Item 6

Corporate Governance and Audit Committee

Thursday, 29th July, 2010

PRESENT: Councillor G Driver in the Chair
Councillors P Grahame, G Kirkland,
Tollefson, S Smith, J Elliott, P Harrand,
W Hyde, J Lewis, T Hanley and M Hamilton
(as substitute for C Campbell)

Co-optee G Tollefson

Apologies Councillors C Campbell and A Lowe

27 Appeals Against Refusal of Inspection of Documents

There were no appeals against refusal of inspection of documents.

28 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

29 Late Items

There were no late items.

30 Declaration of Interests

Councillor Driver declared a personal interest in Agenda item 8 (Minute 34) and item 12 (Minute 38) as a Member of the Aire Valley Homes ALMO.

Mr Tollefson declared a personal interest in Agenda item 11 (Minute 37) as a Magistrate.

31 Apologies for Absence

Apologies for absence were received from Councillor Campbell and Councillor Lowe.

32 Minutes of the Previous Meeting - 30 June 2010

RESOLVED - that the minutes of the Corporate Governance and Audit Committee meeting held on 30th June 2010 be approved as a correct record.

33 Local Government Ombudsman Annual Letter - 2009/10 Report

The Chief Customer Services Officer presented his report. The report introduced the Local Government Ombudsman's Annual Letter for the year ending 31 March 2010 about complaints made against the Council, and considered what further service or performance improvements may be required.

The Assistant Ombudsman (Neil Hobbs) attended to answer questions from the Committee.

Members commented that the report was very positive and specifically noted the excellent performance demonstrated by the Education Leeds and Governance Services, in relation to the turn around times for school appeals.

Members had a detailed discussion with both the Local Government Ombudsman representative and the Chief Customer Services Officer. The Chief Customer Services Officer provided an overview about the types of issues the public were complaining about and analysis done on complaints received by the Ombudsman. Linked to this Members asked for further information about the financial costs of complaints and the arrangements for ensuring that lessons are learned for the future.

RESOLVED – The Committee resolved to:

- receive a further report detailing how the complaints process is moving forward and information about complaints made to the Council, including the costs of dealing with complaints and arrangements for lessons learned; and
- note the contents of the report and acknowledge the ongoing improvements in performance and good feedback from the Local Government Ombudsman.

34 Annual Internal Audit Report 2009/10

The Head of Internal Audit presented a report of the Deputy Chief Executive and the Director of Resources, bringing to the Committee's attention the issues raised by Internal Audit in 2009/10. The report also presented the proposed Internal Audit Plan which had previously been challenged and agreed by the Deputy Chief Executive and the Director of Resources.

The Committee discussed the need for improvement in the control environment for the ALMOs, specifically in terms of the thorough checking of invoices submitted by contractors and payments made to them. However, it was noted that new procedures had been put in place through the Assurance Framework to improve the situation.

The Committee also raised concerns that spending is undertaken by many officers across the authority and not just a few senior officers. It therefore

noted the need for everyone involved to take decisions on spending using the same criteria and with the same care that is given to budget setting.

Members considered the cost of Internal Audit and how its work load needed to be divided between different priority areas.

In general terms the Committee recognised the role Internal Audit had played in identifying problematic service areas before External Audit. The Chair thanked the Head of Internal Audit for bringing a valuable report to the Committee.

RESOLVED – The Committee resolved to:

- receive the Annual Internal Audit Report 2009/10 and note the assurances given;
- approve the Internal Audit Operational Plan for 2010/11; and
- request details on the cost of Internal Audit to the Council and further information on the value added to the Council by the section through its value for money work.

35 Update on the process for ensuring improvement in Children's Services in Leeds

The Deputy Director of Children's Services presented a report of the Interim Director of Children's Services which responded to the request made by the Committee at its meeting on 17th March 2010. The report provided Members with an update on the work that has been done during 2010 to monitor and support service improvement in Children's Services in Leeds.

The Committee discussed the importance of working with Children's Services to reduce the potential for unforeseen problems, and commended the approach taken by Internal Audit which has taken into consideration the enormous pressure Children's Services is under.

The Committee agreed that further reports will be required from Children's Services to address compliance with the control framework in place.

RESOLVED – The Committee resolved to:

- note the process in place to support, challenge and monitor the improvement required in Children's Services;
- ask the interim Director of Children's Services to circulate the letter from the Government to the Chair of the Improvement Board relating to progress, and the report which is due to go to the Executive Board on August 25th 2010 to all Members of the Committee; and
- to receive further reports as required during the current municipal year addressing compliance with the control environment now established for Children's Services.

36 Principles Governing the Management of S106 Planning Agreements & S278 Highways Agreements

The Team Leader (Strategy and Policy, City Development) presented a report of the Chief Planning Officer. The report provided the Committee with an overview of the current system for managing S106 Agreements and S278 Agreements in Leeds.

The Committee discussed the amount of money which is being held on account of S106 agreements and the reasons for delays arising between the announcement of a scheme and the physical delivery of the benefits agreed, and how this might be addressed. Members requested that Ward Members be kept fully informed about the expected time-scales for work to be carried out. Further discussion took place on the possibility of the Ward Members being more involved in the early negotiation of s.106 Agreements in order to secure both locally based and Council-wide priorities.

RESOLVED – The Committee resolved to note the arrangements that are in place to manage the S106 and S278 programmes and that they are subject to systematic review and monitoring.

37 RIPA Policy

The Principal Legal Officer (Information and Technology Law) presented a report of the Director of Environment and Neighbourhoods. The report outlined the Council's proposed policy on covert surveillance, and explained why and how covert surveillance is used and by whom.

The Committee discussed the importance of having a policy in place to guide the Council about the circumstances in which covert surveillance may be used. Also discussed was the assurance that covert surveillance will be used only when overt methods are not available or have proved ineffective. Members noted the role of the Assistant Chief Executive (Corporate Governance) under the draft policy.

RESOLVED - The Committee resolved to note the draft policy and the contents of the report.

38 Fraudulent Tenancies

The Strategic Landlord presented his report. The report provided the Committee with an outline of different forms of tenancy fraud and the action taken to address these.

The Committee discussed the succession of tenancies from the person who holds the tenancy to family Members who have lived in the same council house over a long period of time and the laws which relate to this. The Committee considered that the law appeared to be unfair and lacking compassion to family members of council tenants who had spent their whole lives in the same property.

The Committee also considered that perceptions about fraudulent tenancies still existed and that the perception needs to be continued to be addressed.

RESOLVED – The Committee resolved to:

- receive written confirmation from the Strategic Landlord on the rules surrounding succession to the tenancy of council houses, and the circumstances in which a family member could be required to move to a smaller property; and
- note the contents of the report.

39 Governance of Significant Partnerships

The Corporate Governance Officer (Corporate Governance) presented a report of the Assistant Chief Executive (Corporate Governance). The report informed the Committee of the outcome of the annual review of the Register of Significant Partnerships and the annual review of the Council's involvement in its significant partnerships.

The Committee discussed how significant partnerships are defined and the process for partnerships being included on the register of significant partnerships.

RESOLVED – The Committee resolved to note the arrangements in place for significant partnerships.

40 Work Programme

The Assistant Chief Executive (Corporate Governance) submitted a report notifying Members of the draft work programme for 2010/11.

The Committee was informed that work is ongoing to develop an effective work programme for the year ahead. As part of this, suggestions for items to be considered were requested.

The future of the Standards Committee was also discussed and it was agreed that a report should come to the Committee following the proposed Government Bill in October.

RESOLVED – Members resolved to:

- note the contents of the draft work programme for the remainder of the year; and
- request a report updating the Committee on the proposed Local Government Standards Regime legislation.

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Originator: Chris Blythe

Tel: 74287

Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 29th September 2010

Subject: Audited Statement of Accounts and the Value for Money Assessment 2009/10

Electoral Wards Affected:

Specific Implications For:

Ethnic minorities

Women

Disabled people

Narrowing the Gap

1.0 Executive Summary

1.1 The Accounts and Audit Regulations 2003 (as amended) require the annual audited accounts to be published by the 30th September.

Members are asked to receive the attached report of the external auditors in respect of the 2009/10 financial statements. The audit report identifies:

- The audit opinion;
- Amendments made to the accounts;
- A conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources, and
- A review of the Annual Governance Statement.

Members are asked to note the amendments to the accounts and approve the final audited accounts for publication. 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. This Committee approved the Council's 2009/10 Statement of Accounts on the 30th June 2010 subject to external audit. Under this Committees terms of reference, members are now required to approve the Council's final audited Statement of Accounts and consider any material amendments recommended by the auditors.

3.0 Background Information

3.1 The Accounts and Audit Regulations 2003 (as amended) 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 Key External Audit Findings

4.1.1 Audit Opinion

KPMG have determined that the 2009/10 accounts give a true and fair view of the Council's financial position and they are therefore proposing to issue an unqualified audit opinion.

4.1.2 Audit Differences

On conclusion of the audit, KPMG identified only two significant audit difference which required amendment to the accounts. The first was in respect of a number of asset valuations which had not been reflected in the asset register. This amendment increases the value of the Council's assets by £1.9m, with a corresponding increase in the Revaluation Reserve. The second amendment relates to the disclosure of a PFI grant (£2.4m) which had been classified as income to the service but should, under accounting practice, have been classified as a general grant. Neither of these amendments impact on the Council's bottom line and both have now been amended in the final accounts.

In addition, whilst undertaking our own quality assurance review of the working papers for external audit, two errors were identified, neither of which impacted on the Council's bottom line. The required amendments to the Income & Expenditure account have now been actioned.

Both the adjustments required by the auditors and those identified by Council Officers are summarised in Appendix D of the attached audit report.

4.1.3 Audit Risks

In their Financial Statements Audit Plan, as reported to this Committee on the 30th June 2010, KPMG identified five main areas of risk in compiling the financial statements for 2009/10. Of these five areas of risk, KPMG's audit report recognises that four have been fully addressed. In respect of the need to undertake a quality assurance review of Fixed Asset Valuations, officers did undertake the review but a number of relatively small errors still occurred in respect of the asset register (see para 4.1.2 above). KPMG have therefore made further recommendation for reviewing the Council's Asset Register in 2010/11 (see para 4.1.4 below).

4.1.4 Audit recommendations

The audit report identifies two issue which KPMG have identified as needing specific action when compiling the 2010/11 accounts:

- A review of all items in the Asset Register which have not been revalued recently in order to ensure that all recorded assets are still owned by the Council.

- An improvement in the process for ensuring that all valuations are correctly recorded in the Asset Register.

Officers have identified appropriate actions to address these recommendations and agreed to a timeframe for their implementation. There are no outstanding recommendations from previous years which require further Council action.

4.1.5 Use of Resources

The report on the KPMG Interim Audit, presented to this Committee on the 30th June 2010, stated that the Government had abolished the Comprehensive Area Assessment and consequently removed the requirement for our external auditors to score the Council on its Use of Resources. However, KPMG are still required to report to those charged with governance, any governance issues identified when discharging their statutory audit responsibilities. They have therefore still included in their report an opinion on the Council's arrangements to secure value for money in its use of resources.

For 2009/10, KPMG have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

4.1.6 Review of the Annual Governance Statement

KPMG have confirmed that, in their opinion, the statement complies with the CIPFA/SOLACE framework and that it is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.

4.2 Post Balance Sheet Events

- 4.2.1 Up until receipt of the audit certificate, any significant post balance sheet event which arose due to events happening before the 31st March 2010, should be adjusted in the accounts. A review of the Council's accounts since they were approved by this Committee, has identified no such events.

4.3 Management Representation letter

- 4.3.1 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 the management representation letter designed to give audit such assurances in respect of the 2009/10 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 in hard copy format. In addition a less technical

summarised set of accounts is also available on the internet. All these formats encourage stakeholder comments and views.

- 5.2 As required by the Accounts and Audit Regulations 2003 (as amended), the accounts were made available for public inspection for twenty working days, commencing the 5th July. There were no objections raised on the 2009/10 accounts during this period.

6.0 Legal And Resource Implications

- 6.1 The Accounts and Audit Regulations 2003 (as amended) require the audited Statement of Accounts to be published before the 30th September. This is a factual report of the Director of Resources on the financial accounts of the Council for 2009/10. 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 2009/10 accounts and to note the amendment made to the Accounts.
- 7.2 Members are asked to approve the final audited 2009/10 Statement of Accounts and the Chair to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
- 7.3 On the basis of assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.

Background Documents

2009/10 Statement of Accounts (separately distributed to members at the Corporate Governance and Audit Committee on the 23rd June 2010).

KPMG ISA 260 Report 2008/09 and 2009/10

KPMG Interim Report 2009/10

The Code of Practice on Local Authority Accounting in the United Kingdom 2009

Appendix 1



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29th September 2010

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 2010.

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 2010.

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, 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.

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:

- All expenditure contained within the Housing Revenue Account (HRA) has been used to fund HRA activities; and
- All capitalised expenditure relating to Highways is fully compliant with the requirements of FRS 15 (Tangible Fixed Assets).
- The Council has no liability in respect of the £10.5m grant from Yorkshire Forward for the East Leeds Link Road.

