



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Meeting to be held in Civic Hall, Leeds on
Monday, 21st March, 2011
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

G Tollefson
(Chair of Standards Committee)

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.</p>	
6			<p>MINUTES OF THE PREVIOUS MEETING</p> <p>To confirm as a correct record the minutes held on 14th February 2011.</p>	1 - 6
7			<p>MINUTES OF THE STANDARDS COMMITTEE</p> <p>To receive the minutes of the Standards Committee meeting held on 16th February 2011</p>	7 - 12
8			<p>KPMG REPORT - FINANCIAL STATEMENTS AUDIT PLAN</p> <p>To receive a report of the Director of Resources informing the Committee of KPMG's audit plan for the audit of the Council's accounts. The attached report from KPMG highlights the risk based approach to the audit and the main risks they have identified for 2010/11.</p>	13 - 38

Item No	Ward	Item Not Open		Page No
9			<p>KPMG REPORT - GRANTS AND RETURNS IN 2009/10</p> <p>To receive a report of the Director of Resources informing the Committee on the result of the work KPMG have carried out on the certification of grant claims in respect of 2009/10.</p>	39 - 48
10			<p>ANNUAL INFORMATION SECURITY REPORT</p> <p>To receive a report of the Assistant Chief Executive (Planning, Policy and Improvement) providing the Committee with an annual report on the steps being taken to improve Leeds City Council's information security in order to provide assurance for the Annual Governance Statement.</p>	49 - 62
11			<p>CONTRACT PROCEDURE RULES</p> <p>To receive a report of the Assistant Chief Executive (Corporate Governance) setting out the current position in relation to the Council's Contract Procedure Rules.</p>	63 - 126
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.</p>	127 - 132

Agenda Item 6

Corporate Governance and Audit Committee

Monday, 14th February, 2011

PRESENT: Councillor G Driver in the Chair
Councillors P Grahame, N Taggart,
C Campbell, G Kirkland, A Lowe, Tollefson,
S Smith, J Elliott, P Harrand, W Hyde,
J Lewis and T Hanley
Co-optee G Tollefson

Apologies

88 Appeals Against Refusal of Inspection of Documents

There were no appeal against the refusal of inspection of documents.

89 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

90 Late Items

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

91 Declaration of Interests

There were no declarations of interest made.

92 Apologies for Absence

There were no apologies received for absence.

93 Minutes of the Previous Meeting

The minutes of the Corporate Governance and Audit Committee held on 24th January 2011 were approved as a correct record.

94 Matters Arising

The Chief Officer (Audit and Risk) informed the Committee, in relation to Minute 86, Annual Audit Inspection Letter, that in light of discussions with KPMG during the item and through officer negotiation, KPMG will propose an

audit fee of £513,000k which is line with Audit Commission recommendations. The proposed fee had previously been £598,500.

95 Corporate Performance Management Arrangements

The Performance Manager (Planning, Policy and Improvement) presented a report of the Assistant Chief Executive (Planning, Policy and Improvement) which showed the procedures in place that will act as an early warning system for potential areas of concern, rather than the authority relying on inspection from external bodies alone. The report also introduced Members to the Performance Dash Board that has been adopted by the authority and were presented with a visual display showing what the Performance Dashboard looks like.

Members contemplated the Performance Dashboard presented to them and stressed the importance of this work in contributing to a strong control environment and reducing the potential for any unexpected outcomes which could have a negative impact on the Council.

RESOLVED – The Committee resolved to note the contents of the report.

96 Implications of the Localism Bill for the ethical framework in Leeds

The Chair of the Standards Committee and the Head of Governance Services presented a report of the Assistant Chief Executive (Corporate Governance) which sought preliminary views from the Committee as part of a consultation process on aspects of the Localism Bill which relate to the Council's ethical governance arrangements, specifically: Members' Code of Conduct; Standards Committee; and Local Assessment arrangements.

Members discussed the report in detail, considering the various questions relating to the Standards Regime which had been framed in response to the Member Code of Conduct implications of the Localism Bill

Members considered whether in principle a code of conduct need be put in place. Members commented that public interest in such arrangements is likely to remain. Members also commented that should a new code be introduced consideration of allegations of misconduct should be different to what has gone before in that Members should be informed from the outset that a complaint had been made against them. Furthermore that it would be essential for any complaint to be reviewed before any proceedings take place to ensure that frivolous complaints are rejected.

Members were also of the view that if adopted any new code of conduct should be signed by all current Members and any new Members on being elected to the Council.

The Committee agreed that if any local arrangement be introduced consideration would need to be given as to the role of independent people as co-opted Members.

RESOLVED – Members resolved that:

- (a) a voluntary code of conduct should be introduced that should be different to the previous code specifically allowing Members to be informed from the outset of any complaint, specifically that:
1. the same process should be in place for dealing with differing complaints, namely:
 - Member against Member;
 - officer against Member; and
 - member of the public against Member.
 2. consideration be given to whether a separate Committee be appointed to administer any complaints under a voluntary code;
 3. any such Committee should be independent, and consideration be given as to whether the Chair be an independent co-opted individual; and
- (b) a further report be brought to the Committee providing an update on the implications of the Localism Bill.

(Councillor Taggart entered the meeting at 2:20pm during the discussion of this item. Councillor Lowe entered the meeting at 2:40pm during the discussion of this item.)

97 International Financial Reporting Standards

The Principal Finance Manager (Financial Management) presented a report of the Director of Resources. The report updated the Committee on progress towards implementing IFRS based accounts for the 2010/11 financial year.

Members discussed the report raising particular concerns with regards to: ensuring that all Leases the Council had entered into had been recorded; and the increase in the deficit figure.

RESOLVED - Members resolved to note the progress to date on implementation of IFRS.

98 Reporting Arrangements for Significant Legal Cases Involving the Council

The Chief Officer (Legal, Licensing and Registration) presented his report which advised the Committee of current arrangements in respect of significant legal cases involving the Council and make recommendations in respect of such arrangements.

Draft minutes to be approved at the meeting
to be held on Monday, 21st March, 2011

Members discussed the report and specifically considered the proposals featured in paragraph 7 of the report. Members considered which Members should be kept informed of significant legal cases and the depth of information that should be given.

It was considered that rules surrounding which Members should be informed of significant legal cases might not be the best option as this could potentially restrict the flow of information to Members. Members also considered that reports should be received as appropriate and that they should be provided by Directors.

Members also asked questions on the trends of cases against the Council and the reasons behind any trends. It was considered that the statistics and costs of legal cases would be best considered at the Central and Corporate Scrutiny Board.

RESOLVED – The Committee resolved to:

- (a) agree that the Chair of the Committee write to the Chair of the Central and Corporate Scrutiny Board to request that the Board considers whether it wishes to add to its work programme consideration of the statistics and spend relating to legal cases made against the Council.
- (b) not be limited by rules as to which Members should be informed about legal cases involving the Council;
- (c) agree that a brief outline for each significant case should be given to the relevant Executive Member and ward members where appropriate;
- (d) the timing of such reports should be monthly or at key stages of the case; and
- (e) agree the responsibility for updating Members should fall to Directors.

99 Reporting Arrangements for Significant Claims Against the Council

The Insurance Manager presented a report of the Director of Resources. The report advised the Committee of the current arrangements for advising management of significant legal action against the Council.

Members discussed the report in detail. Members asked questions with regards to the costs associated with insuring the Council's assets. Also highlighted was the cost of the numerous small claims made against the Council and that efforts should be made to prevent this type of claim.

RESOLVED – The Committee resolved to:

- (a) receive details on the cost of insuring the Council's assets;
- (b) receive a further report detailing the amount and type of small claims and the actions taken to reduce them; and

- (c) confirm they were satisfied with the process for dealing with trends in insurance claims and the process for informing Members of significant claims against the Council.

100 Internal Audit Report February 2011

The Head of Internal Audit presented a report of the Director of Resources. The report detailed the cost of Internal Audit to the Council and provided information on the value the section adds to the Council. The report also provided the Committee with the reports Internal Audit has issued from 1st June 2010 to the 24th January 2011.

Members discussed the report and highlighted the importance of keeping a significant number of days for counter fraud and corruption work. Whilst considering the report Members were also concerned to ensure that all outstanding duplicate payments owed to the Council are recovered.

The Committee raised concerns about suspected misappropriation of ICT equipment due to poor control arrangements and noted the work Internal Audit has done to improve this situation.

In reviewing the audits completed Members identified Mount St Mary's School had be marked as having a failing control environment and failing in compliance with it and requested further information on the reasons behind this.

In summary Members agreed in light of the current economic climate there should be a re-ordering of priorities in terms of auditing Council services.

RESOLVED – The Committee resolved to:

- (a) note the Internal Audit report, the changes to the 2010/11 Operational Plan and the value added to the organisation by the Internal Audit section; and
- (b) request details on the finding of the audit of Mount St Mary's School.

101 Communities and Local Government Consultation - Amendments to the Accounts & Audit Regulations 2003

The Principal Finance Manager (Financial Management) presented a report of the Director of Resources. The report informed Members of the main amendments to the Accounts and Audit Regulations 2003 and sought Members' views on the proposed changes.

Members discussed the report and expressed dissatisfaction with the de-criminalisation of contravention of the Accounts and Audit Regulations 2003.

RESOLVED – The Committee resolved to note the contents of the report.

102 Work Programme

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

The Committee reviewed its forthcoming work programme.

RESOLVED - The Committee resolved to note the draft work programme.

Standards Committee

Wednesday, 16th February, 2011

PRESENT:

Independent Members

Gordon Tollefson (Chair)
Joanne Austin
Rosemary Greaves
Philip Turnpenny

Councillors

C Campbell	B Selby	E Nash
B Gettings	J L Carter	

Parish Members

Councillor P Cook	Morley Town Council
Councillor Mrs P Walker	Pool in Wharfedale Parish Council

APOLOGIES:

Councillors J Priestley, J Harper and R D Feldman

19 Appeals against refusal of inspection of documents

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

20 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

21 Late items

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

22 Declaration of interests

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

23 Minutes of the Previous Meeting

The minutes of the Standards Committee meeting held on 13th July 2010 were approved as a correct record.

Further to Minute 5, the Chair informed the Committee that he had attended the Whips meeting held on 13th July 2010 and had received some constructive comments.

Further to Minute 17(b), the Chair reported that Member Management Committee would be asked to comment upon the proposed amendments to the Members E-Mail Code of Practice at its meeting to be held on 29th March 2011.

24 Minutes of the Assessment Sub-Committee

The minutes of the Assessment Sub-Committee meeting held on 13th December 2010 were received and noted.

25 Minutes of the Consideration Sub-Committee

The minutes of the Consideration Sub-Committee meetings held on 29th June and 13th December 2010 were received and noted.

26 Minutes of the Corporate Governance and Audit Committee

The minutes of the Corporate Governance and Audit Committee meetings held on 30th June, 29th July, 29th September, 15th November, 14th December 2010 and 24th January 2011 were received and noted.

Members queried whether the inclusion of the Corporate Governance and Audit Committee minutes with the Standards Committee agenda was necessary. The Chair undertook to discuss this further with the Chair of the Corporate Governance and Audit Committee and the Assistant Chief Executive (Corporate Governance).

27 Officer/Employee Code of Conduct

The Head of Human Resources presented a report of the Chief Officer (Human Resources) providing an update on the work which has taken place, and is taking place, around the Code of Conduct which applies to staff. It was reported that legal advice is currently being sought as to whether it is lawful to require employees to register their membership of the Freemasons, following a letter received from the Grand Lodge.

Members particularly discussed the need to include more information in the Code of Conduct regarding vexatious complaints against Members, and how this would be dealt with.