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 29th September 2010.

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 2010.

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 2010.

Signed on behalf of Leeds City Council.

Councillor Geoff Driver

Chair, Corporate Governance and Audit Committee

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GOVERNMENT

Report to those charged with governance (ISA 260) 2009/10

Leeds City Council

September 2010

AUDIT

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. 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 Mike McDonagh, who is the engagement partner to the Authority (telephone 0121 335 2440, email michael.a.mcdonagh@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (0161 236 4000, 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 are 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 Investigation Officer, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

Executive summary

Scope of this report

This report summarises:

- the key issues identified during our audit of Leeds City Council's ('the Authority's') financial statements for the year ended 31 March 2010; and
- our assessment of the Authority's arrangements to secure value for money in its use of resources.

This report does not repeat matters we have previously communicated to you. In particular, we draw your attention to our Interim Audit Report 2009/10, presented to you on 23 June, which summarised our planning and interim audit work

Financial Statements

The table below summarises the key findings from our work to date in relation to the financial statements audit. Section two of this document provides further details.

Proposed opinion

We anticipate issuing an unqualified audit opinion on 29 September 2010. We will also report that the wording of your Annual Governance Statement accords with our understanding.

Accounts production and audit process

We have noted an overall improvement in the quality of the accounts and the supporting working papers. In particular, the quality of the working papers for the new PFI accounting requirements were excellent. This is an extremely complex area and finance staff should be commended for the way in which this has been dealt with. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.

The Authority has implemented the recommendations in our ISA 260 Report 2008/09 relating to the financial statements.

Critical accounting matters

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

Audit differences

Our audit identified two significant audit adjustments with a total value of £4,342k.

The impact of these adjustment is to increase the value of fixed assets by £1,942k with a similar adjustment being made to the revaluation reserve and capital adjustment account. We have also made an adjustment as part of our review of the PFI entries made for 2008-09. This was for £2,400k and was a movement within the I&E account. These adjustments have been made by the Authority and are included in Appendix D.

There have been a number of other adjustments which have been made by the Authority as a result of their own Quality Assurance and review processes. The most significant movements include a revision of the pension entries (£115m on the I&E) and some movements between headings on the I&E account (from central services to Children's and exceptional items) total value circa £9m. None of these changes affect the movement on General Fund Balance for the year.

The Authority also identified five assets which were to be revalued in year which turned out to be no-longer owned, despite these being on the fixed asset register. In addition the Authority also found one further asset which had been duplicated incorrectly on the asset register. The value of these six properties was £3.2m

We have recommended a number of small presentational amendments to the financial statements to management, these have all been adjusted for.

We have raised a number of recommendations in relation to the matters highlighted here and other issues arising during this audit, which are summarised in Appendix C.

At the date of this report our audit of the financial statements is nearly complete.

Before we can issue our opinion we require a signed management representation letter.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Completion

Executive summary

Use of Resources

The table below summarises the key findings from our assessment of the Authority's arrangements to secure value for money in its use of resources. Our findings are detailed in section three of this report.

Proposed opinion	<p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>
Use of resources assessment	<p>Following the change in government, the use of resources assessment at local authorities ceased with immediate effect in May 2010.</p> <p>The Authority will therefore not receive scores in respect of the 2010 assessment.</p> <p>Overall the Authority had maintained its performance across the UOR themes with improvements being made where our 2009 assessment flagged areas for development.</p> <p>In addition, we reviewed the workforce planning arrangements in place at the Authority for the first time. We found that the Authority had sound arrangements in place in this area.</p> <p>Given the Government's plan to reduce spending it is expected that the focus of our work in future years will be around financial resilience.</p>
Specific use of resources risks	<p>We have considered the specific use of resources risks around how the Authority responded to the recession and the sustainability agenda as set out in our Audit Fee Letter 2009/10. This has been used to inform our VFM opinion.</p>

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 to be brought to the attention of the public. In addition we have a range of other powers under the 1988 Act.

No issues have arisen that have required us to issue a report in the public interest.

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.

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

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Section two – financial statements

Introduction

We have completed our work on the 2009/10 financial statements.

We anticipate issuing an unqualified audit opinion on 29 September 2010.

The Authority's and our responsibilities

Leeds City Council is responsible for having effective systems of internal control to ensure the regularity and lawfulness of transactions, to maintain proper accounting records and to prepare financial statements that give a true and fair view of 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.

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

The Audit Commission's Code of Audit Practice requires us to summarise the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified and we report to those charged with governance (in this case the Corporate Governance and Audit Committee) at the time they are considering the financial statements.

We are also required to comply with International Standard on Auditing (ISA) 260 which sets out our responsibilities for communicating with those charged with governance.

This report meets both these requirements.

Introduction

Our audit of the financial statements can be split into four phases:



We previously reported on our work on the first two stages in our *Interim Audit Report 2009/10* issued in June 2010.

This report focuses on the final two stages: substantive procedures and completion. It also includes any additional findings in respect of our control evaluation that have been identified since we issued our *Interim Audit Report 2009/10*.

Substantive Procedures

Our final accounts visit on site took place between 12 July and 13 September. During these 9 weeks, we carried out the following work:

Substantive Procedures

- Planning and performing substantive audit procedures
- Concluding on critical accounting matters
- Identifying audit adjustments
- Reviewing the Annual Governance Statement

We have completed our audit of the Authority's 2009/10 financial statements.

Completion

We are now in the final phase of the audit. Some aspects are discharged through this report:

Completion

- Declaring our independence and objectivity
- Obtaining management representations
- Reporting matters of governance interest
- Forming our audit opinion

We anticipate issuing an unqualified audit opinion on 29 September 2010.

Accounts production and audit process

We have noted a continued improvement in the quality of the accounts and the supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented the recommendations in our ISA 260 Report 2008/09 relating to the financial statements.

The wording of your Annual Governance Statement accords with our understanding.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Response to audit queries	The majority of additional audit queries were resolved in a reasonable time.

Prior year recommendations

In our *Interim Audit Report 2009/10* we commented on the Authority's progress in addressing the recommendations in our *ISA 260 Report 2008/09*.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2008/09* relating to the financial statements.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE in June 2007; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Element	Commentary
Accounting practices and financial reporting	The Authority has strong financial reporting processes and quality checks in place to assist in the preparation of the financial statements. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June. This was taken to the Corporate Governance and Audit Committee. The Authority has made a number of adjustments to the accounts since this date along with two audit adjustments and a small number of presentational adjustments. The audit adjustment is shown in appendix D.
Quality of supporting working papers	Our accounts protocol which was sent to the Principal Accountant set out our working paper requirements for the audit. The quality of working papers provided met the standards specified in our Accounts Audit Protocol. We would particularly like to highlight the exemplary quality of the PFI working papers and models.

Critical accounting matters

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed these issues appropriately.

However we have found further issues this year with fixed asset accounting.

Work completed

- In our *Financial Statements Audit Plan 2009/10*, presented to on 23 June 2010, we identified the key risks affecting the Authority's 2009/10 financial statements.
- In our *Interim Audit Report 2009/10* we commented on the Authority's progress in addressing these key risks.
- We have now completed our testing of these areas and set out our final evaluation following our substantive work.
- The table below sets out our detailed findings for each risk.

Key audit risk



Issue

All local authority accounts will be based on International Financial Reporting Standards (IFRS) from 2010/11. As part of the transition process, the revised accounting requirements for Private Finance Initiative (PFI) schemes are applied early under the 2009 Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP), to the 2009/10 financial statements.

This is a technically complex change and may result in some assets being accounted for in the Authority's balance sheet that previously were not. The Authority has seven operational PFI contracts. They will need to re-evaluate these contracts under IFRS and potentially model the payments over the contract life to calculate the assets and liabilities to be accounted for. In addition, officers are considering the likelihood for two new PFI schemes to be approved which will also need to be assessed under the new accounting requirements.

Findings

We have had regular discussions with management throughout the year which has enabled us to review the progress being made by the Authority.


The Authority has now completed its re-statement of their PFI schemes under the new International Financial Reporting Standards (IFRS).

The Authority evaluated all its PFI contracts against the requirements and this resulted in all seven PFIs now being accounted for on the Balance Sheet.



The Authority has compiled its own models for all contracts and we have audited this in year.

We have found the models to be well put together by Authority staff and have not found any issues with these.


Critical accounting matters (continued)

Key audit risk	Issue	Findings
 <p>Fixed Asset Valuation</p>	<p>During our 2008/09 audit we identified three audit adjustments relating to fixed asset balances. Two of these adjustments related to the fact that the non-enhancing spend write off in year had not been reviewed as part of the accounts closedown quality assurance process. The third fixed asset adjustment related to the fact that the revaluation of three fixed assets completed in year had not been picked up by the accounts team.</p> <p>The Authority need to ensure that they complete a detailed quality assurance review of their accounts closedown process to prevent similar issues arising in year and to ensure that the valuation of its asset base is not materially misstated.</p>	<p>This year we have again found a small number of errors relating to fixed asset valuations.</p> <p>We found five assets which were to be revalued in year which then revealed that the authority no-longer owned these assets despite them being on the fixed asset register.</p> <p>We also found one further asset which had been revalued in the year which revealed that this asset was on the asset register twice.</p> <p>The value of these six properties was £3.2m and this has been adjusted for in the accounts. This has not been deemed an audit adjustment as it was identified by the Council but is mentioned here as it affects our view of the control environment.</p> <p>In addition to this we found five assets which had been under construction which were then revalued but these values were not updated in the fixed asset register. This resulted in the fixed assets of the Authority being under-valued by £1.942m this adjustment has now been made by the Authority.</p>

Critical accounting matters (continued)

Key audit risk	Issue	Findings
 <p>Local Taxes/Rent Arrears</p>	<p>In addition to the changes to the accounting for PFI schemes, the 2009 SORP introduces a number of other changes, which take effect in 2009/10, including:</p> <p>Changes to the accounting treatment for Business Rates (NDR) and Council Tax in England; and</p> <p>Changes to disclosure requirements which includes:</p> <ul style="list-style-type: none"> – Officers remuneration disclosure now referring to “applicable regulations”; and – Five disclosure notes being removed. <p>The Authority need to review and appropriately address these changes in the 2009/10 financial statements.</p>	<p>We have discussed these issues with management at an early stage to clarify points of uncertainty when interpreting the SORP guidance.</p> <p>We have now audited the NDR and Council Tax and income and arrears balances included in the financial statements and are satisfied that they have been prepared in accordance with the requirements of the 2009/10 SORP. In addition, the Authority has appropriately prepared the prior period adjustment required to reflect the changes in accounting policy.</p> <p>We have also reviewed the other key changes in the SORP and are satisfied that these have been correctly disclosed by the Authority.</p>
 <p>SORP Changes</p>	<p>The Authority have experienced there is difficulty in the ability of local residents / businesses to meet their financial commitments given the economic downturn.</p> <p>The Authority will need to ensure that they have reflected this within their provision levels for Council Tax, National Non Domestic Rates and Rents due. The Authority will need to review their collections rates for Council Tax, National Non Domestic Rates and Rents due to ensure that they have appropriately provided for any amounts that may not be collectable in the current economic climate.</p>	<p>Again, we have discussed these issues with management at an early stage to clarify points of uncertainty and have reviewed the bad debt provision used by the authority and the benefits provision.</p> <p>We are satisfied that the Authority has appropriately provided for any amounts that may not be collectable in the current economic climate.</p>

Critical accounting matters (continued)

Key audit risk	Issue	Findings
 <p>Loan Valuations</p>	<p>Due to the economic downturn there has also been a reduction in the ability of organisations / companies to meet their financial commitments.</p> <p>As a consequence the Authority will need to ensure that the full value of any loans they may have issued are fully recoverable. Where the Authority have revised the terms of any loans issued, they need to ensure that the full value of these loans are recoverable and that any loans at less than commercial interest rates are appropriately accounted for within the financial statements.</p>	<p>During the year we have met with officers at the Authority to discuss the Authority's loans to third parties. In addition, we have reviewed the assumptions used and proposed accounting treatment to ensure it is in line with CIPFA requirements during our final audit visit.</p> <p>We are satisfied that these loans are appropriately accounted for within the financial statements.</p>

Audit commentary – pension liabilities

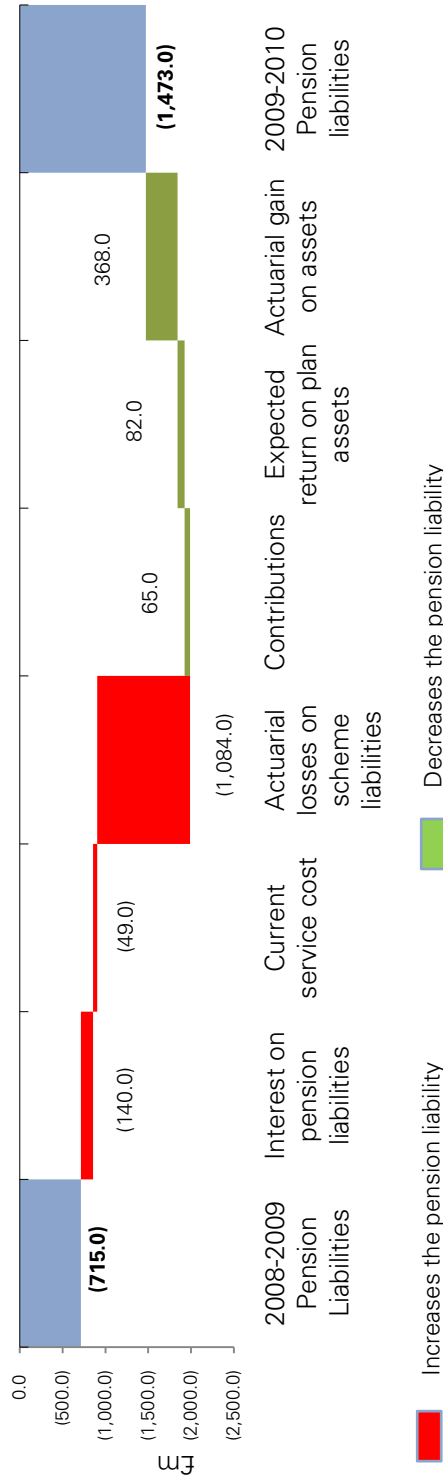
There were significant movements in the Authority's net pension liabilities. This was largely due to a change in assumptions used by the actuary to estimate the liabilities and also the performance of the capital markets affecting the pension assets.

In addition, following the balance sheet date the Government announced a change to the way pensions are to be linked to a different inflationary measure. This has resulted in a requirement for authorities to disclose a post balance sheet event disclosure.

Members will have noticed that there has been a significant increase in the pension liabilities disclosed in the Authority's balance sheet from 2008/09 to 2009/10. This is consistent with other pension funds around the country.

Below we have provided an analysis of the pension liability movement to aid Members' understanding of the reasons for this.

From this analysis it can be seen that the largest change in the pension liability is due to the actuarial losses on the pension scheme. There was an actuarial loss on the liabilities of £1,084 million, which was partially offset by a gain of £368 million on the pension assets. The fundamental reason for the change is due to the AA corporate bond discount rate which all Local Authorities have had to use. In addition there has been a change in the assumptions used by the actuary to estimate the pension fund liabilities which has resulted in increases in life expectancy for example. These estimates are within reasonable expectations and consistent with other Local Authorities in the West Yorkshire region.



Government announcement on pension increases

The Government has, however, recently announced that the basis upon which pensions increase will, in the future, be based on the Consumer Price Index (CPI) as opposed to the Retail Price Index (RPI). As CPI is typically lower than RPI, this is expected to have a positive impact upon pension scheme liabilities

As a result of this announcement, the Authority has disclosed a post balance sheet event in its notes to the financial statements and quantified the level of change on using the advice of its actuaries. This is considered to be a 'non-adjusting event' under the relevant financial reporting standard (FRS 21). This means that the balance sheet for 2009/10 has not been changed to reflect this announcement as the announcement was made after the balance sheet date.

Audit differences

Our audit identified a total of 2 audit adjustments with a total value of £4.342m

The impact of these adjustments is to:

• **Increase/the net worth of the Authority as at 31 March 2010 by £1.942m; and**

• **Result in a movement of £2,400k within the I&E account for the 2008-09 PFI entries.**

Work completed

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Key findings

Our audit identified a total of two audit adjustments with a total value of £4.342m. The net impact on the General Fund as a result is to increase the fixed asset balance as at 31 March 2010 by £1.942m and also result in a movement of £2,400k within the I&E account for the 2008-09 PFI entries.

We have provided a summary of these audit differences in Appendix D. It is our understanding that these will be adjusted in the final version of the financial statements.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2009: A Statement of Recommended Practice* ('SORP'). We understand that the Authority will be addressing these where significant.

The Authority also identified five assets which were to be revalued in year which turned out to be no-longer owned, despite these being on the fixed asset register. In addition the Authority also found one further asset which had been duplicated incorrectly on the asset register. The value of these six properties was £3.2m.

There have been a number of other adjustments which have been made by the Authority as a result of their own Quality Assurance and review processes. The significant movements include a revision of the pension entries (£115m on the I&E) and some movements between headings on the I&E account (from central

services to Children's and exceptional items) total value circa £9m. None of these changes affect the movement on General Fund Balance for the year. These changes were necessary due to some miscoding of expenditure between services and also a mistake in posting the double entry for the pension costs. The Authority has also made a number of changes to the accounts figures which we believe to be trivial and as such have not reported this here.

The tables below illustrates the total impact of audit differences on the Authority's income and expenditure account for the year and balance sheet as at 31 March 2010.

Income & expenditure 2009/10	Pre-audit £m	Post-audit £m
Net cost of services	791,308	674,647
Other operating income & expenditure	(594,121)	(477,460)
Surplus/ deficit for the year	197,187	197,187
Net additional debits/ credits	(193,967)	(193,967)
Increase/ decrease in General Fund	3,220	3,220

Balance Sheet as at 31 March 2010	Pre-audit £m	Post-audit £m
Fixed assets	4,250,329	4,252,271
Other long term assets	53,574	53,574
Current assets	130,164	130,164
Current liabilities	(385,118)	(385,118)
Long term liabilities	(3,791,182)	(3,791,182)
Net worth	257,767	259,709
General Fund	(16,076)	(16,076)
Other reserves	(241,691)	(243,633)
Total reserves	(257,767)	(259,709)

Section two – financial statements Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter, and have provided a draft version at Appendix G.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Leeds City Council for the year ending 31 March 2010, 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 E in accordance with ISA 260.

Management representations

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 have included a copy of a representation letter as Appendix F. We have provided a draft to the Director of Resources. We require a signed copy of your management representations before we issue our audit opinion.

We are seeking some specific representations in relation to the expenditure contained within the Housing Revenue Account (HRA), capitalised expenditure relating to Highways and the fact the Council has no liability in respect of the £10.5m grant from Yorkshire Forward for the East Leeds Link Road – these are detailed further in the letter at Appendix F.

Other matters

ISA 260 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.

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

Opinion

We anticipate issuing an unqualified audit opinion on 29 September 2010.

Our proposed opinion on the financial statements is presented in Appendix A

Introduction

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Authority's and our responsibilities

The Authority 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.

We are required to conclude whether the Authority has adequate arrangements in place to ensure effective use of its resources. We refer to this as the 'value for money (VFM) conclusion'.

Introduction

Our assessment previously drew mainly on the findings from the use of resources assessment (UoR) framework, as the specified criteria for the VFM conclusion were the same as the UoR Key Lines of Enquiry (KLoE).

In May 2010 the new government announced that the Comprehensive Area Assessment (CAA) would be abolished. The Audit Commission subsequently confirmed that work related to CAA should cease with immediate effect. This includes work for UoR assessments at local authorities.

However, there is no change to the requirement in the statutory Code of Audit Practice for auditors to issue a VFM conclusion.

Findings from VFM work

At the time of the announcement, the vast majority of UoR work for 2010 had already been completed and this therefore informed our 2009/10 VFM conclusion.

We have provided feedback on the work undertaken to the Authority. The key message is that the Authority has met each of the VFM criteria, as can be seen from the table.

Going forward we expect that the focus of our work will be on financial resilience, given the anticipated cuts in Government spending. We will be undertaking a review of the Authority's Medium Term Financial Strategy (MTFS) in the coming months.

We also identified a number of specific risks impacting on our

2009/10 value for money conclusion. These included how the Authority responded to the recession and the sustainability agenda. We have held meetings and undertook targeted work on the responding to the recession risk. In addition, we have reviewed work undertaken by Internal Audit on the sustainability agenda.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our proposed conclusion is set out in Appendix B.

VFM criterion	Met
Managing finances	
Financial planning	✓
Understanding costs and achieving efficiencies	✓
Financial reporting	✓
Governing the business	
Commissioning and procurement	✓
Data quality and use of information	✓
Governance	✓
Risk management and internal control	✓
Managing resources	
Use of natural resources	✓
Strategic asset management	✓
Workforce planning	✓

Appendix A: Proposed Opinion on the Financial Statements

Our opinion states whether the accounting notes give a true and fair view of the financial position of the Authority and its income and expenditure for the year.

We define what we mean by 'accounting statements'.

The audit report also includes our opinion on the Group accounts.

Independent auditors' report to the Members of Leeds City Council

Opinion on the accounting statements

We have audited the accounting statements and related notes of Leeds City Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Reserve and the Collection Fund. The accounting statements have 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 auditors' 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 Director of Resources and auditors

The Director of Resources responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and related notes 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 accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of:

- 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 financial statements. 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.

Appendix A: Proposed Opinion on the Financial Statements (continued)

Our proposed opinion is unqualified.

There are no expected modifications to the auditors' report.

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

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 accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements 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 accounting statements 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 accounting statements and related notes.

Opinion

In our opinion the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority and its Group as at 31 March 2010 and its income and expenditure for the year then ended.

Michael McDonagh (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill
Snow Hill
Queensway
Birmingham
B4 6GH
29 September 2010

Appendix B: Proposed use of resources conclusion

Our proposed use of resources conclusion is unqualified.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

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.

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied 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.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice. Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, 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 2010.

Michael McDonagh (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill
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Birmingham
B4 6GH
29 September 2010

Appendix C: Recommendations

We have given each recommendation a risk rating (as explained below) and agreed what action management will need to take. We will follow up these recommendations next year.

We have identified 2 recommendations relating to Fixed Assets.

The detail is in the tables below

Priority rating for recommendation			
No.	Priority	Issue & Recommendation	Management Response / Responsible Officer / Due Date
Priority rating for recommendation			
<p>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. </p> <p>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. </p> <p>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. </p>			
1	2	<p>Fixed Asset Disposals</p> <p>Our review of Fixed Asset revaluations found there were six properties which were revalued in the year which were included on the fixed asset register which should not have been.</p> <p>Of these, five of the properties had been disposed of in prior years and one asset had been duplicated on the fixed asset register.</p> <p>The value of these properties was £3.2m, this had already been adjusted by the authority in the accounts approved by Committee and is therefore not included within Appendix D where we show our audit adjustments.</p> <p>We recommend that the Authority reviews all items within the Fixed Asset register which have not been revalued recently to ensure that these assets are still owned by the Council. This indication of control weakness is considered serious but mitigated as the Authority were aware of this prior to our audit.</p>	<p>Agreed.</p> <p>More comprehensive controls on the reconciliation of receipts from the sale of assets and the asset register were introduced in 2007/08. The assets identified as sold related to assets disposed of before this improvement in the control environment. A review of assets which have yet to be revalued since the changes were introduced will be undertaken to ensure all assets are properly accounted for.</p> <p>In addition there will also be a review of the Council's Asset Register for any indication of duplicate assets.</p> <p>Action - Principle Accountant, Corporate Financial Management. Due date – April 2011.</p>

Appendix C: Recommendations

No.	Priority	Issue & Recommendation	Management Response / Responsible Officer / Due Date
2	2	<p>Fixed Asset Valuations</p> <p>During our work we identified three assets which had been revalued during the year, however these revaluations (upwards) had not been reflected in the fixed asset register.</p> <p>Further review found two more assets where the same situation occurred. This has resulted an increase to the Fixed Asset balance in the accounts of £1.942m.</p> <p>The Authority should ensure that all fixed asset valuations are updated to the Fixed Asset Register each year.</p>	<p>Agreed.</p> <p>One definitive list of all asset valuations in year to be agreed between Corporate Financial Management and the Council's valuer. This definitive list will provide a control total for the Asset Register.</p> <p>Action - Principle Accountant, Corporate Financial Management. Due date – April 2011.</p>

Appendix D: Audit differences

The following table sets out the significant audit difference identified by our audit of Leeds City Council's financial statements for the year ended 31 March 2010.

We are pleased to report that there have been no uncorrected differences in this years audit

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in the Authority's case is the Corporate Governance and Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit difference

The following table sets out the significant audit difference identified by our audit of Leeds City Council's financial statements for the year ended 31 March 2010.

There have been a number of other adjustments which have been made by the Authority as a result of their own Quality Assurance and review processes, this significant movements include a revision of the pension entries (£115m on the I&E) and some movements between headings on the I&E account (from central services to Children's and exceptional items) total value circa £9m. None of these changes affect the movement on General Fund Balance for the year. These adjustments were necessary to ensure that the different lines on the face of the I&E were correct and in line with prior years. In addition to this we have also recommended a number of minor changes be made to some disclosures in the accounts so that they are brought in line with the Statement Of Recommended Practice (SORP).