The need to require employees with decision making powers to publicly register their interests was also discussed. Members were informed of the arrangements currently in place in different departments to help to ensure that employees declare conflicts of interest.

The Head of Human Resources undertook to refer the Committee's comments to the Chief Officer (Human Resources) in order that they can be considered as part of the review of the Employee Code of Conduct, and inform the Committee of the timeframe for the review within the next 7 days.

RESOLVED – Members of the Standards Committee resolved to:

- (a) note the report;
- (b) request that the Committee's comments are referred to the Chief Officer (Human Resources) and taken into account as part of the review of the Employee Code of Conduct; and
- (c) request that the Head of Human Resources informs the Committee of the timeframe for the review of the Employee Code of Conduct within the next 7 days.

28 Ethical Audit Action Plan: HR Issues Update

The Head of Human Resources presented a report of the Chief Officer (Human Resources) providing a final update to the Committee on the actions assigned to the Chief Officer (Human Resources) as a result of the Ethical Audits undertaken in 2006 and 2007.

Members particularly discussed the meaning of 'operational matters' and the types of issues that it would be inappropriate for a Member to become involved in, such as staffing matters.

RESOLVED - Members of the Standards Committee resolved to:

- (a) note the contents of the report; and
- (b) note the more targeted approach to potential risk areas set out in paragraphs 4.3 and 4.4 of the report.

29 Implications of the Localism Bill for the Ethical Framework in Leeds

The Head of Governance Services presented a report of the Assistant Chief Executive (Corporate Governance) briefing Members of the Standards Committee on the aspects of the Localism Bill which relate to the Council's ethical governance arrangements, specifically the Members' Code of Conduct, Standards Committee, and local assessment arrangements.

The following issues were discussed:

- The Localism Bill proposes to impose a duty on Councils to promote and maintain high standards of conduct by Members and co-opted members of the authority, even though there would be no obligation to adopt a Code of Conduct;
- Conduct issues could be dealt with through group Whips, or criminal law for more serious matters, instead of a Code of Conduct;

- It would be useful to create a guidance note for Members on how to behave;
- Comparisons of the way in which conduct matters were handled in other organisations;
- The current threshold at which it is necessary to register the receipt of gifts and hospitality (£25.00) is too low and should rise to £50.00 to be in line with the threshold for election returns;
- Members should only have to register interests that are relevant to the decisions they take; and
- It is too early to comment upon the proposals in the Localism Bill as it could be amended before it receives Royal Assent, therefore the report should be noted.

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

30 Standards Committee - Interim Annual Report

The Corporate Governance Officer presented a report of the Assistant Chief Executive (Corporate Governance) providing members of the Standards Committee with performance information regarding the Standards Committee's activities during the 2010/11 municipal year.

RESOLVED – Members of the Standards Committee resolved to:

- (a) note the contents of the report;
- (b) agree that the information in the report will form the basis of the Standards Committee's Annual Report for the current municipal year; and
- (c) agree that the information in the report be presented to the Corporate Governance and Audit Committee as part of the six monthly reporting arrangements.

31 Annual Report of the Monitoring Officer

The Assistant Chief Executive (Corporate Governance) presented a report providing the Monitoring Officer's Annual Report which is required under paragraph 5 of the Monitoring Officer Protocol.

RESOLVED – Members of the Standards Committee resolved to:

- (a) note the assurances and performance information provided in the report; and
- (b) request that all Members are notified that this report is available.

32 Standards Committee Work Programme

The Assistant Chief Executive (Corporate Governance) submitted a report notifying Members of the Committee of the work programme for the remainder of the municipal year. Members were asked to cancel the final meeting of the municipal year which was due to be held on 20th April 2011, as there were no scheduled items.

RESOLVED – Members of the Standards Committee resolved to:

(a) note the work programme; and

(b) agree that the Standards Committee meeting due to be held on 20th April 2011 be cancelled.

33 Chair's Closing Remarks

The Chair informed the Committee that Rosemary Greaves' and Councillor John Priestley's term of office would expire on 26th May 2011, therefore this would be their final Standards Committee meeting. It had been decided not to seek any re-appointments due to the reduction in the workload of the Committee and the proposals in the Localism Bill.

On behalf of the Committee, the Chair expressed his appreciation to Ms Greaves and Councillor Priestley for their service and helpful contributions.

This page is intentionally left blank



Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 21st March 2011

Subject: KPMG report - Financial Statements Audit Plan

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

1.0 Executive Summary

- 1.1 In order to discharge its statutory duties, KPMG has issued an audit plan for the Council's 2010/11 accounts. The attached report identifies the key stages of the audit, the planned timetable and the key risks identified. A further audit plan for concluding on the Council's arrangements for securing Value For Money is to be presented to this Committee in April.
- 1.2 Officers have assessed the risks identified and undertaken appropriate action to mitigate the risks.

2.0 Purpose Of This Report

- 2.1 To inform members of KPMG's audit plan for the audit of the Council's accounts. The attached report from KPMG highlights the risk based approach to the audit and the main risks they have identified for 2010/11. This report also provides a summary of the actions undertaken by officers of the Council to mitigate the risks identified.

3.0 Background Information

- 3.1 KPMG's statutory responsibilities and powers are set out in the Audit Commission Act 1998, The Local Government Act 1999 and the Audit Commission's Code of Audit Practice. As the Council's external auditors, KPMG are required to satisfy themselves that the Council's accounts comply with statutory requirements and that they have been compiled according to proper practices.

4.0 Main Issues

- 4.1 The attached report from KPMG identifies the four key stages for the audit of the Council's financial statements:
- Planning,
 - Evaluation of controls (Interim Audit),
 - Substantive testing,
 - Finalisation (audit opinion and reporting the main findings).

For the 2010/11 accounts, KPMG have completed the first stage of the audit plan and have commenced work on the Interim Audit. The findings from the interim audit will be the subject of a separate report to this Committee in May. The main audit work (substantive testing) is timetabled for July and August, with the resulting audit opinion and findings due to be reported back to this Committee in September.

4.2 The report also references the requirement for KPMG to conclude as to whether the Council has made proper arrangements to secure Value For Money in the use of its resources. KPMG's approach to this audit will be the subject of a further report due to be brought to this Committee in April.

4.3 The main risks identified in KPMG's audit plan and the action proposed by officers are as follows:

4.3.1 Risk – The Council does not establish a robust budget to deal with the current financial pressures.

Action taken - As outlined in the report to Full Council on the Revenue Budget and Council Tax for 2011/12, the Director of Resources considered the following when reporting on the robustness of the budget and the adequacy of the level of reserves:-

- the level of reserves is in line with the risk based reserves strategy, and is a significant increase from the previously determined minimum level of reserves.
- budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action, and reporting arrangements to members will be enhanced by way of monthly reporting to the Executive Board.
- the budget contains a number of challenging targets and other actions, these are clearly identified, and will be subject to specific monitoring by the Council's Corporate Leadership Team, and as such, are at this time considered reasonable and achievable.
- risks are identified, recorded in the budget risk register and will be subject to control and management.
- as part of the Council's reserves policy directorates are required to have in place a budget action plan which sets out how they will deal with variations during the year up to 2%.
- early actions have been taken to reduce spending including an early leavers initiative
- there is a clear understanding of the duties of the Council's statutory Financial Officer and that the service implications of them being exercised are fully understood by members and senior management alike.

4.3.2 Risk – The Council fails to correctly value its assets.

Action taken – KPMG's final audit report for the 2009/10 accounts identified a number of properties (£3.2m) still included in the asset register which had been previously sold. Officers have strengthened the procedure for removing assets which have been sold or demolished and a review of the asset register is currently underway to identify any assets which are still being recognised after disposal.

4.3.3 Risk – Failure to comply with proper accounting practice (International Financial Reporting Standards).

Action taken – Members of this Committee have received regular updates on the progress towards IFRS implementation. A comprehensive work plan is in place and all actions are proceeding to timetable. Implementation of the work plan is monitored

by the Chief Officer Financial Management by way of an IFRS Implementation Board.

5.0 Implications For Council Policy And Governance

- 5.1 Under the Committee's terms of reference members are required to agree the nature and scope of the external audit plan.
- 5.2 The officer's responses to the risks identified in the KPMG audit plan provides members with assurances that appropriate action is been taken to mitigate these risks and prevent them impacting on the 2010/11 accounts.

6.0 Legal And Resource Implications

- 6.1 The report by KPMG outlines how they propose to discharge their responsibilities as defined by the Audit Commission Act 1998, The Local Government Act 1999 and the Audit Commission's Code of Audit Practice.

7.0 Conclusions

- 7.1 KPMG have provided the Council with a clear plan for discharging their responsibilities in respect of the external audit of the Council's 2010/11 accounts. They have also identified what they see as the main risks and officers have put in place procedures to mitigate these risks.
- 7.2 KPMG will undertake detailed testing of the Council's accounts in July and August. The substantive testing will pay particular attention to the key risks identified and the findings will be reported back to this Committee in September.
- 7.3 A further audit plan will be presented to this Committee in April in respect of the Value for Money. conclusion.

8.0 Recommendations

- 8.1 Members are asked to:
- 8.1.1 Agree the external audit plan in respect of the Council's financial statements.
- 8.1.2 Note the action taken by officers to manage the risks identified

Background Documents Used

Reports to Corporate Governance & Audit Committee:

- International Financial Reporting Standards (23/04/2008, 17/03/2010 and 14/02/11).
- Audited Statement of Accounts and the Value for Money Assessment 2009/10 (29/09/10)

Report to Full Council on the Revenue Budget and Council Tax for 2011/12

This page is intentionally left blank

PUBLIC SECTOR

Leeds City Council

Financial Statements Audit Plan 2010/11

10 December 2010

AUDIT

Contents

The contacts at KPMG in connection with this report are:

Mike McDonagh
Partner
KPMG LLP (UK)
Tel: 0121 335 2440
michael.a.mcdonagh@kpmg.co.uk

Steve Clark
Director
KPMG LLP (UK)
Tel: 0113 254 2910
stephen.clark@kpmg.co.uk

Alison Ormston
Senior Manager
KPMG LLP (UK)
Tel: 0113 231 3444
alison.ormston@kpmg.co.uk

Sam Bradford
Manager
KPMG LLP (UK)
Tel: 0113 231 3624
sam.bradford@kpmg.co.uk

Natalie Coates
Assistant Manager
KPMG LLP (UK)
Tel: 0113 254 3148
natalie.coates@kpmg.co.uk

Summary	2
Audit overview	3
Key financial statement audit risks	5
Audit team	11
Independence confirmation	13
Audit fees	14
Audit timeline & deliverables	16
Appendix 1: Meeting your expectations	18
Appendix 2: Balance of internal controls and substantive testing	19
Appendix 3: Independence and objectivity requirements	20
Appendix 4: Quality assurance and technical capacity	21

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 on 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 e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421

Summary

Our audit is divided into:

- use of resources; and
- financial statements.

This document describes how we will deliver our audit work for Leeds City Council.

Our statutory responsibilities and powers are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Audit Commission's Code of Audit Practice (the Code).

The Audit Commission's Code summarises our responsibilities into two objectives, requiring us to review and report on your:

- *financial statements (including the Annual Governance Statement):* providing an opinion on your accounts; and
- *use of resources:* concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's Statement of Responsibilities of Auditors and Audited Bodies sets out the respective responsibilities of the auditor and the Council. The table below summarises the work we will do this year.