Income and expenditure	Impact				Basis of audit difference
	Statement of Movement on GF Balance	Assets	Liabilities	Reserves	
Dr Children's Services NCS (08-09) £2,400k Cr Government grants (08-09) £2,400k	0	Dr Tangible Fixed Assets £1,942k		Cr Revaluation Reserve £1,942k	During our work we identified three assets which had been revalued during the year but this revaluation (upwards) had not been reflected in the fixed asset register. Further review of this found two more assets where the same situation occurred
0	0	Dr 1,942k	0	Cr 1,942	Our review of PFI entries for 08-09 found one area where government grant had not been correctly removed from Children's services and re-classified in the government grant line.
					Total impact of adjustments

Appendix E: Declaration of independence and objectivity

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

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 Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that 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 *Standing guidance for local government auditors* (‘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.

Appendix E: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

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.

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 2010, we confirm that there were no relationships between KPMG LLP and the 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 F: Draft management representation letter

We ask you 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. The wording for these representations is standard and prescribed by auditing standards. We require a signed copy of your management representations before we issue our audit opinion.

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 the Authority, 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 2010.

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 Committee meetings, have been made available to you.

We confirm that we have disclosed all material related party transactions relevant to the Authority 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 the Authority 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 2010.

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 the Authority 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 the Authority'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.

Appendix F: Draft management representation letter (continued)

We are seeking specific representations with respect to PFI, a Yorkshire Forward grant conditions, and finally the Housing Revenue and Highways expenditure and disclosure.

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 the Authority 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.

With reference to the specific issues on which you have requested assurances from Members, we confirm that:

- All expenditure contained within the Housing Revenue Account (HRA) has been used to fund HRA activities;
- All capitalised expenditure relating to Highways is fully compliant with the requirements of FRS 15 (Tangible Fixed Assets); and
- The Council has no liability in respect of the £10.5m grant from Yorkshire Forward for the East Leeds Link Road.

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 2010

Yours faithfully

Alan Gay – Deputy Chief Executive and Director of Resources

On behalf of Leeds City Council



Originator: Laura Ford
Tel: 51712

Report of the Assistant Chief Executive (Corporate Governance)

Corporate Governance and Audit Committee

Date: 29th September 2010

Subject: Final Annual Governance Statement 2010

Electoral Wards Affected:

Ward Members consulted (referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

1. This report introduces the Final Annual Governance Statement for 2010, which forms an integral element of the annual accounts. The full Statement is attached at Appendix 1.

2. The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003 which requires authorities to conduct a review at least once in every year of the effectiveness of its system of internal control in accordance with proper practices.

3. Members are asked to approve the attached Final Annual Governance Statement 2010 in order that it can be included with the annual audited accounts.

1.0 Purpose Of This Report

- 1.1 The purpose of this report is to provide an introduction and commentary to the Council's Final Annual Governance Statement for 2010.
- 1.2 The Annual Governance Statement is an audited public statement on the adequacy of the Council's governance arrangements and will form an integral element of the annual accounts. On the basis of the assurances given in the Statement the Leader of the Council, the Chair of the Corporate Governance and Audit Committee, the Chief Executive and the Assistant Chief Executive (Corporate Governance) sign the document on behalf of the Council.

2.0 Background Information

- 2.1 The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003¹ which requires authorities to conduct a review at least once in every year of the effectiveness of its system of internal control in accordance with proper practices.
- 2.2 From 2007/08 those proper practices were defined within the Framework (and supplement) for Delivering Good Governance in Local Government issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE). The Statement contained at Appendix 1 has been produced in compliance with those defined practices.

3.0 Main Issues

Production of the Annual Governance Statement

- 3.1 As previously reported, a new approach to collating assurances from governance lead officers has been introduced this year, which was overseen by the Corporate Governance Board. The Leeds Governance Framework has been reformatted as a RACI matrix which cross references activities under each of the principles of the Code of Corporate Governance with a responsible lead officer. Any significant issues highlighted by lead officers have been included in Section 3 of the Statement.
- 3.2 Issues arising from External Audit and Inspection reports, matters considered by the Council's Governance Committees (namely Corporate Governance and Audit Committee, Standards Committee and General Purposes Committee), matters considered by Scrutiny Boards, and assurances provided by the Council's subsidiaries have also been included.

Commentary on the Leeds City Council Annual Governance Statement

- 3.3 The Final Annual Governance Statement 2010 is attached at Appendix 1 of this report and, once approved, will be contained within the annual audited accounts. The Statement is formatted as follows:
- Section 1 – Scope of Responsibility;
 - Section 2 – The Council's Governance Framework;
 - Section 3 – Opinion Statement from the Assistant Chief Executive (Corporate Governance); and
 - Section 4 – Assurance Summary.

¹ As amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

Approval of the Annual Governance Statement

- 3.4 The Annual Governance Statement should be approved at a meeting of the Council or delegated committee – in this case Corporate Governance and Audit Committee.
- 3.5 The timetable for the production of the annual accounts has driven the Annual Governance Statement approval timetable. Therefore, approval of the interim Annual Governance Statement was sought on 30th June in order that it could be included with the deposit edition of the annual accounts. The Statement has since been updated as necessary to ensure that it is kept up-to-date. The sections which have been updated are as follows:
- Paragraph 3.22 – 3.23 to include KPMG’s opinion on the annual accounts for 2009/10;
 - Paragraph 3.27 – to include information on the Local Government Ombudsman’s annual letter for 2009/10;
 - Paragraphs 3.37 – 3.48 – to include assurances from the Council’s subsidiaries; and
 - Paragraphs 3.71 – 3.72 – to include commentary on the Annual Internal Audit Report, and Internal Audit’s opinion on the Statement.
- 3.6 The final version of the Statement is presented today for the Committee’s approval, in order that it can be included with the annual audited accounts.
- 3.7 The Committee is also asked to recommend that the Leader of Council, Chair of Corporate Governance and Audit Committee, Chief Executive and Assistant Chief Executive (Corporate Governance) sign the final Statement on behalf of the Council.

4.0 Implications For Council Policy And Governance

- 4.1 The Annual Governance Statement is a core element of the Council’s corporate governance arrangements.

5.0 Legal And Resource Implications

- 5.1 The Statement is a necessary requirement of the Accounts and Audit Regulations 2003. The statement is an audited public statement on the adequacy of the Council’s governance arrangements and will form an integral element of the annual accounts.

6.0 Conclusions

- 6.1 From the review, assessment and on-going monitoring work undertaken², the interim Annual Governance Statement illustrates that key systems are operating soundly and that there are no fundamental control weaknesses.
- 6.2 However no system of control can provide absolute assurance against material misstatement or loss; the Annual Governance Statement therefore is intended to provide reasonable assurance. There is an on-going process for identifying, evaluating and managing the key risks. These risks are reflected in the audit plan and are the subject of separate reports during the course of the year.

² By the Corporate Governance and Audit Committee, the Standards Committee, the Corporate Governance Board and those internal and external audit and inspection agencies which provide an overview of the Council’s operations

7.0 Recommendations

7.1 Corporate Governance and Audit Committee is asked to:

- approve the attached Final Annual Governance Statement in order that it can be included with the annual audited accounts; and
- recommend that the Leader of Council, Chair of Corporate Governance and Audit Committee, Chief Executive and Assistant Chief Executive (Corporate Governance) sign the document on behalf of the Council.

Background Documents

Framework for Delivering Good Governance in Local Government, CIPFA and SOLACE

Leeds City Council's Code of Corporate Governance

Accounts and Audit (England) Regulations 2003

Report to Corporate Governance and Audit Committee, 'Interim Annual Governance Statement 2010', 30th June 2010



Final Annual Governance Statement 2010

1.0 SCOPE OF RESPONSIBILITY

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2.0 THE COUNCIL'S GOVERNANCE FRAMEWORK

- 2.1 The Council's governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it gives accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The governance framework is designed to manage risk to a reasonable level, rather than to eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The governance framework, as evidenced by the Leeds Evidence Framework, has been in place at the Council during the year ended 31 March 2010 and up to the date of approval of the annual accounts. Maintaining the system is an on-going process, and one to which the authority is committed in order to ensure continual improvement and organisational learning.
- 2.4 In the municipal year 2009/10, the Council appointed three Committees with responsibility for overseeing the Council's governance arrangements, namely

the General Purposes Committee, Corporate Governance and Audit Committee and the Standards Committee, all of whose Terms of Reference are within the Council's Constitution. These Committees received reports throughout the year regarding the authority's internal control environment.

- 2.5 The work of the governance Committees is supported by the Corporate Governance Board which is comprised of officers and is chaired by the Assistant Chief Executive (Corporate Governance). The Board maintains an overview of the Council's Governance Framework by receiving reports on various governance related matters and supporting the work programmes of the Committees.

3.0 OPINION STATEMENT FROM THE ASSISTANT CHIEF EXECUTIVE (CORPORATE GOVERNANCE)

- 3.1 As part of an improved process, this opinion is informed by the External Audit and Inspection reports received by the Council, issues arising from the work programme of the Council's Governance Committees and Scrutiny Boards, and assurances provided by governance lead officers. Any significant governance issues that have been identified are highlighted below, with a description of the action that will be taken in order to address the issue.

External Audit and Inspection Reports

Comprehensive Area Assessment (December 2009)¹

- 3.2 The inspection reported that child protection referrals do not ensure that children are adequately safeguarded, discussions between the Council, police and other agencies do not take place quickly enough and children are not always seen, even where there are concerns about their safety. Key procedures were also found to be out of date and record keeping to be poor.
- 3.3 The inspection recognised that action has already been taken with partners, including improving the leadership and management in Children's Services, implementing a Child Protection Enquiry process and starting a process to improve and quality assure decision making processes. However, the inspector felt that it was too soon to judge whether these actions are enough to ensure that vulnerable children in Leeds are safe from harm.
- 3.4 The inspection reported that burglary rates in Leeds are amongst the highest in the country, and in some parts of Leeds, they are three times the national average.
- 3.5 The inspector acknowledged that there has been some recent improvement, but reported that this trend must continue over a longer period to deliver the very big improvements which are needed to reduce the wide gap between Leeds and similar areas.

¹ The Government announced in May 2010 that it would abolish CAA, and the Audit Commission has now ceased all work on the area and organisational assessments.

3.6 Within the Organisational Assessment, Leeds was found to be performing adequately overall. The following scores were received:

Managing performance	2 out of 4
Use of resources	3 out of 4
Managing finances	3 out of 4
Governing the business	2 out of 4
Managing resources	3 out of 4

3.7 It was decided that the score should be that overall Leeds performs adequately rather than well because of the weaknesses in keeping children and young people safe.

3.8 In relation to Managing Performance, the Council was found to have responded slowly to concerns about the safeguarding of children and young people. The inspection also found that there was some way to go in tackling some of the long term problems facing the City, such as worklessness, poor housing and health.

3.9 In relation to Use of Resources, the Council was found to have good information about its money, and be good at managing its money and making savings, managing its risks and use of natural resources. However, the Council could not show consistently the benefits of what it does for Leeds residents.

Annual Unannounced Inspection of Contact, Referral and Assessment Arrangements within Children’s Services

3.10 Some strengths were identified, such as teams being fully staffed by qualified workers, managers speaking positively about working for Leeds City Council, and the management team’s quick response to concerns. Several areas for development were also identified, including two areas for priority action, as follows:

- the need to ensure that the response to child protection referrals meets statutory guidance and ensures that children are adequately safeguarded; and
- the need to address cases where children are identified as having being left at potential risk of serious harm.

Children’s Services Annual Rating

3.11 Leeds received a score of 1 (performs poorly), which was due to significant weaknesses in areas of social care provision. The findings of the unannounced inspection have also contributed to this rating.

3.12 However, the overall effectiveness of the majority of the Council’s inspected and regulated services and provision were found to be good or better, including performance in pupil referral units and the sixth form college, and childminders and childcare settings.

Inspection of Safeguarding and looked after Children's Services

- 3.13 A total of 33 ratings were given as part of this inspection, 10 of which were 'inadequate', 17 were 'adequate' and 6 were 'good'. Several areas for immediate improvement were highlighted, including:
- Accelerate plans to introduce a comprehensive performance management and quality assurance framework to support casework practice relating to contacts, referrals and assessments;
 - Improve the timeliness and quality of social work responses for assessments, case planning and recording, including the analysis of risk, to meet minimum standards; and
 - Review the level of resource made available to deliver key social work tasks for the looked after children's service so that a sufficient professional social worker capacity is provided to meet the demand for service.

Annual Performance Assessment of Adult Social Care

- 3.14 The Council was judged to be performing well overall. The inspector found that the Council has worked to improve its safeguarding systems and processes since the Independence, Wellbeing and Choice inspection undertaken in 2008. No serious failings were found, however several areas for improvement were identified, including:
- The Council should continue to embed its safeguarding arrangements and evidence the impact of these improvements.

East North East Homes Leeds

- 3.15 The ALMO was first inspected in 2008 when it received a 'fair', one star rating, with 'promising' prospects for improvement. As it received a one star rating, the ALMO was re-inspected in 2009 and received a 'good', two star rating, with 'promising' prospects for improvement. A number of strengths were found, such as the accessibility of front line services and the robust approach to dealing with the safeguarding of vulnerable adults and children, hate crime and abuse.
- 3.16 Some areas for improvement were also identified, including:
- there is a weak strategic approach to access, customers have to chase-up too many enquiries and complaints handling is still slow;
 - the ALMO has been slow to market test its repair and maintenance services and it cannot demonstrate that its plans for doing so will deliver optimal VFM; and
 - the Council's failure to charge the economic costs of delivering services means some customers are subsidising services provided to others, its policies mean some customers have received improvement work to a lower standard than others, and the Council equipment in use in sheltered housing schemes is not fit for purpose.

West North West Homes Leeds

- 3.17 West North West Homes Leeds was first inspected in late 2008 and received a 'fair', one star rating. The ALMO was re-inspected in 2010 and received a 'good', two star rating with 'promising' prospects for improvement. Several strengths were noted, including robust approaches to addressing hate crime, domestic abuse and safeguarding vulnerable people, the improvement programme is customer focused and well managed, and will bring the ALMO's rented properties up to the Decent Homes Standard by December 2010, and value for money principles are embedded in the culture of the organisation and significant efficiencies have been made.
- 3.18 Some areas for improvement were also identified, including:
- there are some weaknesses in how tenancy management and lettings procedures work in practice;
 - the recent strategic review of access arrangements was not comprehensive; and
 - some customers wait too long for adaptations to be made and service take up is low among black and minority ethnic groups.

Aire Valley Homes Leeds

- 3.19 Aire Valley Homes Leeds was inspected in 2008 and was assessed as providing a 'good' two star service with promising prospects for improvement, therefore it has not been re-inspected during 2009/10.

Audit of Accounts

2008/09

- 3.20 The Council's accounts were produced in accordance with the statutory timetable and were open for public inspection for 20 working days from 1st July 2009.
- 3.21 The external auditors, KPMG, are required to report audit matters to those charged with governance under International Standards on Auditing (ISA 260). For the financial year 2008/09, the report delivered an unqualified opinion on the accounts. In addition the report recommended one area for improvement, namely the need for a robust plan to remedy the deficit position on the Building Regulation charges account. The report also stated that the majority of recommendations raised in previous years have been implemented, but further work was still required on the timely reconciliation of school bank accounts. These have been resolved during the year to KPMG's satisfaction.

2009/10

- 3.22 The Council's accounts were produced in accordance with the statutory timetable and were open for public inspection for 20 working days from 5th July 2009. The accounts were approved by the Corporate Governance and Audit Committee on the 30th June 2010. The external auditors, KPMG, are required to report audit matters to those charged with governance under International Standards on Auditing (ISA 260). For the financial year 2009/10,

the report delivered an unqualified opinion on the accounts. The report delivered:

- an unqualified opinion on the accounts;
- concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
- concluded that the Annual Governance Statement complies with the CIPFA/SOLACE framework and that is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.

3.23 In addition the report recommended one area of the accounts process which required further improvement for 20010/11, namely the need for further strengthening of the controls for recording valuations and disposals on the asset register. The report also stated that there are no outstanding audit recommendations from previous years which require further Council action.

Annual Audit and Inspection letter

3.24 The letter stated that the Council has sound arrangements and clear outcomes in five sub-themes (out of nine) and the Council is assessed as level 3 (performing well). The letter also stated that the audit of financial statements went very smoothly and an unqualified opinion was given on the statements and on arrangements for securing value for money.

Findings of the Local Government Ombudsman (LGO)

3.25 The Corporate Governance and Audit Committee received the annual letter from the Ombudsman for 2008/09 at its meeting on 30th September 2009.

3.26 The letter showed that the number of complaints received was roughly in line with the volume of complaints received last year and in previous years. Within the letter the Ombudsman drew attention to the need to continue to focus on issues of consistency in collecting and responding to evidence, in relation to anti-social behaviour complaints.

3.27 The annual letter for 2009/10 was received by the Corporate Governance and Audit Committee on 29th July 2010. This showed that the number of complaints received was again in line with the number of complaints received in previous years, however the average response time and the number of local settlement cases, and the amount paid out, had reduced. The Committee requested a further report from the Chief Customer Services Officer detailing how the complaints process is moving forward and providing information about the cost of dealing with complaints and arrangements for ensuring that lessons are learned from the complaints received.

External Audit Reports

3.28 KPMG undertook a number of audits during the course of the year. These were on the following areas:

- Work on the 2010 Use of Resources Assessment up to April 2010 and interim audit work in relation to the 2009/10 financial statements; and
- Certification of grants and returns 2008/09.

3.29 These reports were considered by the Corporate Governance and Audit Committee on 23rd June 2010². Both the relevant auditor and directorate representative attended the meeting to present the findings and agreed action plan.

Matters Considered by the Council's Governance Committees

Corporate Governance and Audit Committee

3.30 Throughout the year, the Corporate Governance and Audit Committee has received a variety of reports regarding the governance arrangements in place across the Council. The Committee has raised particular concern in relation to the outcome of the inspection of safeguarding and looked after children's services, and requested that further reports be submitted to provide assurance that:

- the arrangements described in response to the inspection are operating as intended; and
- the wider corporate directorate governance adopted by the authority enables early warning of possible severe failure, rather than relying on inspections by external bodies.

3.31 The Committee has also received several reports in relation to the governance arrangements of the Leeds City Region and Children's Trust arrangements, as well as the annual letter from the Local Government Ombudsman.

3.32 The Corporate Governance and Audit Committee produces an Annual Report on its work, which was considered by full Council in July 2010.

General Purposes Committee

3.33 The General Purposes Committee has considered reports including proposals for the adoption of revised Executive arrangements and the annual review of the Constitution. However, no significant governance issues have been raised by the Committee during 2009/10.

Standards Committee

3.34 The Standards Committee has considered the results of the ethical governance based questions on the Staff Survey, and concerns were raised that only 68% of respondents were aware that they are required to register interests that may affect their work. The Committee was assured that among employees at Senior Officer grade or above, this figure rises to 81%. However officers in Human Resources will take action to further raise the profile of the register of interests.

² In line with the Protocol for the Coordination of External Audit and Inspection Reports.

- 3.35 The Standards Committee Annual Report 2009/10 was considered by the Corporate Governance and Audit Committee in June 2010, and by full Council in July 2010.

Matters Considered by Scrutiny Boards

- 3.36 The Annual Report which documents the key work of the Scrutiny Boards was considered by full Council in July 2010, and contains anticipated benefits arising from the inquiries undertaken.

Assurances provided by the Council's Subsidiaries

Education Leeds

- 3.37 Education Leeds has a Code of Corporate Governance which takes account of the CIPFA/SOLACE guidance and reflects the unique organisational features of the company. In June 2010, the Council's internal auditors undertook a review of Education Leeds' corporate governance arrangements and concluded that the control environment offered good assurance.
- 3.38 Education Leeds also has a Corporate Governance and Audit Strategic Group which meets regularly to review the company's corporate governance arrangements. The Group's annual report was presented to the Education Leeds Board in November 2009. This detailed the progress made in areas highlighted for improvement during the internal audit review undertaken in 2008, as well as the work undertaken by the Group during the year and the outcomes of completed internal audit reports.
- 3.39 On 10th March 2010, the Council's Executive Board resolved that the Council's contract with Education Leeds be terminated on 31st March 2011, therefore separate assurances will not be sought from Education Leeds next year.

West North West Homes Leeds

- 3.40 The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability. The 2009/10 Annual Report from the Council's internal auditors gave an opinion of 'good assurance' in relation to the control environment, and 'acceptable assurance' in relation to compliance.

East North East Homes Leeds

- 3.41 East North East Homes Leeds' control environment includes:
- A Statement on Internal Control which sets out formal policies and procedures which are in place;
 - An Assurance Framework and Audit Universe and Plan delivered by the Council's Internal Auditors, which sets out a programme of audit for services and systems;
 - A Risk Management Framework including a risk register in which all risks are identified and through which appropriate controls are put in place; and

- An Audit Committee which is responsible for reviewing the systems and process of internal control and governance, and evaluating the control environment.

3.42 The 2009/10 Annual Report from the Council's internal auditors provided an opinion of 'acceptable assurance' in relation to the control environment and compliance. As with West North West Homes Leeds, weaknesses were identified in relation to the management of contracts. Some key recommendations were made in order to improve the controls in place.

Aire Valley Homes Leeds

3.43 The Board has established a risk-based approach to establishing and maintaining internal controls, which are embedded within day to day management and governance processes. The arrangements adopted by the Board in reviewing the effectiveness of the system on internal control, together with some key elements of the control framework include:

- Arrangements for identifying, evaluating and controlling significant risk;
- Reports to the Board on control issues from management, Internal Auditors and the Audit and Risk Sub-Committee;
- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of Company assets.

3.44 PKF are the appointed internal auditors for Aire Valley Homes Leeds. The opinion on the organisation's risk management, control and governance processes for 2009 was 'adequate except for recommendations made throughout the year'. The opinion was mainly due to the significant level of overspend within the capital budget in the year and the long term impact this will have upon the organisation as a going concern. Additionally, weaknesses were noted in rent arrears management and repairs and maintenance systems. For the areas reviewed by the internal audit service for 2010, the opinion on the organisation's risk management, control and governance processes were assessed as adequate in most respects and effective except in the areas of follow up which was assessed as inadequate and risk management, which was assessed as adequate except for the existence of a specific anti-fraud policy, which has now been put in place.

Pricing of awarded contracts and Variations to Contract terms

3.45 The Council's internal auditors identified a number of issues concerning the pricing of overhead costs and variations to existing contract terms by responsive maintenance contractors. Work carried out by the Internal Audit team has resulted in an agreement with a contractor whereby £2.018m will be repaid to the Council. In the event of agreements being enforced The Strategic Landlord will determine how to distribute these funds to the ALMOs. This issue was reported in the Annual Internal Audit Report which was submitted to the Corporate Governance and Audit Committee on 29th July 2010. The Committee noted that new procedures had been put in place through the Assurance Framework to improve the situation.

Belle Isle Tenant Management Organisation (BITMO)

- 3.46 BITMO has a Corporate Governance Plan, which sets out its governance arrangements. The Plan was agreed by the Board in January 2010. The organisation has now adopted a formal scheme of delegation, and on a monthly basis employees with delegated responsibility are required to provide the Chief Executive Officer with a signed assurance report. The reports are submitted on a bi-monthly basis to the relevant Board Sub-Group for review.
- 3.47 A number of areas were identified which required further development to complete the Corporate Governance Plan, including a further check of statutory responsibilities, introducing a formal scheme of delegation and the development of a whistle blowing policy. All areas identified have either been addressed or are in the process of being addressed.
- 3.48 Strategic Landlord has confirmed that an Assurance Framework was introduced in April 2010, under which the ALMOs and BITMO will be required to submit an annual assurance report. Strategic Landlord will undertake sampling (in certain areas) to support the assurance, and the Council's internal auditors will undertake an annual audit programme based on the risk that the ALMOs and Strategic Landlord have identified through the self assurance process. These assurances will be included in the Annual Governance Statement from next year.

Assurances Provided by Governance Lead Officers

- 3.49 Each governance lead officer has described the arrangements in place, and has commented on whether they are;
- current and fit for purpose;
 - effectively communicated; and
 - embedded and routinely complied with.
- 3.50 Lead officers also provided an opinion on the level of assurance, listed any significant issues and described how these issues will be addressed in the coming year. The significant issues highlighted by lead officers and the corresponding actions are listed below. Consideration will be given to whether Directors, Chief Officers with concurrent delegations will also be asked to complete an assurance template in 2010/11.
- 3.51 Each officer has confirmed that there are no fundamental control weaknesses in their respective areas of responsibility. However, where improvements have been identified, these are outlined below.

Assistant Chief Executive (Corporate Governance)

- 3.52 There is a need to review the Council's internal control arrangements to ensure that they are proportionate to its risks.

- 3.53 The guidance for report authors needs to be updated to advise authors on the duties to which they need to have regard such as exempt information and arguments to support the public interest test.
- 3.54 Consideration will be given as to how failure to update a sub-delegation scheme may be escalated to prompt compliance. Directors' assurance templates may also add value in this area if introduced, as they could include the arrangements in place to ensure that Sub-Delegation Schemes are up to date.
- 3.55 Better alignment is required of the Financial Procedure Rules, Contracts Procedure Rules, Executive Procedure Rules and decision making framework.

Chief Officer (Legal, Licensing and Registration)

- 3.56 A planned realignment in legal services will free-up senior officer time to increase the effectiveness of arrangements to communicate statutory obligations to relevant decision makers.