Our Responsibility	Risks, Proposed work and output
<p>Financial Statements and Annual Governance Statement</p>	<p>Key risks identified are as follows:</p> <ul style="list-style-type: none"> • Financial standing: There will be significant pressures on all Local Authorities due to funding cuts from Central Government and other sources such as Regional Development Agencies as a result of the Comprehensive Spending Review. Leeds in 2011/12 face a £90m budget gap and an approved budget plan is now agreed to address this gap. • Valuation of Fixed Assets: During 2008/09 and 2009/10 we identified a number of adjustments in relation to fixed asset balances. The Authority need to ensure that they complete a detailed quality assurance review of their accounts close down process to prevent similar issues arising in year and to ensure that the valuation of its asset base is not materially misstated. • Implementation of International Financial Reporting Standards: All local authorities are required to implement IFRS in 2010/11, including restating prior period figures. This will result in some fundamental differences in accounting and will require significant planning to ensure your financial statements reflect the new standards (see page 6 for more details). <p>Our work will encompass:</p> <ul style="list-style-type: none"> • Review of the controls over the completion of the accounts, relying on Internal Audit wherever possible to avoid duplication. • A detailed audit of the financial statements, associated disclosure notes and the Annual Governance Statement. • Review of the three key risks identified, addressed through our detailed audit work and discussions with senior finance officers. <p>The findings of this work support the audit opinion that we issue on your financial statements.</p>
<p>Use of Resources / Value for Money work</p>	<ul style="list-style-type: none"> • In response to the changing financial environment, the Audit Commission has introduced a new approach to local value for money (VFM) work at those bodies previously subject to a use of resources (UoR) assessment. The new, more focused and less costly approach will reduce the work auditors do to the minimum necessary to meet their statutory VFM responsibilities. <p>Our work will encompass:</p> <ul style="list-style-type: none"> • A risk assessment to identify the amount and focus of local VFM work. • Where applicable, undertaking local VFM work to address the risks identified in the risk assessment. <p>The findings of this work will inform our value for money conclusion.</p>

Audit overview

We undertake our work on your financial statements and Annual Governance Statement (AGS) in four key stages.

Our work results in our audit opinion on your financial statements.

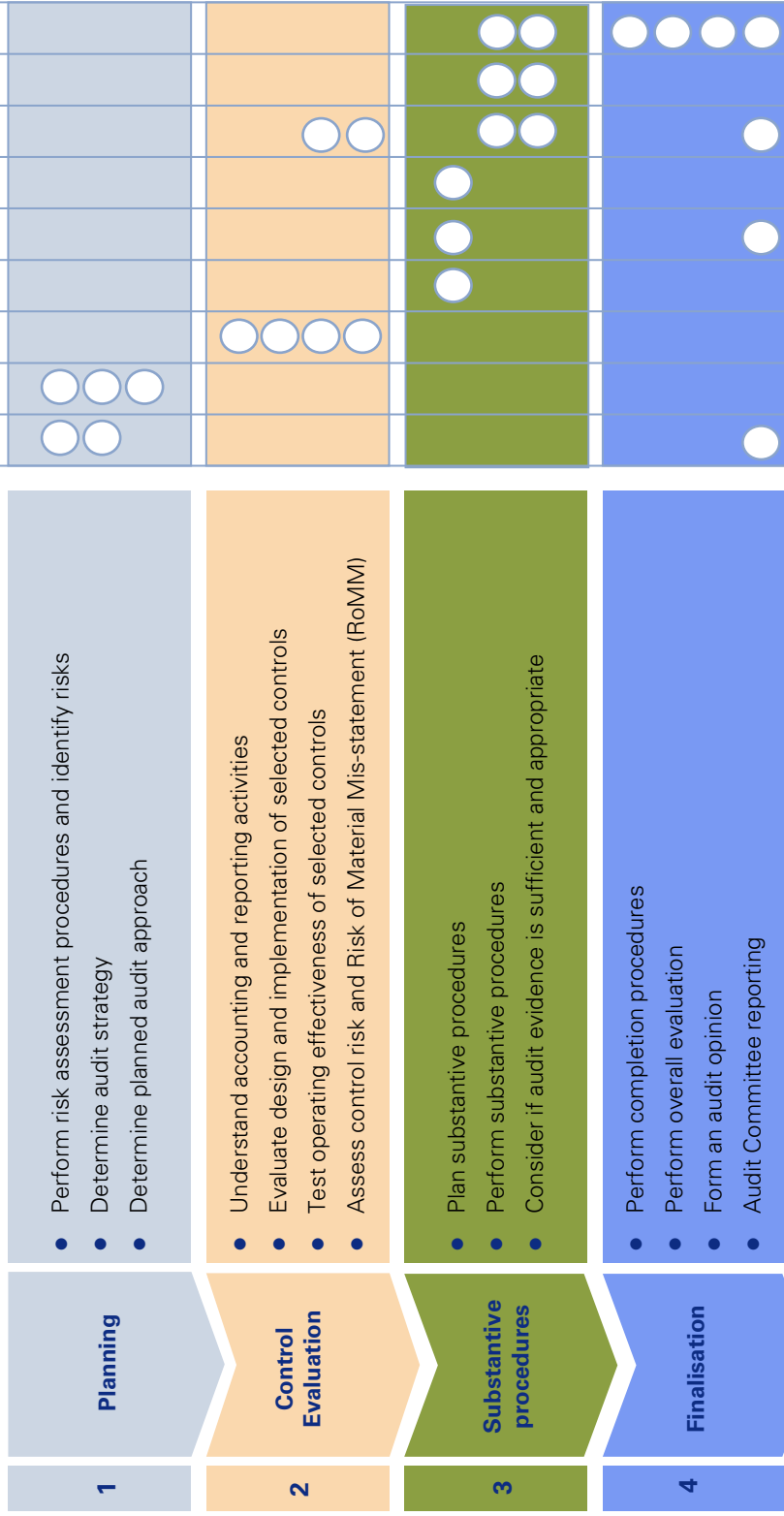
We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We are required to provide an audit opinion on the accounts.

We are also required to satisfy ourselves that your AGS is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this opinion.

In addition to the Council's financial statements which includes the consolidated group accounts, we are also required to audit and provide an opinion on the Whole of Government Accounts return submitted to central government.

Our Audit Process

We have summarised the four key stages of our financial statements audit process for you below:



Audit overview (continued)

We work with your finance team and internal audit team to enhance the efficiency of the accounts audit.

Our Audit Process (continued)

As part of our audit process, we will work closely with the finance team to understand and continually improve the accounts production process. At the planning stage of our audit we will issue the Council with a 'prepared by client' list which will include a detailed schedule of information requests to support the financial statements.

Our audit procedures also include an assessment of your arrangements to deliver your responsibilities to prevent and detect fraud. The auditing standard for fraud, ISA240 (revised), responds to the increased sensitivity to fraud and the importance given to auditors' work on fraud. Additionally, the Fraud Act 2006 and the Government Review of Fraud 2006 may impact on your responsibilities to manage fraud.

Liaising with internal audit

We have a strong working relationship with Internal Audit and we will continue to work closely with them to maximise the effectiveness of their work on core financial systems and governance at the Council.

International Financial Reporting Standards (IFRS)

All Local Authorities are required to implement IFRS, moving away from UK GAAP for 2010/11 financial statements. We will continue to work closely with the finance team to ensure the smooth transition to IFRS. We will audit the restated 2009/10 balances prior to the final visit in order to provide early assurance on key aspects of your IFRS migration work, identify any issues on a timely basis and also ensure some accounting and audit effort is brought forward to alleviate the busy closedown and final accounts audit season over the summer.

Whole of government accounts (WGA)

KPMG are required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office. The 2010/11 WGA consolidated pack will need to be produced in accordance with the International Financial Reporting Standards (IFRS).

National Fraud Initiative

The Council participates in the National Fraud Initiative, which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated against public bodies. During our audit we will review the Council's progress and actions in following up the matches identified.

Electoral Challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

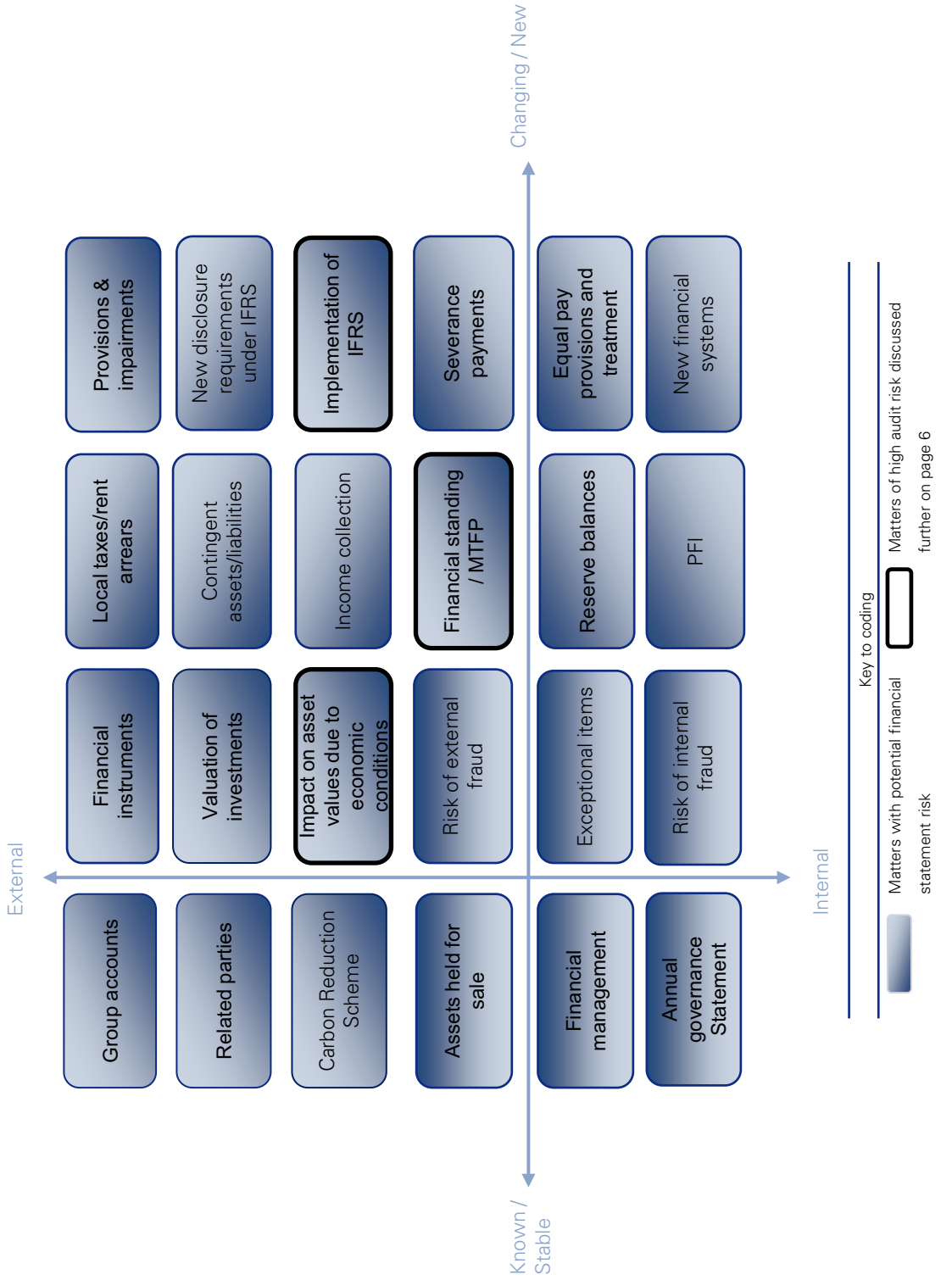
As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on any elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised. The costs incurred in responding to questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

Key financial statement audit risks

These are the key financial statement risks identified for 2010/11 and some examples of other risks that we will consider during the audit. We seek to tailor our audit approach to reflect this risk assessment.