Chief Officer (Business Transformation)

- 3.57 Policies to govern the management and secure handling, storage, disposal, and sharing of information assets are not yet current and fit for purpose. The Government Protective Marking Scheme, new Records Management Facility and the Electronic Document and Records Management System will be rolled out over the next 12 months. Key policies will be in place by March 2011.
- 3.58 The Information Governance Framework is not fully embedded across the Council, therefore it will be reviewed and aligned with the Information Assurance Maturity Model and the Security Policy Framework, and a communications plan will be developed.
- 3.59 Arrangements are not currently in place to ensure that information assets are identified and risk managed, therefore an Information Asset Register will be created, Information Risk Management and Information Sharing Policies will be drafted and a report will be prepared setting out proposals for the Assistant Chief Executive (Planning, Policy and Improvement) to adopt the role of Senior Information Risk Owner.

Chief Officer (Leeds Initiative and Partnerships)

- 3.60 The Vision for Leeds, Leeds Strategic Plan and Council Business Plan will be reviewed and revised during 2010/11. In addition the Performance Management Framework will be reviewed to strengthen partnership performance management arrangements.
- 3.61 Arrangements to secure data quality are not fully embedded and complied with, therefore work will continue to raise awareness of the importance of data quality. The development of the Data Quality Management Framework in 2010/11 will provide a mechanism for monitoring data quality going forward.

- 3.62 Better co-ordination of consultation and engagement through the development of a Council wide forward plan of activities and developing the role of the Consultation Group.

Chief Officer (Human Resources)

- 3.63 The Officer Code of Conduct has not been updated for some time. A light touch review is currently taking place, and a revised Code will be introduced in Autumn 2010. Action will also be taken to raise awareness of the Code, and compliance with the register of interests and gifts and hospitality will be audited.
- 3.64 An audit of employment policies will be undertaken to establish whether they are fit for purpose, effectively communicated and embedded and routinely complied with. A programme will also be developed to ensure that managers can effectively operate employment policies.
- 3.65 Appraisal and training procedures are not embedded and routinely complied with. The Organisational Development review will be completed to ensure that resources are directed to Council priorities. HR business partners will work with services with low compliance rates.
- 3.66 An independent review of health and safety suggested that a number of improvements were required to ensure arrangements are current and fit for purpose. The recommendations of this review will be implemented in 2010/11.

Chief Procurement Officer

- 3.67 There is no proactive monitoring by the Procurement Unit to confirm whether Contracts Procedure Rules are currently being complied with by Directorates. Therefore, procedures and reporting guidelines will be developed and implemented to address this.
- 3.68 Training will be provided to officers who are involved in procurement activities to ensure a consistent approach, and to increase awareness of legal updates and the Remedies Directive.

Chief Democratic Services Officer

- 3.69 No significant issues raised.

Chief Officer (Audit and Risk)

- 3.70 Further work is required to embed a corporate and systematic approach to securing value for money as a contribution to the Council's response to economic pressures.
- 3.71 The Annual Internal Audit Report was presented to the Corporate Governance and Audit Committee on 29th July 2010. It was reported that overall, the Council has a sound Governance Framework from which those charged with governance can gain assurance, however a number of recommendations had been made to further improve systems of control, particularly within Children's Services. Key financial controls were reported to be sound, however there are

some areas where improvements are necessary such as Adult Social Care and ALMO contract management.

- 3.72 Internal Audit have reviewed this Statement, and have provided an opinion of 'good assurance' in relation to the control environment with 'minor' organisational impact. It was acknowledged that significant progress has been made since the last review, however a number of recommendations have been made in order to further strengthen the control environment.

Chief Officer (Financial Management)

- 3.73 Development of a new Medium Term Financial Plan to reflect the changed financial climate facing the Council. To be reviewed in Summer/Autumn 2010 in line with the review of the Council's Business Plan.
- 3.74 Financial Procedure Rules to be reviewed and modernised.
- 3.75 Improved financial reporting and accountability, including the roll out of the new FMS projections module.

Head of Governance Services

- 3.76 There is no communication plan in place for the responsibilities set out in Parts 2 and 3 (Sections 1-4) of the Constitution, therefore a plan will be developed and implemented, particularly aimed at more clearly communicating Member, Committee and officer responsibilities.
- 3.77 To increase awareness of the role and responsibility of lead officers for significant partnerships and the low take-up of training on partnership governance, new lead officers will be advised of their role and responsibilities as soon as their partnership is added to the register, and they will be invited to training at least annually. An offer will also be made on a regular basis to attend DMTs to provide training, and Directors will be advised of training for lead officers to encourage take-up.
- 3.78 A communication plan will be developed to increase awareness of all Leeds City Council Members of the local assessment process.
- 3.79 The record retention and disposal arrangements within Governance Services have been reviewed and a framework has been introduced to improve controls in this respect.

Head of Scrutiny and Member Development

- 3.80 No significant issues raised.

Conclusions of the Assistant Chief Executive (Corporate Governance)

- 3.81 The Assistant Chief Executive (Corporate Governance) has reviewed and challenged the assurance statements provided and the work of the Governance Committees, their Annual Reports and forthcoming work programmes, and on the basis of such assurances, considers that where there

have been significant or material concerns regarding the Council's internal control arrangements, these are being addressed. Significant pieces of work have been undertaken during the year to address actions arising from last year's statement and the governance issues that have arisen during the year. As a result of the review of assurances provided, the Assistant Chief Executive (Corporate Governance) recommends that the actions identified above will help to ensure that the Council's governance arrangements are fit for purpose, effectively communicated, embedded and routinely complied with.

- 3.82 The Corporate Governance Board will monitor progress against the measures identified and ensure that the Council's Governance Committees are informed of progress.

4.0 ASSURANCE SUMMARY

- 4.1 Good governance is about running things properly. It is the means by which a public authority shows it is taking decisions for the good of the people of the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making - collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people's needs. It is fundamental to showing public money is well spent. Without good governance councils will struggle to improve services when they perform badly.
- 4.2 From the review, assessment and on-going monitoring work undertaken³ and supported by the verification work undertaken by Internal Audit, we have reached the opinion that key systems are operating soundly and that there are no fundamental control weaknesses.
- 4.3 No system of control can provide absolute assurance against material misstatement or loss; this statement is intended to provide reasonable assurance. There is an on-going process for identifying, evaluating and managing the key risks. These risks are reflected in the audit plan and are the subject of separate reports during the course of the year.
- 4.4 There is also evidence that an on-going process for identifying, evaluating and managing the key risks and that the programme of improvement outlined is appropriate.

³ By the Corporate Governance and Audit Committee, the Standards Committee, the General Purposes Committee, and the Corporate Governance Board supporting the work of those Committees.

Signed

Signed

Date

Date

**Councillor Keith Wakefield
Leader of the Council**

**Tom Riordan
Chief Executive**

Signed

Signed

Date

Date

**Councillor Geoff Driver
Chair
On Behalf of Corporate Governance
and Audit Committee**

**Nicolé Jackson
Assistant Chief Executive
(Corporate Governance)
On behalf of Corporate Governance
Board**

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Report of the Deputy Chief Executive and Director of Resources

Corporate Governance and Audit Committee

Date: 29th September 2010

Subject: Disbanding the Audit Commission; issues for Corporate Governance and Audit Committee

<p>Electoral Wards Affected:</p> <input type="checkbox"/> Ward Members consulted (referred to in report)	<p>Specific Implications For:</p> <p>Equality and Diversity <input type="checkbox"/></p> <p>Community Cohesion <input type="checkbox"/></p> <p>Narrowing the Gap <input type="checkbox"/></p>
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1.0 Purpose Of This Report

1.1 This report provides members with emerging issues following the announcement on 13th August 2010 by the Communities and Local Government Secretary, Eric Pickles, that the Audit Commission is to be disbanded. Since the announcement, it is clear that issues are arising, on an almost daily basis and there will remain a lack of clarity for some time. This report highlights known issues at the time of writing; any developments between publication of this report and the date of the Corporate Governance and Audit Committee meeting can be presented as a verbal update.

2.0 Background Information

2.1 The announcement to disband the Audit Commission was a surprise and the details of future arrangements are not yet known in any detail. What is clear is that whatever form new arrangements take they will have an impact on local authority audit committees. Potential areas of impact are outlined below. It is worth thinking about these areas in advance to help prepare Corporate Governance and Audit Committee members.

3.0 Main Issues

3.1 The stated purpose of the decision to disband the Audit Commission is to refocus external audit on helping local people to hold council's (and other public bodies) to account for spending decisions. The intention is that the changes will pass power down to people, replace bureaucratic accountability with democratic accountability and save the taxpayer £50 million a year nationally.

3.2 The Secretary of State for Communities and Local Government (CLG) identified that the measures would radically scale back centrally imposed, bureaucratic and costly

inspection and auditing. The expertise of the Audit Commission will be moved into the private sector. Since the announcement a number of other options are emerging including partial transfer of the Audit Commission to the private sector by way of a sell – off and establishing a mutual for other parts of the business.

3.3 In summary, the announcement will have the following effects:

- The Audit Commission’s responsibilities for overseeing and delivering local audit and inspections will stop
- The Audit Commission’s research activities will end
- Audit functions will be moved to the private sector
- Council’s will be free to appoint their own independent external auditors

3.4 The following section addresses the implications of the announcement although, at this early stage, all the implications are not clear and, in all likelihood, other issues will emerge.

3.5 Appointment of external auditors

The CLG press release suggests that ‘councils will be able to appoint their own independent external auditors from a more competitive and open market among audit firms’. It is proposed that the new arrangements will be in place for the 2012/13 financial year.

3.6 Terms of reference for Corporate Governance and Audit Committee provide that the committee is authorized to discharge the function of considering arrangements relating to external audit requirements. If external auditors are to be in place for April 2012 then the procurement and selection process is likely to start in 2011. We shall have to see if there will be an interim step of transferring existing appointments to external auditors for the duration of the agreed period or whether everyone starts from scratch.

3.7 CLG officials will be meeting with representatives of the Local Government Association and the National Audit Office (NAO) to discuss a blueprint for a credible, devolved local government regime. This blueprint is aimed at addressing concerns that the decision to disband the Audit Commission in favour of peer-led reviews and private sector auditing policed by the NAO could lead to the development of cosy relationships between auditors and the audited body. Similar cosy relationships were identified as the key causes of accounting scandals that contributed to the collapse of corporate giants Enron and Worldcom.

3.8 Both the CLG Minister and the Audit Commission have played down fears of Enron style conflicts of interest. It has been suggested that any new system of self appointment would be policed by the NAO and subject to controls that are already in place in firms that audit and provide consultancy to corporate clients.

3.9 The current arrangement organised by the Audit Commission with KPMG is a three year appointment that started with the audit of the 2009/10 accounts i.e. is due to finish when the 2011/12 final accounts audit is completed in the summer of 2012.

3.10 Governance and Accountability

The CLG press release states *‘For local government these changes are part of the Government’s wider focus on transparency that will bring about a revolution in town hall openness and accountability. Local people will now be the audience for assurances that their council is spending money wisely, that they are well governed, their council is financially robust, achieving value for money and providing accurate information and data. These proposed changes go hand in hand with plans to create an army of armchair*

auditors - local people able to hold local bodies to account for the way their tax pounds are spent and what that money is delivering.'

3.11 To achieve this goal the Corporate Governance and Audit Committee will need to play a key role. The Committee already leads on governance matters and receives assurances. The Corporate Governance and Audit Committee will need to consider the adequacy of its assurance framework for achieving this goal. What does it need from its external auditor and what does it get from other sources? The Committee needs a clear view of its assurance framework before it appoints external auditors. Much work has already been done on defining the assurance framework and this will need to be looked at again in light of changes to the external audit regime.

3.12 The Committee will also need to consider how effectively it communicates with the public and its role (if any) in reviewing local concerns or questions raised by 'armchair auditors' or in response to questions raised by the publication of details of spending over £500. In doing so, any arrangements will need to ensure that the role of scrutiny committees is not duplicated.

3.13 Monitoring good practice

The CLG press release states that 'The Commission's research activities would stop; ending duplication with others and strengthening the National Audit Office's role in this area.'

The Audit Commission has been a source of good practice and comparative information that many audit committees have made use of to review the adequacy of their own arrangements. This role will now be taken up by the NAO. It is too soon to tell how this will work in practice and whether similar reports will continue to be available.

3.14 Counter fraud

The press release makes no mention of the National Fraud Initiative, so whether this would be picked up by the NAO or discontinued is unknown. Again, participation in and results from the NFI formed part of the assurance to the Committee about the risks of fraud. If changes to the form or extent of the NFI are introduced then the Committee will need to further consider the risks of fraud and corruption, the organisation's arrangements for counter fraud and its own assurance requirements, plus the expectations of the public.

3.15 Local Government Ombudsman

The CLG press release states that 'New plans to strengthen individual citizens' rights of redress should they receive poor council services by enhancing the role of the Local Government Ombudsman through making his findings legally enforceable.'

3.16 The Committees will need to be aware of new developments here and to make sure that where there are any rulings from the Local Government Ombudsman that have governance implications they are aware of them.