The following areas are considered to be high audit risk:

- Implementation of IFRS
- Valuation of Fixed Assets
- Financial standing / MTFP



Key financial statement audit risks

For each key risk audit area we have outlined the impact on our audit plan.

We will provide updates to the Audit Committee on these risk issues throughout our audit.

KEY audit risks



Impact on audit plan

Financial standing / medium term financial planning

- We are aware that, like many public sector bodies the Council face significant pressures in coming years to achieve a balanced budget. Currently the Council envisage that for 2011/12 they have a financial gap of approximately £90m. The Council are working very hard to address these challenges and are considering a wide range of options that are available to them. During these challenging times the Council recognise the vital role that Members will play in setting the Council's priorities and delivering against their Corporate Plan.
- Given the significant financial pressures the Council will face we will ensure that we maintain close links with management during this period. We will consider the Council's general financial standing and in particular its approach to medium term financial planning, particularly during our use of resources audit work. In addition we will consider the potential impact of the outcome from this work on our financial statements audit.

Key financial statement audit risks (continued)

For each key risk audit area we have outlined the impact on our audit plan. We will provide updates to the Audit Committee on these risk issues throughout our audit.

KEY audit risks



Impact on audit plan

Valuation of Council Assets

- Valuation of Council Assets is considered to be a key audit risk for the following reasons:
 - During 2009/10 audit we found a small number of errors relating to fixed asset valuations. There were five assets which were due to be revalued in year which then revealed that the Council no longer owned the assets despite being on the fixed assets register. In addition, there were fixed assets which were had been under construction which were then revalued but these values were not updated in the fixed asset register.
 - There is a change in the valuation process during 2010/11 as the Council are changing the number of Valuers from five to one, bringing all valuations in house.
 - There are added complications in the valuation of Council assets during 2010/11 due to componentisation as a result of the transition to IFRS.
- We will review valuations obtained by the Council from the in-house team to ensure that asset values have been correctly recorded in asset registers and the financial statements.
- We will assess valuation assumptions for appropriateness.
- We will review the Council's processes for identifying assets which may require impairment and consider whether these impairments have been accounted for correctly within the financial statements.

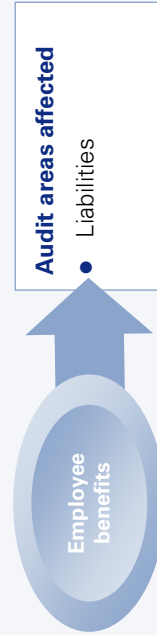
Key financial statement audit risk - IFRS

For each key risk audit area we have outlined the impact on our audit plan.

We will provide updates to the Audit Committee on these risk issues throughout our audit.

Transitions to IFRS represents the largest change in accounting for a number of years. We have detailed within the next slides the major implications of the new standards and how our audit work will be adapted to address these key risks.

KEY audit risks



Impact on audit plan

IFRS conversion process

Impact of conversion process

- The Council will require a lot of planning and resources to ensure a smooth and successful transition to IFRS.
- The Council have an IFRS Work Plan in place with lead officers being allocated responsibility for individual work areas. The finance team have involved us at an early stage in the conversion process and are keeping us up to date with progress against the Work Plan as well as seeking clarification on specific issues.

Our audit work

- We will audit the re-stated 2009/10 financial statement figures, where available in January / February. During this time we will assess the processes being undertaken by the Council and provide advice on how this can be improved to ensure the final years figures are compliant with the standards.
- We will keep in regular contact with the finance team during this period, discussing emerging issues and current guidelines.
- During the final accounts audit we will audit all figures in line with IFRS.

Employee benefits

Impact of IAS 19

- New liability to be recognised on the balance sheet where there is a requirement to pay wages and salaries, bonuses and holiday pay.
- The Council have gathered data to calculate the short term employee benefit liability for 2008/09 and 2009/10. The finance team will be working on the collation of data for the 2010/11 accrual post year end.

Our audit work

- During the audit of the re-stated 2009/10 balances we will assess whether the Council with the current payroll system can provide the information needed to calculate the obligation.
- During the final process we will audit the balance using the data collated by the Council to ensure it is line with the requirements of the standard.

Key financial statement audit risk – IFRS (continued)

KEY audit risks

For each key risk audit area we have outlined the impact on our audit plan. We will provide updates to the Audit Committee on these risk issues throughout our audit.

Transitions to IFRS represents the largest change in accounting for a number of years. We have detailed within the next slides the major implications of the new standards and how our audit work will be adapted to address these key risks.



Audit areas affected

- Tangible fixed assets

Impact on audit plan

Property, plant and equipment

Expected impact of IAS 16

- Local authorities are to component account for any additions or valuations on or after 1 April 2010. This means when an item of property, plant or equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately.
- The Council are currently establishing a policy on accounting for significant components of fixed assets for general fund assets. They are also awaiting national guidance due out in January around componentisation for Housing Revenue assets.

Our audit work

- During the interim visit we will assess the controls in place to ensure that additions/valuations are being addressed as components and appropriately recorded in the fixed asset register.
- During the final phase of our audit we will substantively test additions and valuations to ensure that these are correctly accounted for in line with the component requirements of IAS 16.



Audit areas affected

- Group accounts

Consolidations and Associates

Expected impact of IAS 27 & 28

- UK GAAP emphasises the substance of control whereas IFRS considers the power to control. As a result there may be a different interpretation of those entities consolidated into group.
- The Council have four charities which meet standard group entity definitions. The Council is proposing to consolidate these into the group accounts in line with the IFRSs. However, there remains a risk that the charities commission may challenge this approach as they did in the health sector. Therefore the Council will need to maintain a watching brief in this area.

Our audit work

- During the interim audit we will consider the Council's evaluation of its relationships with external partners to assess whether they should now be consolidated under the new standards.
- We will audit the consolidated statements during the final phase in line with IAS 27 & 28.

Key financial statement audit risk – IFRS (continued)

For each key risk audit area we have outlined the impact on our audit plan.

We will provide updates to the Audit Committee on these risk issues throughout our audit.

Transitions to IFRS represents the largest change in accounting for a number of years. We have detailed within the next slides the major implications of the new standards and how our audit work will be adapted to address these key risks.

KEY audit risks



Impact on audit plan

Leases

Impact of IAS 17

- Increased number of finance leases as IAS 17 gives a broader definition of finance leases than SSAP 21 resulting in more assets likely to come on balance sheet.
- The Council have undertaken an exercise to record all leases that they have and are currently undertaking an in-depth review to determine the accounting treatment for each lease. Given the number of leases the Council has, this has been a time consuming exercise and the Council recognise this a significant area that still requires further work.

Our audit work

- During the interim we will assess the Council's process for ensuring that there is a complete record of all leases and these are reviewed under the requirements of IAS 17.
- During the final phase we will review all material leases and contracts to determine whether they have been correctly treated as an operating lease or finance lease under IAS 17.

Audit team

Our audit team were all part of the Leeds City Council audit last year. Contact details are shown on page 1.

The audit team will be assisted by other specialist KPMG staff as necessary.



Mike McDonagh
**Engagement
Lead**

My role is to lead our team and ensure the delivery of a high quality external audit opinion. I will be the main point of contact for the Audit Committee, the Chief Executive and the Director of Resources



Stephen Clark
Director

I will ensure that the team adds value during the audit process. I will work closely with Mike to ensure a high quality audit is delivered and will liaise with the Audit Committee, the Chief Executive and the Director of Resources



Alison Ormston
**Audit Senior
Manager**

I will direct and help coordinate the audit. I will work closely with Mike and Steve to ensure the delivery of a high quality external audit opinion and that value is added during the audit process.



Sam Bradford
Audit Manager

I will be your day to day contact and will work closely with Alison Ormston to deliver a coordinated and efficient audit.

Audit team (continued)

Our audit team were all part of the Leeds City Council audit last year. Contact details are shown on page 1.

The audit team will be assisted by other specialist KPMG staff as necessary.



Natalie Coates
**Audit Assistant
Manager**

I will work closely with Sam and Alison to ensure we deliver a high quality audit. I will also supervise the work of our audit assistants.

Independence confirmation

Our independence and objectivity responsibilities under the Code are summarised in Appendix 3.

We confirm our audit team's independence and objectivity is not impaired.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The ISA defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 *Integrity, Objectivity and Independence* requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Confirmation statement

We confirm that as of 24 January 2011, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Appointed Auditor and audit team is not impaired.

Audit fees

The audit fee has not changed from that agreed in the high level audit strategy in April 2010.

We agreed our fee for the audit with the Authority earlier this year. The fee is calculated with reference to a number of factors including your turnover and our assessment of audit risk and control environment. This year's fee represents a 5% increase (after allowing for the reimbursement by the Audit Commission for the 'one-off' cost of transition to International Financial Reporting Standards (IFRS)) over last year (2009/10 = £504,000).

Element of the audit	Fee 2010/11
Audit fee	£570,000
Less: IFRS reimbursement	(£39,617)
Total audit fee	£530,383
Certification of claims and returns (estimate)	£100,000

We appreciate this is a significant fee increase and have set out the reasons for this below.

We are sympathetic however to the Council's difficult financial circumstances and are therefore not seeking to increase the fee to the "scale rate" for an authority such as Leeds CC which should be £598,500. Therefore the increased audit fee (before the IFRS reimbursement) is still 5% below the midpoint.

Compared to the prior year fee, we recognise that this is a significant fee increase, however the previous years fee level of £504,000 was 18.7% below the "mid point scale fee".

This low level of fee would only be sustainable if Leeds City Council were an exceptionally high performing authority and was purely focused on the delivery of existing services rather than on regeneration initiatives, BSF and other such complex and risk laden activities. We have been able to fulfil our statutory obligations based on a fee that was and is significantly lower than the "scale fee" but we have only been able to achieve this by KPMG underwriting the full and true cost of the audit. This situation is unsustainable from both a risk perspective and from the point of view of enabling us to fully ensure that we can continue to deliver our statutory audit obligations to you over the medium and longer term and therefore this cannot be sustained going forward and hence we must increase your fee to £570,000.

Audit fees (continued)

Our audit fee is indicative and based on you meeting our expectations of your support.

Meeting these expectations will help to the delivery of our audit within the proposed audit fee.

Audit fee assumptions

The audit fee is indicative and is based on you meeting our agreed expectations as outlined in Appendix 2. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2009/10;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the CIPFA Code of Practice on Local Authority Accounting within your 2010/11 financial statements (note 2010/11 is the first year based on IFRS);
- your financial statements are made available for audit in line with the agreed timescales;
- you will make available the re-stated 2009/10 figures in line with the agreed timescales and ensure they are in line with IFRS requirements;
- good quality working papers and records will be provided at the start of the final accounts audit;
- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
 - additional work is required of us by the Audit Commission or other regulators; and
 - additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.
- If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Director of Resources.

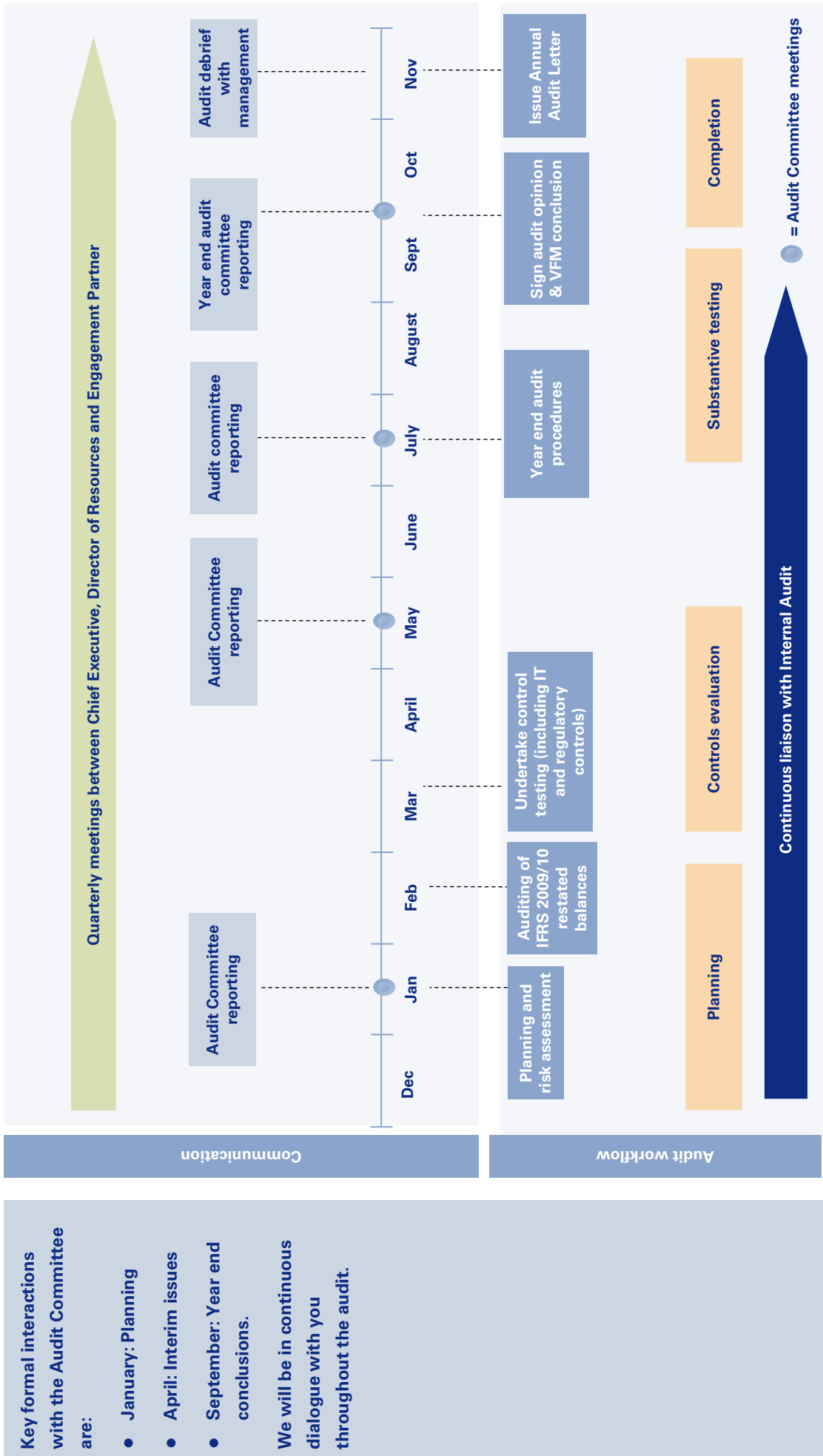
Audit timeline & deliverables

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agree each report with the Council's officers prior to publication.

Deliverable	Purpose	Timing
Planning		
Audit plan	<ul style="list-style-type: none"> Outline audit approach Identify areas of audit focus and planned procedures Confirm plan with Audit Committee 	January 2011
Interim		
Interim report	<ul style="list-style-type: none"> Details and resolution of control and process issues 	May 2011
Report on restated 2009/10 figures	<ul style="list-style-type: none"> Feedback on audit work undertaken on 2009/10 restated balances in line with IFRS Identify areas of improvement to ensure 2010/11 financial statements are fully compliant with IFRS 	May 2011
Year end audit		
Report to those charged with governance (ISA 260)	<ul style="list-style-type: none"> Commentary on Leeds City Council financial statements Commentary on Leeds City Council value for money arrangements Details the resolution of key audit issues Communication of adjusted and unadjusted audit differences Performance improvement recommendations identified during our audit 	September 2011
Opinion on financial statements	<ul style="list-style-type: none"> Independent auditors' report to the Members of Leeds City Council 	September 2011
Annual audit letter	<ul style="list-style-type: none"> Summaries the audit we have performed with key audit issues and outputs 	December 2011

Audit timeline & deliverables (continued)



Appendix 1: Meeting your expectations

How we will conduct ourselves

Communications

- We will be proactive in developing relationships with your staff where our audit work requires their input.
- We will ensure that all letters and emails are answered within five working days of receipt. All telephone messages received will receive a response within 24 hours, either by the individual concerned, Sam Bradford or Natalie Coates.
- We will ensure that all recommendations, and in particular those relating to our performance management work, are included within our Annual Audit Letter only after having been agreed with relevant Directors.
- Mike McDonagh or Alison Ormston will attend Audit Committee meetings and ensure that other relevant KPMG staff are invited as appropriate.
- We have been working with you throughout 2009/10 providing guidance on key issues in the transition to IFRS. We will continue working with the finance team to provide advice and review progress during 2010/11.

Working together

- We will ensure that the Director of Finance, Chief Accountant and other key members of staff are kept informed of the progress of our audit work throughout the year.
- We will liaise with staff at all levels of the Council to ensure that our work is appropriately planned and completed and where recommendations are made these are agreed with the likely responsible officer.

Cooperating with the Council

- We will continue to coordinate our work with that of internal audit and ensure that we provide appropriate proactive commentary to the finance function on issues that affect the Council's accounts.
- We will respond promptly to requests for comment on aspects of the Council's operations, where appropriate.

Our expectations of your support

Audit Plan

- Brief our staff on key issues affecting the Council.
- Review and agree the draft plan.

Interim Audit

- Facilitate the completion of internal audit's work (particularly on core financial systems) to timetable.
- Ensure that key officers are available for the duration of our audit.
- Respond to and agree our draft reports in good time.

Accounts Audit

- Ensure that a full draft of the accounts is available at least one week prior to the agreed start date of our audit, and that only agreed adjustments are put into the accounts following receipt of this draft.
- Produce the documents listed within our prepared by client request by the agreed start date of our audit.
- Ensure that the mandatory content of the Annual Report is available at the agreed time of our final accounts audit.

Annual Audit Letter

- Discuss and agree our draft Annual Audit Letter in good time for the Audit Committee.
- Ensure that all action plans are agreed and followed up in due course.

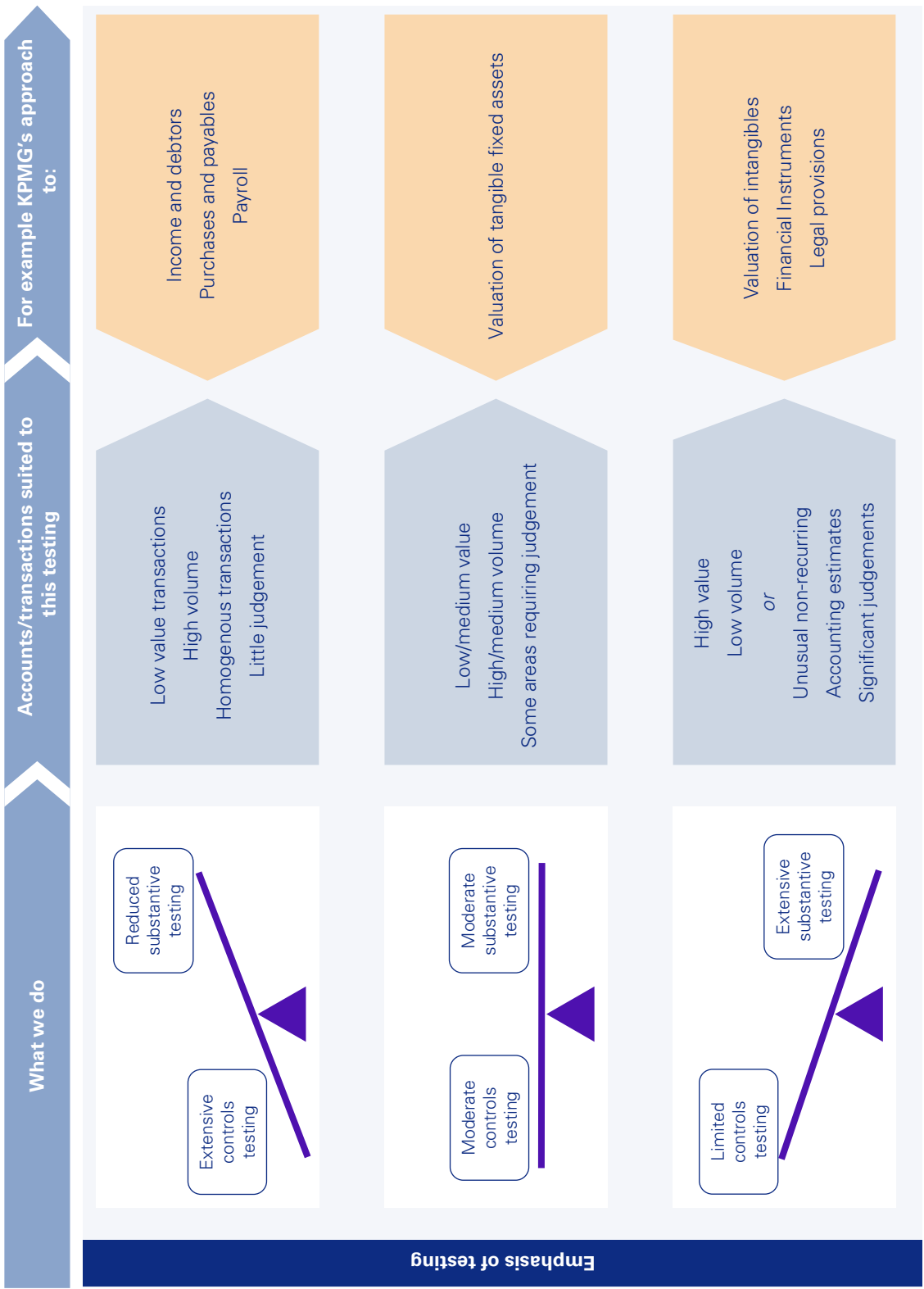
IFRS

- Ensure a full set of 2009/10 restated figures compliant with IFRS are available to audit in good time prior to the final visit.

Other work

- Agree a key Council contact as a focal point for the study or work.
- Discuss and review our findings so that action plans can be fully completed and implemented.

Appendix 2: Balance of internal controls and substantive testing



This appendix illustrates how we determine the most effective balance of internal controls and substantive audit testing

Note: Assuming controls are found to operate as designed

Appendix 3: Independence and objectivity requirements

This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Council invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner.
- Audit staff are expected not to accept appointments as lay school inspectors.
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned.
- Auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on each audit at least once every five years (subject to agreed transitional arrangements). Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- The Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.

Appendix 4: Quality assurance and technical capacity

We continually focus on delivering a high quality audit. This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff. Quality must build on the foundations of well trained staff and a robust methodology. The diagram summarises our approach and each level is expanded upon below.

We recruit the best staff through our rigorous selection and assessment criteria. In addition, we expect that future talent to develop with our application of most effective in-house and external training support.

Our audit methodology determines that we use a standardised audit approach and pro forma work papers. We also have standards of audit evidence and working papers including requirements for working paper retention.

At critical periods of the audit we conduct both manager and engagement leader review of the work completed. Upon final completion, managers and directors complete a checklist to indicate the satisfactory conclusion of the audit under the audit methodology.

Partners who meet certain skills and experience criteria, conduct quality control reviews of individual audits depending on the level of audit risk. Their role is to perform an objective evaluation of the significant accounting, auditing and financial reporting matters with a high degree of detachment from the audit team. This provides an objective internal assessment on the quality of our audit. Peer review is undertaken across the firm, with an annual sample of our work being undertaken from a different national office. This encourages a constant focus on quality and ensures there is continuous improvement and that best practice is shared.