3.17 Value for Money

Appointed auditors still have a responsibility to give a conclusion on whether audited bodies have proper arrangements for securing VfM. From 2010/11 this conclusion will be based on the arrangements for:

- Securing financial resilience
- Challenging how we secure economy, efficiency and effectiveness

3.18 There has been a suggestion that this responsibility will pass from the Audit Commission to the NAO. It is unclear whether the intention is to pass responsibility for the overall arrangements or for each council's VfM conclusion. The VfM conclusion for Leeds is currently the responsibility for KPMG.

4.0 Implications For Council Policy And Governance

4.1 It is too early to say with any surety what the implications of disbanding the Audit Commission will be. As the implications emerge the Council and the Corporate Governance and Audit Committee will need to consider the impact on the 'Leeds Assurance Framework' as the Audit Commission appointed external auditors (in Leeds' case, KPMG) are a fundamental source of independent assurance in assessing the robustness of the Council's control environment.

5.0 Legal And Resource Implications.

5.1 Legal and resource implications will be monitored and reviewed over the coming months.

6.0 Recommendations

6.1 Corporate Governance and Audit Committee are requested to note the initial implications of the decision to disband the Audit Commission and request further updates from the Chief Officer (Audit and Risk).

6.2 As part of the further update it is recommended that the impact of disbanding the Audit Commission has on the assurance framework is assessed and reported to the committee.



Originator: Simeon Perry
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Report of the Head of Strategic Landlord

Corporate Governance and Audit Committee

Date: 29 September 2010

Subject: Council Assurance Framework for ALMOs/ BIMTO

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

This report sets out the drivers for the implementation of the Assurance Framework and how it will operate. The Framework will support the Strategic Landlord in managing the relationship with the ALMOs/ BITMO. It will monitor their performance, governance and value for money against the risks from delegating the housing management function to them. The framework is based upon a co-regulation approach expecting ALMOs/ BITMO to provide the council with assurance that risk areas are being managed and supported by Internal Audit and Strategic Landlord through an independent verification process. The risk areas are based on six key areas about which the Strategic Landlord needs assurance. These are: governance; asset management; partnerships; lettings and tenancy enforcement; service improvements plans; and customer satisfaction. The new Framework was implemented in April 2010.

It is recognised that the Strategic Landlord relationship with the ALMOs / BITMO is key to managing the services that have been transferred. The framework has been devised using a risk based approach, so that there is a balance between getting the right assurances and giving the ALMOs/ BITMO freedom of independent operation. This approach allows the council and the ALMOs/ BITMO to identify areas of concern and take a collaborative approach to improvement.

1.0 Purpose Of This Report

- 1.1 The purpose of this report is to advise Corporate Governance and Audit Committee on the ALMO/ BITMO Assurance Framework.

2.0 Background Information

- 2.1 In July 2008, Internal Audit produced an audit report on the Council / ALMO relationship and the Councils' Performance Management framework. The report concluded that there was limited assurance with the control environment and limited assurance in the compliance environment. In response to the report, the Council reviewed how it should manage its relationship with the ALMOs. The initial drivers and revised approach were outlined in a report which went to ALMO Boards in February / March 2009. The report recommended that a new relationship is developed through a new framework that focuses on key risk areas for the council. As a result, the Assurance Framework has been developed.
- 2.2 A risk based approach fits in with the current Tenant Services Authority (TSA) proposal for a new national regulatory framework for all social landlords. Furthermore, the Assurance Framework follows the co-regulation approach proposed by the TSA whereby ALMOs/ BITMO will be expected to self assure themselves whilst this is checked on a risk basis by the council, supported by Internal Audit.
- 2.3 Over the past year, Strategic Landlord group with support from Internal Audit have developed the Assurance Framework. ALMOs have supported the development of the framework, and all ALMO/ BITMO boards have approved its implementation.
- 2.4 The Assurance Framework will complement the current Performance Management Framework that the Council has with ALMOs and will be an annex in the ALMO Management Agreement. For BITMO as the legal governance framework differs from that of the ALMOs, the Assurance Framework will also complement the schedules in their management agreement

3.0 Main Issues

- 3.1 The Assurance Framework sets out a control environment within which the housing management service is delivered by the ALMOs or BITMO whilst at the same time providing assurance to the council that this is achieved within minimum risk. The Framework was implemented in June 2010.
- 3.2 The spirit of the Framework is co-regulation. The ALMOs/ BITMO assure the council that they have mitigated the risk areas through a process of self assurance. Internal Audit will undertake an annual audit program based on the risks that the ALMOs/ BITMO and Strategic Landlord have identified through the self assurance process. In addition, Strategic Landlord will support the audit programme through undertaking some sampling and checks on the ALMOs.
- 3.3 The greater assurance that the ALMOs/ BITMO provide through the annual self assurance report, the smaller the audit programme, whilst ensuring that certain audits such as governance and open book reviews for repair and maintenance contractors have a minimum number of days to undertake.

- 3.4 The Audit program is commissioned by Strategic Landlord who are working in partnership ALMOs/ BITMO. For the current year, Internal Audit has agreed the audit programme with each ALMO/ BITMO. The audit reports are reported to both organisations simultaneously.
- 3.5 The Assurance Framework sets out six clear objectives on which the Council seeks assurance. These are:
- o Governance
 - o Asset management
 - o Partnerships
 - o Tenancy enforcement and lettings
 - o Service improvement plans
 - o Customer satisfaction
- 3.6 The development of the objectives has taken into account the Council's Governance Framework for Significant Partnerships.
- 3.7 The Framework will provide more clarity in defining the Councils Performance management framework for ALMOs and BITMO as well as further developing the Council – ALMO relationship. The Framework has been developed to build on and improve the current systems of ALMO/ BITMO accountability to the council.
- 3.8 In the first year of operation, 2010/11, both the audits undertaken by Internal Audit and the checks undertaken by Strategic Landlord will form the baseline for the self assessment and future audits undertaken in 2011/12. For 2011/12 and beyond ALMOs will undertake a self assurance exercise against the framework which will be submitted to Strategic Landlord Group by May annually. The self assessment will be used alongside the previous year's audit to assess the risks posed for each control in the Framework. This will then form the basis of the Internal Audit plan for that year which will be agreed by ALMOs, BITMO and Strategic Landlord, early in the new financial to commence that quarter. The audit plan will be bespoke to each ALMO/ BITMO as the levels of risk may differ.
- 3.9 As the Framework develops it will be reviewed annually to ensure that it is providing appropriate levels of assurance to the Council and ALMOs/ BITMO.
- 3.10 Strategic Landlord will produce an annual report for Corporate Governance and Audit Committee on the outcomes of the Assurance Agreement . In addition, through the usual Internal Audit reporting mechanism if an audit is deemed a major impact then it will be reported to Corporate Governance and Audit Committee.
- 4.0 Implications For Council Policy And Governance**
- 4.1 The Assurance Framework is a response to an Internal Audit report in 2008 which considered that there were limited controls and limited compliance in the governance relationship between the Council and the ALMO. The Assurance Framework will put in place a comprehensive list of objectives with a number of controls in each of these to ensure that any risks generated by the delegation of the housing management function are managed effectively.

4.2 The effectiveness of the Assurance Framework will be reported by Strategic Landlord Group to Corporate and Governance Committee annually.

5.0 Legal And Resource Implications

5.1 The current Performance Management Framework (PMF) is an annex of the Management Agreement that the Council has with each of its ALMO/ BITMO. The Assurance Framework will complement the current PMF.

6.0 Conclusions

6.1 The Council have developed a sophisticated framework in which it can manage the risks that it is exposed to as a result of the delegation of housing management to ALMOs/ BITMO. The spirit of the Assurance Framework is one based on co-regulation. ALMOs will be expected to provide assurance to Strategic Landlord that they are mitigating the risks of providing a housing management service supported by an annual Internal Audit programme to confirm the assurance. The Framework seeks to develop a more robust and clearer council – ALMO/ BITMO relationship, by formally setting it out through the Framework.

7.0 Recommendations

7.1 That Corporate Governance and Audit Committee receive an annual report from Strategic Landlord Group on the assurances give for ALMOs and BITMO in managing the housing service through the Assurance Framework.

Background Documents Used

None



Report of the Assistant Chief Executive (Policy, Planning and Improvement)

Corporate Governance and Audit Committee

Date: 29th September 2010

Subject: Information Security Report

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

Breaches of information security and losses of data, both nationally and at a local level, have focused public authorities to become more accountable for security failures or for the contravention of procedures which lead to the loss or disclosure of sensitive information.

Leeds City Council has recognised the need to protect its information assets from both accidental and malicious loss or damage. Information security is taken very seriously by the Council and this is evidenced by the ongoing work to improve the security of its information.

This report focuses on the work the Council is undertaking, both from a technical and non-technical perspective, to reduce the impact and mitigate against any attempts to breach information security. It covers the actions being taken to protect the Council from risks and threats to information security and the systems that have been or are being introduced to monitor and record attempts to breach information systems.

1.0 Purpose Of This Report

- 1.1 Corporate Governance and Audit Committee receive an annual report outlining the steps being taken to improve the Council's information security. After presentation of this report in March 2010, Committee requested a further report detailing any security breaches that the Council has been subject to and the work done to reduce the impact and mitigate against such attempts. The content of this report provides Members of the Committee with this information.

2.0 Background Information

- 2.1 Leeds City Council has recognised the need to protect its information assets from both accidental and malicious loss or damage. Information security is taken very seriously by the Council and this is evidenced by the ongoing work to improve the security of our information as outlined in this report.
- 2.2 This report provides Committee Members with an update on the more strategic and cross-council activity ongoing to provide assurance on our approach to information security. In this regard it covers actions taken to protect the Council from risks and threats to information security and the systems that have been or are being introduced to monitor and record attempts to breach information systems.

3.0 Main Issues

- 3.1 Threats to Council information come in a variety of forms and can be either technical or non-technical in nature. The Council is working towards ensuring that it can protect and secure information by investing in the policies, processes and technology solutions that will help prevent malicious attacks, misuse of information and the theft or loss of information. A comprehensive programme of work is ongoing to develop and implement policies and processes aimed at providing improved security and governance for the Council's information and the establishment of appropriate resources to ensure these are embedded into the culture of the organisation.
- 3.2 During 2009/10 the Council continued its significant investment in network defence systems. This investment ensured that the Council was granted connection to the Government Secure Intranet (GSI) through the Government Connect Programme, which amongst other things, allowed the secure transfer of data between the Revenues and Benefits Team and the Department of Work and Pensions.
- 3.3 The systems in which the Council has made this investment fall broadly into four categories:
- Edge Systems – designed to prevent unauthorised access from outside the Council's ICT network, or the introduction of malicious code in any form into the network;
 - Network monitoring – designed to highlight unusual or unauthorised activity on the Council's ICT network;
 - End user device systems – designed to control and protect the end user devices such as desktop computers and laptops, and prevent unauthorised hardware, such as USB memory sticks from being plugged into the network that could potentially introduce malware such as viruses;

- Security Information and Event Management software. These monitor the above systems and create alerts when unusual events are recorded, and also issue reports on network performance and security in a timely manner.
- 3.4 The procurement of these systems took place during 2009/10 and the ongoing implementation will be completed by 31st December 2010. The introduction of these systems will enable the Council to log and compile accurate information in respect of attacks to Council IT systems and improve the efficacy of our defences. Furthermore, a corporate Incident Management Policy is currently being drafted to establish an agreed corporate process for recording all information security incidents, both technical and non-technical.
- 3.5 The systems described in paragraph 3.3 have not been in place to record and provide accurate information about attempted security breaches during 2009/10. However, Corporate ICT Services are confident that they have been effective in trapping and dealing with virus attacks either at the edge of the network or on client devices and are confident that there were no major virus outbreaks or attacks to the system during this period. This is evidenced in part by the none occurrence of disruption of our systems by viruses. Furthermore, the Council has received no complaints from, or had to issue a report to the Information Commissioner's Office in relation to the breach of Principle Seven of the Data Protection Act relating to the security of personal data.
- 3.6 In respect of accountability for information security, Corporate ICT Services are responsible for the procurement and deployment of the technical infrastructure for the security of the Council's information. The Business Transformation Team are responsible for the development and implementation of corporate policy and procedures to support both technical and non-technical security of the Council's information, and for embedding these across the Council.
- 3.7 The theft or loss of a device can be embarrassing for the Council, and can lead to the imposition of a financial penalty and/or lead to consequences for citizen's, partners or employees. During 2009/10 nine laptop devices were reported to Corporate ICT Services as having been stolen or lost. A review of each incident showed that no sensitive data was accessed as a result of the loss, the laptop either having an encrypted hard-drive, thus making the recovery of the data impossible, or the information contained on the device having a business impact score of 0, meaning the information contained on the device would not harm the Council.
- 3.8 After the USB memory stick incident within the Council in 2008, a procedure was quickly put into place to ensure that only Council procured encrypted USB memory sticks could be used by employees on Council devices. Furthermore, all laptops devices have had a host based Intruder Protection Software (HIPS) installed, which protects the laptop when operating on the network and when staff are working away from the office. Corporate ICT Services are now in the process of installing McAfee 'Device Control' Data Loss Prevention (DLP) software, which will only allow authorised devices and encrypted USB sticks to be accessed on Council IT equipment. This work will be completed by the end of 2010/11. In addition to this, McAfee 'Vulnerability Manager' is now being deployed to ensure that all devices connected to the Council's ICT network have the appropriate software patch levels applied. This is important as this solution will report on any devices which are below a fixed level. McAfee security systems are the preferred ICT security solution for the Council.

- 3.9 In line with the Council's commitment to comply with Government Connect requirements, Corporate ICT Services have installed or are in the process of installing additional new software systems during 2010/11 to protect, monitor and control the security of our information systems. These include:
- 'LogRhythm' Security Information and Event Management (SIEM) – Gathers and analyses information (event logs) from various areas within the network to identify possible security breaches, including intrusion (outside attacks) and misuse (internal attacks). This system is currently undergoing commissioning, but is already monitoring the Intruder Detections, prevention systems and email systems. It will be extended as new systems and devices come on stream;
 - McAfee 'Web Gateway' system – Allows web to be used whilst proactively protecting against threats from spyware (used to obtain information from a user's computer system without the user's knowledge or consent) and targeted attacks on the network;
 - 'Clearswift' Mailscanner – Used for web content filtering and monitoring, keeping network free of malware (malicious software or programme code designed to infiltrate a computer system) such as viruses and spyware; and,
 - McAfee 'IntruShield' Intruder detection and Prevention System – this will monitor the network and identify and report any unusual activity aimed at attempting to compromise the confidentiality, integrity or availability of an information asset, so that it can be picked up early and block attacks before they reach the target.
- 3.10 Whilst substantive investment has been made in procuring and deploying technologies, these alone won't protect the Council from all information security threats. The misuse of information can be both intentional and accidental and is difficult to mitigate against. Policies and procedures need to be developed and implemented in order, not only to support the processes required to successfully deploy the technologies and systems, but to ensure the Council does not succumb to non-technical information risks and threats.
- 3.11 An Information Assurance strategy (Information Security and Information Sharing) is being developed, which will set out how the Council is to meet its information management and security responsibilities ensuring that all information is handled and stored with due regard to its value and risk. As part of this strategy a Threat Landscape Matrix (TLM) is to be designed that will seek to identify threats to information security, identify those that pose a risk to the Council and, determine and action the most effective mitigations against those risks. The TLM will, for the first time, provide a tool that will allow the Council to identify and prioritise security risks and to mitigate against these before they have the potential to become serious security incidents by allocating appropriate resources accordingly.
- 3.12 To support the Information Assurance strategy the following policies have either, been drafted and are in various stages of consultation, or are to be drafted during 2010/11:
- Removable Media & Mobile Computing- establishes the principles and working practices that are to be adopted by all users in order for information to be safely stored and transferred on removable media, including laptops. This policy is drafted and is currently going through consultation with Trades Unions;

- Clear Desk and Clear Screen - ensure staff have an awareness of the importance of keeping both paper and electronic documents and records safe when they are working at their desk or on their screen and that they have knowledge of how to protect them from unauthorised access. This policy is drafted and is currently going through consultation with Trades Unions;
- Protective Marking & Asset Control - To ensure that all information and information systems upon which the Council depends are adequately protected to the appropriate level and to provide a consistent and clear methodology for the marking of information assets. This policy is drafted and is currently going through consultation with Trades Unions;
- Information Sharing – protect all information assets owned and used by the Council from the risks posed by inappropriate disclosure. This policy is currently being drafted;
- Acceptable Use – protect all information assets owned and used by the Council from the risks posed by inappropriate use, including virus attacks, compromise to network security and services, disclosure of information as well as legal and regulatory issues. This policy is drafted and is currently going through consultation with officers;
- Information Risk Management – managing the risks associated with the handling and sharing of information assets across the Council and with third parties. This policy is to be drafted once the Information Assurance strategy is approved;
- Incident Management Reporting - to ensure that the Council reacts appropriately to any actual or suspected security incidents relating to information systems and information. This policy is currently being drafted.

3.13 The development of these policies forms part of the Information Governance Project. The aim of the Information Governance project is to ensure all Information Governance policies are developed and embedded across the Council through an effective communications, engagement and training plan. Corporate ICT Services are contributing to the development of these policies in order to ensure that they support the implementation of security systems and related technologies.

3.14 Discussions are ongoing with each Chief Officer for Resources and Strategy (CORS) about identifying a resource within each Directorate who will be a contact for providing advice and guidance about information assurance and who will also coordinate delivery of the information assurance strategy, and associated policies.

4.0 Implications For Council Policy And Governance

4.1 Information Security is one of six modules of the Information Governance Framework approved at Executive Board in November 2008. The Information Governance Framework will be supported by the development of policies, procedures, guidance and best practice across the six modules of the Framework.

4.2 All Information Governance policies and procedures will follow a consultation process to obtain support and approval and this includes the Council's Information Governance Management Board (IGMB), Resources and Performance Board and the Corporate Governance Board.

5.0 Legal And Resource Implications

- 5.1 Sufficient capacity with the appropriate knowledge and skills to deliver and implement the systems and technologies are required by Corporate ICT Services in order to ensure the Council is able to mitigate against security risks and threats to its information assets.
- 5.2 Capacity within Directorates to deliver, embed and monitor compliance to information assurance policy and practice is required, but resources for this can be identified from existing FTE's within the Directorates.
- 5.3 In order for the Council to comply with its obligations under the Data Protection Act it must deploy technologies to ensure the security of personal information. The developments that have already taken place and the actions that are currently being undertaken will ensure the Council identifies and mitigates against current and emerging threats and prevent security breaches occurring.

6.0 Conclusions

- 6.1 Improvement to Information Security are being addressed through changes to policy, skills, processes and technology. Whilst information security incidents within the Council have been kept to a minimum over the last twelve months, as this report demonstrates a number of initiatives are currently underway which will make a significant contribution to identifying threats and further minimise the risks associated with poor information security management.
- 6.2 The security of the Council's information assets continues to be a high visibility activity, and new threats and their mitigations are being monitored continuously to ensure that the threat horizon is managed at all times.
- 6.3 The Information Assurance strategy and associated policies and processes will provide an internal regulatory framework for ensuring the Council's information is processed and stored in a secure manner and will compliment the introduction of new technologies and systems for protecting and monitoring data.

7.0 Recommendations

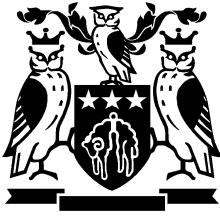
- 7.1 Corporate Governance and Audit Committee is asked to consider the contents of this report and the assurances provided as to the Council's approach to information security.

Background Documents Used

Annual Information Security Report – 17th March 2010

Briefing Note – Security of Personal Data and the Requirements of the Data Protection Act – Gillhams Solicitors & Lawyers

Information Governance Project – Project Initiation Document



Originator: Phil Garnett

Tel: 51632

Report of the Assistant Chief Executive (Corporate Governance)

Corporate Governance and Audit Committee

Date: 29 September 2010

Subject: Work Programme 2010/11

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

1.0 Purpose Of This Report

1.1 The purpose of this report is to notify members of the Committee of the draft work programme for the current municipal year. 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 the which officer will be responsible for the item.

3.0 Main Issues

3.1 The draft work programme for 2010/11 is attached at Appendix 1.

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

3.4 The work programme attached is the previously seen work programme, this work programme is subject to change following review against the Corporate Risk Register and the Annual Governance Statement.

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

6.1 Members are asked to note the draft work programme and advise officers of any additional items they wish to add.

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME 2010/11**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
15th November 2010 – 10a.m.		
6 Monthly Update Report on risk Management	To receive a report updating members on the Council's risk management arrangements (This report is part of the Committee's annual work programme)	Chief Officer (Audit and Risk) Tim Pouncey
Corporate Governance Statement Action Plan	To receive a report detailing progress made against actions in the Corporate Governance Statement Action Plan.	Head of Governance Services Andy Hodson
Standards Committee current position	To receive a report updating the Committee on developments in the Standards Regime. (This report was requested by the Chair of the Committee and the Assistant Chief Executive Corporate Governance to clarify the latest position in relation to the Standards regime on 26 th July 2010)	Amy Kelly Senior Governance Officer
14th December 2010 – 2pm		
Review of the Governance Framework for Significant Partnerships	To receive a report reviewing the governance framework for significant partnerships. (This report was requested at the meeting held on 10 th February 2010 to ensure compliance with the Framework was improving.)	Head of Governance Services Andy Hodson
Leeds City Region Governance Arrangements	To receive a report updating the Committee on developments in the governance arrangements of the Leeds City Region (This report was requested as the meeting held on 12 th May 2010 during discussion on the governance developments of the Leeds City Region)	Chief Officer Leeds Initiative and Partnerships Kathy Kudelnitzky

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME 2010/11**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Leeds City Region Governance Arrangements	To receive a report to ensure that the Council is in a position to engage with and influence the decisions taken by the proposed governance arrangements for the Leeds City Region. (Further reports requested at the meeting held on 10 th February 2010 with regards to the Governance arrangements of the Leeds City Region)	Chief Officer (Leeds Initiative and Partnerships) Kathy Kudelnitzky
Council Complaints Process	To receive a further report detailing how the complaints process is moving forward and information about complaints made to the Council including the costs of dealing with complaints and arrangements for lessons learned.	(Customer Relations Manager) Wendy Allinson
24th January 2011 – 10am		
Half Year Internal Audit Report 2009/10	To receive a report detailing the work of the Internal Audit Section to date.	Head of Internal Audit Neil Hunter
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
14th February 2011 – 2p.m.		
No items currently scheduled		
21st March 2011 – 10a.m.		

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME 2010/11**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Information Security Annual Report	To receive a report on the Council's Information Security arrangements.	Chief Officer (Business Transformation) Lee Hemsworth
18th April 2011 – 10a.m.		
Annual Audit and Inspection Letter	To receive a report presenting the Annual Audit and Inspection Letter 2010/11.	Chief Officer (Audit and Risk) Tim Pouncey
Consultation on External Audit and Inspection Plan 2010/11	To receive a report consulting Members on the content of the External Audit and Inspection Plan 2010/11.	Chief Officer (Audit and Risk) Tim Pouncey
Corporate Governance Statement Action Plan	To receive a report detailing progress made against actions in the Corporate Governance Statement Action Plan.	Head of Governance Services Andy Hodson
Corporate Governance and Audit Committee Annual Report 2009/10	To receive a report presenting the draft Corporate Governance and Audit Committee Annual Report 2010/11.	Head of Governance Services Andy Hodson
11th May 2011 – 10a.m.		
Annual Report on Risk Management	To receive a report regarding the Council's risk management arrangements.	Chief Officer (Audit and Risk) Tim Pouncey

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME 2010/11**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Annual Report on Community Engagement	To receive a report presenting the annual report on Community Engagement.	Assistant Chief Executive (Planning, Policy and Improvement) James Rogers
Annual Monitoring of Key and Major Decisions	To receive a report presenting the outcome of the monitoring process relating to Key and Major decisions.	Head of Governance Services Andy Hodson
Planning Decisions Process	To receive a report to gain assurance of the process by which planning decisions are taken by the Council. (This report was requested at the meeting held on 12 th May 2010 during discussions on the process by which planning decisions are taken by the Council)	Chief Planning Officer Phil Crabtree
Un-scheduled items for 2010/11		
Value for Money Arrangements	To receive a report regarding the Council's arrangements in relation to achieving Value for Money. (Report to be brought to the Committee to gain assurance that value for money is being achieved across the Council)	Director of Resources Alan Gay
Children's Services Performance Measurement	To receive a report outlining a consistent process by which Children's Services can measure its own performance, including a 'traffic light' system. (Report to be brought to the Committee to gain assurance on the process used by Children's Services to measure its own performance)	Director of Children's Services

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME 2010/11**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Council and Partner responses to anti-social behaviour	<p>To receive a report detailing the results of the anti-social behaviour process review.</p> <p>(Report requested at the meeting held on 17th March 2010 following the overview of Council responses to anti social behaviour)</p>	Chief Officer Community Safety Simon Whitehead
Corporate Performance Management	<p>To receive a report detailing the wider corporate performance management governance adopted by the authority, that enables early warning of possible severe failure, rather than relying on inspection from external bodies.</p> <p>(Report requested at the meeting held on 17th March 2010 following discussion of the Ofsted and care Quality Commission Inspection of safeguarding and looked after Children's Services in Leeds)</p>	Assistant Chief Executive (Planning, Performance and Improvement) James Rogers
Annual Monitoring of Key and Major decisions	<p>To receive a report presenting the outcome of the monitoring process relating to Key and Major decisions.</p> <p>(The annual report to the Committee to gain assurance that Key and Major decisions are being made in line with procedure)</p>	Head of Governance Services Andy Hodson
ALMO Annual Assurance Report	To receive the Annual Assurance report from Strategic Landlord based on the assurances received from the ALMOs.	Strategic Landlord John Statham

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