Our quality review results

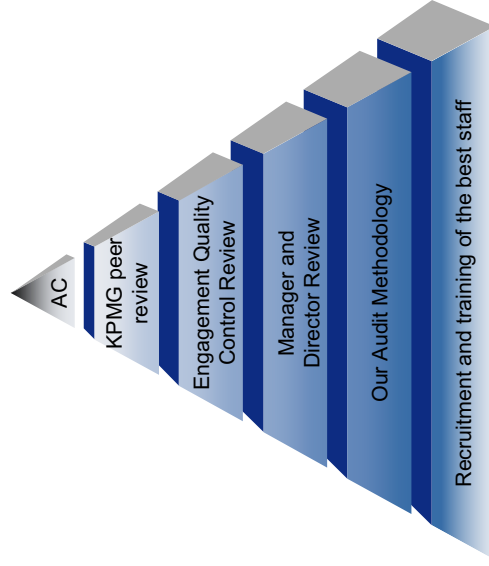
We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The results of the Audit Commission's annual quality review process is made publicly available each year (www.audit-commission.gov.uk/reports/). The latest report dated October 2010 showed that we performed highly against all the Commission's criteria.

Resolving Accounting and Financial Report Issues and Emerging Issues with the Independent Regulator

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director (based in our London office) who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA and the Audit Commission) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals (that meets on a quarterly basis) and is chaired by our national technical director.
- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's Code of Audit Practice.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based bi-monthly technical training.

When dealing with the Audit Commission, as you would expect we both attend and cascade across the firm the papers considered by their various technical groups for auditors. In addition, as the Audit Commission has developed we have established a series of formal and informal relationships. These benefit both the Audit Commission and our Local Authority clients. As a result of all of these factors, and combined with our overall audit approach, we seek to offer early warnings of issues arising with the independent regulator and provide pragmatic solutions.





Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 21st March 2011

Subject: KPMG report - Grants and Returns in 2009/10

<p>Electoral Wards Affected:</p> <div style="border: 1px solid black; width: 20px; height: 15px; display: inline-block; vertical-align: middle;"></div> Ward Members consulted (referred to in report)

1.0 Executive Summary

- 1.1 KPMG have stated that the Council has good arrangements for preparing its grants and returns. Of the 24 claims and returns audited, only one claim has been qualified. This was due to a minor reconciliation variance of £171. This qualification had no impact on the actual claim received by the Council.
- 1.2 Initial indications are that of the remaining claims, a further qualification maybe required due to the lack of evidence supplied by a third party to substantiate £16k of expenditure. This will have no financial impact on the Council.

2.0 Purpose Of This Report

- 2.1 To inform members on the result of the work KPMG have carried out on the certification of grant claims in respect of 2009/10.

3.0 Background Information

- 3.1 Each year the Government determines which grant claims require audit certification. The external auditors of each Local Authority are informed of these auditable grants by way of a register supplied by the Audit Commission. Corporate Financial Management provide a central coordination role to ensure all relevant working papers and grant returns are available for the Council's external auditors in order to meet the Government timetables.

4.0 Main Issues

- 4.1 The attached report from KPMG confirms that the Council has good arrangements for preparing the required grant claims and that the majority of these claims were submitted on time and with a good standard of working papers.

- 4.2 The report highlights the qualification and audit adjustments required in respect of the Housing & Council Tax Benefit return. KPMG are required to recognise any adjustment which impacts on the grant claim as significant, whatever the materiality. The £4k adjustment required for the 2009/10 return is an improvement in the £99k adjustment last year and should be considered in the context of a £278m claim.
- 4.3 KPMG are required to qualify a return if the systems used to support the claim are not fully reconciled. System improvements have now enabled two of the three areas used in the Housing & Council Tax Benefit return to be fully reconciled. The third required reconciliation showed a variance of just £171. This variance had no impact on the claim received by the Council.
- 4.4 The scale of the variances continue to reduce year on year and Benefits staff are continuing to work with the developers of the Academy system and KPMG to improve the systems still further, with the aim of eliminating any variance.
- 4.5 The report states that, at the time of writing, four claims had still to be audited. KPMG have received all the working papers for these claims and have so far certified one claim with only a minor adjustment. Initial feedback on another of the claims (Access to Employment) has indicated that the return maybe qualified due to insufficient evidence in respect of one project managed by Leeds Ahead. Leeds Ahead have been asked by the auditors to substantiate the expenditure involved (£16k). Failure to do so could require Leeds Ahead to repay this element of the claim.

5.0 Implications For Council Policy And Governance

- 5.1 Under the Committee's terms of reference, members are required to receive external audit reports in order to gain the necessary assurance regarding governance. The report from KPMG provides assurance that all grant claims received to date have been certified by the auditors and any audit adjustments actioned.

6.0 Legal And Resource Implications

- 6.1 Members should note the audit fee for certification of grants and returns for the financial year 2009/10.

7.0 Conclusions

- 7.1 All grant claims and returns for 2009/10, received to date, have been successfully completed and final approved claims submitted to the relevant granting organisation.

8.0 Recommendations

- 8.1 Members are asked note the results of the 2009/10 audit of grants and returns.

Background Documents Used

Register of grant claims

Individual grant returns and associated working papers.

PUBLIC SECTOR

Certification of grants and returns 2009/10

Leeds City Council

February 2010

AUDIT

Certification of grants & returns 2009/10

Contents

The contacts at KPMG in connection with this report are:

Mike McDonagh

Partner
KPMG LLP (UK)
Tel: 0121 335 2440
michael.a.mcdonagh@kpmg.co.uk

Steve Clark

Director
KPMG LLP (UK)
Tel: 0113 254 2910
stephen.clark@kpmg.co.uk

Alison Ormston

Senior Manager
KPMG LLP (UK)
Tel: 0113 231 3444
alison.ormston@kpmg.co.uk

Sam Bradford

Assistant Manager
KPMG LLP (UK)
Tel: 0113 231 3624
sam.bradford@kpmg.co.uk

Page

- Headlines **2**
- Summary of certification work outcomes **3**
- Fees **5**
- Recommendations **6**

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 leader to the Authority (telephone 0121 335 2440, e-mail michael.a.mcdonagh@kpmg.co.uk), who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail 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 Unit, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e-mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421

Certification of grants & returns 2009/10

Headlines

<p>Introduction & background</p>	<p>This report summarises the results of work on the certification of the Council's 2009/10 grant claims and returns.</p> <ul style="list-style-type: none"> ● For 2009/10 we certified: <ul style="list-style-type: none"> – 20 grants with a total value of £48m; and – seven returns with a total value of £664m. ● As at 1 February 2011 there were four grants claims that were still to be audited, two of these are currently being worked upon and are due to be certified shortly and two are still to be received for audit from the Authority. 	<p>-</p>
<p>Certification results</p>	<p>We issued unqualified certificates for 26 grants and returns and one qualified certificate in respect of the Housing & Council Tax Benefit Return. This compares to one qualification from 23 grants and returns for 2008-09. The qualification issue was:</p> <ul style="list-style-type: none"> ● There was a minor reconciliation differences between benefit granted and benefit paid for HIRA Rent Rebates, the total value of this was £171.48. This is the same reason for which this claim was qualified last year. 	<p>Pages 3 – 4 and 6</p>
<p>Audit adjustments</p>	<p>Adjustments were necessary to only two of the Council's grants and returns as a result of our certification work this year:</p> <ul style="list-style-type: none"> ● Housing & Council Tax Benefit – various amendments were made to the return, resulting in a net decrease in the subsidy claimed of £4,303; and ● Pooling of Housing Capital Receipts - A number of minor changes and reclassifications resulted in a net movement of -£1,656. 	<p>Pages 3 – 4</p>
<p>The Council's arrangements</p>	<p>The Council has good arrangements for preparing its grants and returns and supporting our certification work of particular note are the following:</p> <ul style="list-style-type: none"> ● Effective central co-ordination and communication; ● The large majority of claims and returns were submitted on time; and ● There was good availability of staff and the quality of information was of a good standard. 	<p>Page 5</p>
<p>Fees</p>	<p>Our overall fee for the certification of grants and returns completed to date for 2009/10 is £119,765 , this compares to £117,343 of fees raised for 2008/09;</p> <ul style="list-style-type: none"> ● The main reasons for the year on year increase is due to the increase in the number of claims certified and changes in the number and nature of tests undertaken compared to the original budget; and ● We have audited four additional grants in comparison to previous years however, the cost per grant has reduced from £5,102 to £4,436. 	<p>Page 5</p>

Summary of certification work outcomes

Overall, we certified 27 grants and returns

- 18 were unqualified with no amendment
- 7 were unqualified but required some amendment to the claim form which did not affect the amount claimed
- 1 was unqualified but required some amendment to the final figures
- 1 required a qualification to our audit certificate

Detailed comments are provided overleaf

Detailed below is a summary of the key outcomes from our certification work completed to date on the Council's 2009/10 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
1	1	1		
2			1	1
		7		7
				18
Total	1	1	8	26

Housing and Council Tax Benefits BEN 01

Pooling of Housing Capital Receipts

Other Claims

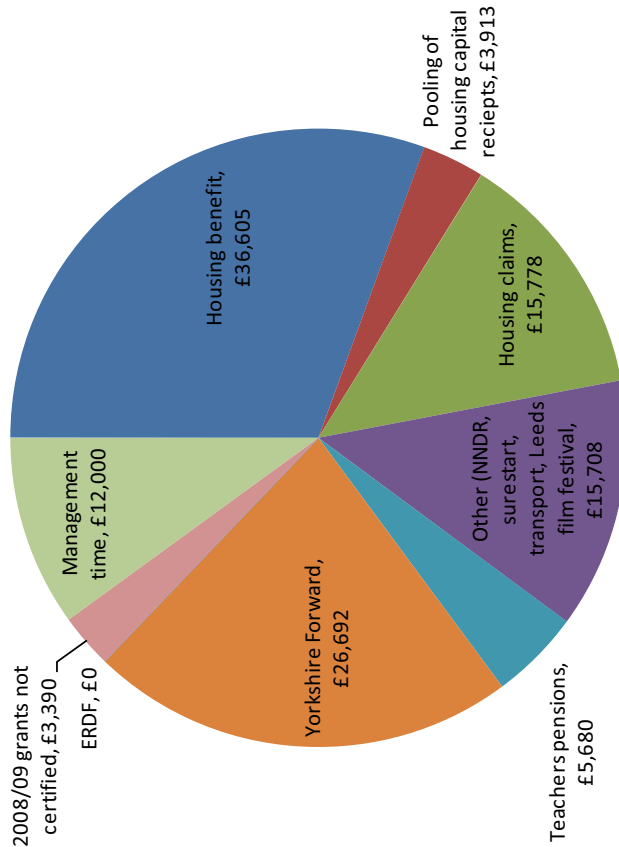
Other Claims

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page	Ref	Summary observations	Amendment
	1	<p>Housing & Council Tax Benefit</p> <ul style="list-style-type: none"> The return was qualified due to minor reconciliation differences between benefit granted and benefit paid for two benefit types and a minor in-year reconciliation difference on Council Tax. A similar qualification was raised last year. Amendments to the return were partly due to a small number of claim processing errors identified by audit testing and partly due to corrections of in-year reconciliation differences. This again was similar to last year. None of the issues or errors significantly impacted on the accuracy of the housing subsidy claimed. 	-£4,303
	2	<p>Pooling of Housing Capital Receipts</p> <ul style="list-style-type: none"> A number of minor changes and reclassifications resulted in a net movement of -£1,656. 	-£1,656

This chart and table summarises our overall fee for the certification of grants and returns completed as at 1 February 2011 for 2009/10

Breakdown of certification fees 2009/10



Breakdown of fee by grant / return	2009/10	2008/09
Housing benefit	36,605	38,340
Pooling of housing capital receipts	3,913	5,903
Housing claims	15,778	16,028
Other (NDR, Sure-start, Transport, Leeds Film Festival)	15,708	12,627
Teachers pensions	5,680	6,170
Yorkshire Forward	26,692	18,922
ERDF	-	7,353
2008/09 grants certified in 2009/10	3,390	-
Management time	12,000	12,000
Total Fee	119,765	117,343

The main reasons for the fee difference between 2009/10 and 2008/09 are shown below:

- Additional Yorkshire Forward grants required audit in the year;
- Additional detailed testing was required, due to Audit Commission guidelines, on two grants where this was not previously needed. (Due to changes in the claim size and/or cycle); and
- Additional transport grants required audit.

It should be noted, however, that we have been able to show reduced costs to the authority on housing benefits, pooling of housing capital receipts, teachers pensions, disabled facilities, Holbeck urban village and the Leeds inner ring road audits due to increased efficiency and we have ensured that the management time has not increased over the past two years despite the increase in grant volume.

Certification of grants & returns 2009/10

Recommendation

We have given the recommendation below a risk rating and agreed what action management will need to take. We will follow up this recommendation during next year's audit.

Priority rating for recommendations					
Issue	Implication	Recommendation	Priority	Comment	Responsible officer & target date
<p>1 Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p> <p>2 Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> <p>3 Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements 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>					
Central Co-ordination of Grant Claims and Returns					
<p>Reconciliation of HRA Rent Rebates</p> <p>We found minor reconciliation differences between benefit granted and benefit paid for housing revenue account (HRA) Rent Rebates. The total value of this difference was £171,48.</p> <p>This is the same reason for which this claim was qualified last year.</p>	<p>If a system cannot be reconciled we must qualify our audit certification which may lead to recovery of monies by the granting body.</p>	<p>The Council should review this reconciliation within the Capita system and endeavour to liaise with Capita in order to prevent this error from re-occurring.</p>	<p>3</p>	<p>The Council continues to work with the systems supplier to improve the system reconciliations. The reconciliation difference should be considered in the context of the overall value of the claim (£278m) and it should also be noted that it does not impact on the overall level of subsidy received.</p>	<p>David Jackman Compliance Manager - Revenues & Benefits</p> <p>Ongoing</p>

This page is intentionally left blank



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

Corporate Governance and Audit Committee

Date: 21st March 2011

Subject: Annual 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 the attention of the Council to become more accountable for technical failures or for the contravention procedures which lead to the loss or disclosure of sensitive information.

Through the development of an Information Governance Framework, Leeds City Council is looking to ensure that its information assets are processed, stored and exchanged with partners in a safe and secure manner. It is important that the Council's citizens, business partners and staff have confidence and assurances that sensitive information is processed and dealt with securely.

Furthermore, the report provides Members with information about the progress of policies being developed as part of the Information Governance project and the intention to consult the implications of these policies for Members through the Members Development Working Group. The delivery of these policies will strengthen security arrangements for the Council's information assets. Appendix A to the report provides Members of this Committee with information being provided to the Members Development Working Group and an opportunity to comment.

The national agenda for transformational government and shared services has placed an additional emphasis upon the Council to ensure that it has fit for purpose information that can be exchanged and shared with other public authorities, partners and contractors in a secure environment.

Therefore, significant steps are being taken to identify the possible risks and determine the most robust and appropriate solutions. This report outlines proposed solutions and progress made in the twelve months proceeding the last report (17th March 2010).

1.0 Purpose Of This Report

- 1.1 To provide Corporate Governance and Audit Committee with an annual report on the steps being taken to improve Leeds City Council's information security in order to provide assurance for the annual governance statement.

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 The 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 address the policy framework and development, the skills and competencies required and the technology requirements within the organisation.

3.0 Main Issues

Framework and Policy Development

- 3.1 In April 2010 the Information Commissioner's Office (ICO) was granted new powers to fine organisations up to a maximum of £500,000 for breaches of the Data Protection principles. These new powers were used on 24th November 2010 when the ICO fined Hertfordshire County Council £100,000 for two incidents whereby an employee faxed sensitive personal information to the wrong recipients. A second monetary penalty of £60,000 was issued to employment services company A4e for the loss of an unencrypted laptop containing personal information of up to 24,000 clients. Further to this the ICO issued a second wave of fines on 8th February 2011. The London Boroughs of Ealing and Hounslow were fined £80,000 and £70,000 respectively for breaches to the Data Protection Act. In the case of both councils, an out-of-hours service that works on behalf of both councils lost two laptops containing the details of around 1,700 individuals when they were stolen from an employee's home. Whilst the laptops were password protected, they were unencrypted in breach of both council's policies. The ICO ruled that Ealing Council breached the Data Protection Act by issuing an unencrypted laptop to a member of staff in breach of its own policies. It said that Hounslow Council breached the act by failing to have a written contract in place with Ealing Council. Hounslow also did not monitor Ealing Council's procedures for operating the service securely. The ICO has indicated an intent to use these powers on other organisations that breach the Data Protection Act. The implementation of information governance policies and other work ongoing and outlined in this report will help to protect the Council and mitigate against potential breaches of the Data Protection Act.
- 3.2 As Corporate Governance and Audit Committee are aware, Information Governance is part of the Council's Corporate Governance Framework, which was approved at Executive Board in November 2008. As part of an ongoing assessment, the Information Governance Framework is being reviewed in order to take account of external legislative and regulatory changes and internal strategy and policy requirements. The review will be completed and consultation and sign-off of the Information Governance Framework undertaken at the Information Governance Management Board in March 2011.

- 3.3 The Information Governance Framework covers the six broad areas of information governance including that pertaining to Information Security, Records Management, Information Sharing and Data Quality. As part of the delivery of the Information Governance framework, an Information Security Policy was agreed and published and was reported to this Committee in January 2009. This policy is being reviewed as part of the Information Governance project. More recently policies on Remote Working, Removable Media and Mobile Computing, Protective Marking and Asset Control, and Clear Desk and Clear Screen have received sign-off. These will be further supported with additional policies, procedures, guidance and standards currently being developed, including:
- Information Incident Management Policy
 - Information Sharing Policy;
 - Information Systems Acceptable Use Policy;
 - Records Management;
 - Records Retention & Disposal Policy
 - Data Protection
 - Freedom of Information & Environmental Information Regulations Policy; and
 - Information Risk Management Policy
 - Remote Access Policy
- 3.4 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 to provide a methodology for the effective communications, engagement and training of these policies across the Council. ICT Services are contributing to the development of these policies in order to ensure they support the implementation of security systems and related technologies.
- 3.5 As a result of the increased powers of the Information Commissioner, the Council determined a need to have these policies in place as quickly as possible, in order to minimize the risk of financial penalties being imposed on it and the subsequent reputational damage this would cause. These policies are to be deployed and embedded through a number of Council programmes such as Changing the Workplace and are therefore subject to tight times schedules.
- 3.6 The Information Governance project recognises the importance of engagement with Members and discussions are under way on how best to facilitate this process. Some consultation about the implication of these policies on Members has already been facilitated through the Members Development Working Group via the Members Development officer, and in particular, the best way of delivering key messages. Further consultation is planned with Members during 2011/12 around how the implications of the policies will impact on Members themselves. The way policies are implemented will be managed through a risk management process. A policy exemption process is being developed to allow specific business requirements to be assessed against policy should this be deemed necessary. Appendix A provides details of each policy, including an overview of each policy and possible implications for Members as each policy stands.
- 3.7 Each policy is subject to an annual review to ensure that they are updated to reflect changes to legislation, technology, increased risk and new vulnerabilities or changes to Council policy. As part of the review each policy will undertake a brief consultation with key stakeholders to ensure they are fit for purpose and the process will be monitored by the Information Governance Management Board.

3.8 There are three delivery mechanisms for ensuring effective communication of the policies. These include:

- Changing the Workplace – policies are communicated as part of a structure change and work package, which will involve managers workshops, and presentations and briefings to staff;
- Electronic Document and Records Management (EDRMS) – policies that compliment the implementation of the EDRMS will be communicated and trained out to staff during the roll out and deployment of the technology and change processes as and when each service deploys this technology; and,
- Deployment through Information Governance specialist staff – a face-to-face and an e-learning package informing employees of the practical application and key messages of the policies is available to be deployed by Information Governance specialist staff (Records Managers, Information Compliance Officers) across each Directorate.

Furthermore, discussions with HR will take place about integrating information governance and policy learning requirements into staff appraisals and staff induction programmes.

Policies relating to the compliance of the Council's information assets will be monitored by ICT services as detailed in section 3.18 of this report. Additionally, ICT will be tracking the return of ICT equipment and Finance will be monitoring ICT spending to ensure that only corporate ICT approved equipment is purchased. In respect of the Changing the Workplace programme, managers will be trained on information governance awareness to ensure that staff receive training appropriate to their needs. Once new ways of working are in place, because managers have been trained and made aware of Information Governance, they are able to monitor employees behaviour in relation to the practical application of the policies. In respect of the EDRMS, key aspects of related policies will be built into the systems and automated. However, there will be elements that require input by staff and the communications of these will be delivered with the deployment of the technology. In respect of the policies relating to access to information legislation such as the Data Protection Act, these will be trained as part of the processes outlined above, and compliance will be monitored in respect of the number of complaints made by members of the public.

Further details of the training and communications intended to deploy and embed Information Governance can be provided per policy on request.

3.9 During 2010/11, work has been ongoing to develop the Council's first Information Asset Register. The register will identify all sensitive information assets, together with those information assets that are business critical, thereby allowing prioritisation of any risks and the allocation of resources. A senior officer has been assigned as the responsible information asset owner to each information asset. This will help the Council to mitigate against risks associated with particularly sensitive and vulnerable assets and move the Council towards full compliance with national legislation and regulations such as the Data Protection Act and the Re-Use of Public Sector Information Regulations. It will also ensure that the Council is following Local Government Association (LGA) guidelines.

3.10 Whilst the Information Asset Register provides a compendium of information assets and identifies owners for each information asset, the Council requires a Senior Information Risk Owner (SIRO) who has ultimate responsibility for the acceptance

or otherwise of information risks for the Council, and will provide the Chief Executive with an annual statement of internal control for these assets. To this extent Corporate Leadership Team on 8th February endorsed a decision to appoint the Assistant Chief Executive (Planning, Policy and Improvement) to undertake this role for the Council.

- 3.11 As reported to Corporate Governance and Audit Committee in last year's report, the Council has strengthened governance arrangements by replacing the Information Governance Group with the Information Governance Management Board. The Information Governance Management Board (IGMB) is chaired by the Chief Officer for Business Transformation and is responsible for the development and overseeing the delivery of information governance across the Council. The IGMB is supported by a number of sub-groups that have responsibility for developing and implementing policy and practice for specific information governance areas, one of which has specific responsibility for information assurance.
- 3.12 A strategy for Information Assurance is being drafted that will set out how the Council will 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 methodology is being designed that will seek to proactively identify threats to information security, and determine and action the most effective mitigations against such risks before they have the potential to become serious security incidents. The Council will use a Central Government model to benchmark progress it makes in developing and implementing good information assurance practice. The Model will assist the Council establish a comprehensive programme of work that will implement best practice and provide effective compliance across the Council.
- 3.13 In addition to improving the management of information assets, the growing need for the Council to share information in response to significant government reforms and the reconfiguration and joining up of local public services means that common standards need to be applied across the public sector. To this extent the Council is a signatory to the West Yorkshire Information Sharing Protocol which will be used as the basis for information sharing across the Council. The protocol has been developed in association with other West Yorkshire authorities in order to adopt a common and consistent approach to the sharing of information across the region.
- 3.14 The Council has agreed to adopt the Government Protect Marking Scheme (GPMS) as the security classification scheme that will protect and safeguard its information assets, particularly when sharing information with external partners and organisations. To support the roll out of protective marking across the Council, there will be a programme of training & awareness for all staff. In order to effectively embed protective marking this needs to be underpinned with a technical solution to ensure users apply protective markings appropriately and consistently when creating emails and documents. GPMS is critical to the successful delivery of the EDRMS across the Council, and as such a decision has been taken to deliver protective marking across the Council via the EDRMS project. Discussions are ongoing with the EDRMS supplier, E2E, about whether their solution can automatically protectively mark documents and emails.

Skills and Competencies

- 3.15 In addition to providing a framework of best practice, there is also a need to ensure the Council has the relevant expertise in place to support the provision and implementation of effective policies and approaches regarding information security. Corporate Governance and Audit Committee will be aware from last year's report

the intention to improve and strengthen the Council's capacity for implementing and maintaining information assurance across the organisation.

- 3.16 Discussions have been ongoing throughout the year with all Chief Officer's 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 coordinate delivery of the information assurance strategy, and associated policies. Whilst progress is still to be made in some areas, most Directorates now have a nominated officer to undertake this role.
- 3.17 Furthermore, a training programme is being developed to ensure that the newly established roles within Directorates have the requisite skills and competencies to be able to carry out and conduct their responsibilities.
- 3.18 The responsibility for ensuring continued access to the Government Connect Security Extranet (GCSx), and the connection to other secure networks such as N3 for Health and the Public Sector Network now sits with the Information Governance Management Board. Whilst Corporate ICT Services are responsible for ensuring the technical infrastructure is in place to share information securely, it is the Business Transformation Team's responsibility for ensuring operation and maintenance requirements are maintained for Government Connect and new requirements are met for connection to other secure networks.
- 3.19 To this extent an existing FTE post on the Business Transformation Team establishment leads on work to ensure the Council complies with the applicable Government Connect Code of Connection controls, and to developing work to ensure connection to other secure networks. This post reports to the Corporate Information Compliance Manager.

Technology

- 3.20 The ICT Services Security team continues to develop and commission the strategic network defense elements identified within the PCI-DSS and GCSx compliance requirements, and strengthen the council's network against possible threats. Significant progress has been made over the last year, with the council accrediting to the new Code of Connection for GCSx, version 4.1. Highlights have included the following.
- The LogRhythm Security Information and Event Management (SIEM) device is now fully operational and active. It is actively monitoring the PCI-DSS and GCSx environments, providing protection to file integrity for these critical systems. It is also monitoring host attacks, including authenticated password failures, which may be indicative of a brute force attack, and providing automated warnings of such events. A dashboard is also available for continuous monitoring of the council systems.
 - The new Web Gateway has now been rolled out across all users. It now enforces the council policy of preventing the download of executable files (.exe) and using its file type mismatch capabilities prevents the spoofing of other file type. Downloads are scanned for viruses and web connections to websites monitored for virus infection.
 - Host Data Loss Prevention (HDLP) has been installed on all host computers including desktops and laptops. This is compiling details on all equipment attached to these devices and is ready to enforce policy on, for example, the use of unencrypted USB sticks.

- The Network Intruder Protection System (IPS) is now installed in the network and is enforcing the PCI-DSS policy. Intruder detection is now also active within the network monitoring and preventing virus attacks.
- Host Intruder Prevention Software (HIPS) has been deployed across all laptops and will be used to detect unauthorized access to computer resources, and to block certain undesirable applications such as toolbar and fake anti virus programs.

Work continues with additional defenses, such as McAfee Vulnerability Manager which is due to come on stream later this year.

4.0 Implications For Council Policy And Governance

- 4.1 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 and the Corporate Governance Board.
- 4.3 Corporate Governance and Audit Committee will receive an annual report on the implementation of information security across the Council and progress towards achieving adherence to national information assurance standards.

5.0 Legal And Resource Implications

- 5.1 The resource requirements for delivering the contents of the Information Governance Framework were outlined to Executive Board in November 2008, and provision has been made to meet these requirements in 2011/12.
- 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 There are no legal implications from this report.

6.0 Conclusions

- 6.1 Information Security has rightly been identified as a key area of risk and is being addressed through changes to policy, training, and technology. As this report demonstrates a number of initiatives are currently underway which will make a significant contribution to minimising the risks associated with poor information security.

7.0 Recommendations

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

Background Documents Used

Information Governance Framework

SC Magazine

Information Security Report to Corporate Governance and Audit Committee 17th March 2010
Page 55

Policy	Overview	Implications for Members	Current Progress
<p>Information Security Policy</p>	<p>The purpose of the policy is to provide a framework to govern rules and procedures that determine the Council's commitment to ensuring that the confidentiality, integrity and availability of its information assets are protected and that all information is handled and processed securely.</p> <p>The Information Security Policy applies to information in all its forms, including, but not excluded to:</p> <ul style="list-style-type: none"> • Paper • Electronic Documents • E-Mails • Voicemail • Web 2.0 records such as wikis, blogs and discussion threads • Visual images such as photographs • Scanned images • Microform, including microfiches and microfilm • Audio and video tapes, dvds and cassettes • Published web content (Intranet, Internet, Extranet) • Databases <p>This policy will also apply to any information created in any other format that may be introduced or used in the future.</p> <p>The policy includes information transmitted by post, by person, by electronic means and by oral communication, including telephone.</p> <p>The policy applies throughout the lifecycle of the information from creation, through storage, utilisation to its ultimate disposal.</p> <p>With regard to electronic information systems, it applies to use of Council owned facilities and privately/externally owned systems when connected to the Council network directly or indirectly.</p> <p>The policy is supported by a set of standards, baselines, sub-policies, procedures and guidelines addressing individual aspects of security.</p>	<p>Ensure people's personal and/or sensitive information is kept secure in your house and when travelling around</p> <p>Ensure your laptop/computer/PDA password isn't written down anywhere</p> <p>Don't disclose personal and/or sensitive information without consent of the owner unless there is a lawful reason to do so</p> <p>Shred documents with sensitive information on or place in the confidential waste bins in the council</p> <p>Always keep council equipment secure when out of council premises</p> <p>Members Management System</p> <ul style="list-style-type: none"> - Ensure information on the system is accurate, up to date and not kept for longer than necessary - Don't give others access to MMS <p>You can only store council information on council equipment and systems</p>	<p>Undertaken consultation throughout the Council. Signed-off by Senior Information Risk Officer (SIRO) in December 2010.</p>
<p>Information Sharing</p>	<p>The Council is committed to working in partnership with other agencies involved in providing services to the public. It is recognised that the exchange of relevant information between such bodies is fundamental to achieving an effective</p>	<p>Don't disclose personal or confidential information to someone without consent of the owner unless it's lawful do to so. Ensure that persons receiving the information are authorised to</p>	<p>This policy is drafted and is currently going through consultation with officer</p>

Policy	Overview	Implications for Members	Current Progress
	<p>quality service.</p> <p>This policy provides a framework for the management of information sharing between the Council and other agencies and organisations.</p>	<p>do so including relatives, other organisations, councillors and services. Ensure you abide by information sharing agreements between agencies</p>	<p>groups. Due to be considered by the Information Governance Management Board in March 2011.</p>
<p>Information Risk Management</p>	<p>This policy will be developed once the Information Assurance Strategy for the Council has been approved. It will set out the regime for managing risks to information assets across the Council.</p>	<p>Not known at this stage</p>	<p>This policy is subject to the Council approving the Information Assurance strategy, which is currently in draft form. If the Council adopts this strategy and therefore a risk management approach to its information assets, the Information Risk Management policy will be drafted.</p>
<p>Information Incident Management</p>	<p>It is the policy of Leeds City Council, that all breaches of information security, actual or suspected, will be reported to and investigated by appropriately trained individuals within the council. In order to achieve this:</p> <ul style="list-style-type: none"> • All users must immediately report all information security incidents and events, or suspected information security weaknesses. • It is prohibited for users to test any information security weaknesses without the cooperation and involvement of ICT Services. • All users must not disclose the details of any information security incidents to non-<input type="checkbox"/>contracted third parties without explicit management authorisation. • Formal information security incident management procedures, including a method of incident categorisation based upon type, impact and severity levels, must be developed to ensure a timely, effective, and managed response to information security incidents. <p>All reports of security incidents or violations of information security policy must be documented and include a review process in order to identify root causes, define any required preventative improvements and coordinate appropriate training and awareness sessions within the Council.</p>	<p>Email or call the ICT Helpdesk if you lose sensitive information or equipment. Incidents include - losing information</p>	<p>This policy is drafted and is currently going through consultation with officer groups. Due to be considered by the Information Governance Management Board in March 2011.</p>

Policy	Overview	Implications for Members	Current Progress
Protective Marking & Asset Control	<p>This Policy sets out appropriate measures through which the Council will classify its information, using the Government Protective Marking Scheme, to facilitate the secure handling, storage and disposal of its information assets.</p> <p>The policy also underpins the more effective and efficient information sharing with other public authorities who already apply protective marking such as the NHS, Police and Fire Service.</p>	<p>Documents and emails will be labelled with a security classification – Protect, Restrict, Confidential, Not Protectively Marked. You will have to apply this classification to certain documents in order to share information with agencies.</p> <p>This will mean a change to the email system which means that emails with confidential information in them will require extra buttons to be pressed on the email system before sending them</p>	Undertaken consultation throughout the Council. Signed-off by SIRO in December 2010.
Information Systems Acceptable Use	<p>The overall purpose of this policy is to provide protection for information assets owned and used by Leeds City Council from the risks posed by inappropriate use.</p> <p>This policy applies to everyone who has access to the council's information, information assets or IT equipment.</p> <p>The policy relates to the acceptable use of information and information systems, including future technologies.</p> <p>Information systems include any system for storing, , processing or communicating information.</p> <p>Information includes records, text, sound, images and moving images.</p> <p>This policy is part of a set of information governance policies and procedures that supports the delivery of the Information Governance Framework.</p>	<p>You won't be able to download your own software onto council computers and laptops</p> <p>Special software in ICT will be monitoring your internet usage.</p>	This policy is drafted and is currently going through consultation with officer groups. Due to be considered by the Information Governance Management Board in February 2011.
Data Protection	<p>This policy sets out our commitment to protecting personal data and how we implement that commitment with regards to the collection and use of personal data.</p>	<p>Ensure people's personal information is kept secure in your house.</p> <p>1Personal data shall be processed fairly and lawfully</p> <p>2Personal data shall be obtained only for one or more specified and lawful purposes, and shall not be further processed in any manner incompatible with that purpose or those purposes.</p> <p>3Personal data shall be adequate, relevant and not excessive in relation to the purpose or purposes for which they are processed.</p> <p>4Personal data shall be accurate and, where necessary, kept up to date.</p> <p>5Personal data processed for any purpose or purposes shall not be kept for longer than is necessary for that purpose or</p>	This policy is drafted and is currently going through consultation with officer groups. Due to be considered by the Information Governance Management Board in February 2011.

Policy	Overview	Implications for Members	Current Progress
		<p>those purposes.</p> <p>6 Personal data shall be processed in accordance with the rights of data subjects under this Act.</p> <p>7 Appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.</p>	
Freedom of Information & Environmental Information Regulations	The purpose of this policy is to ensure that the provisions of the Freedom of Information Act 2000 and the Environmental Information regulations are adhered to.	How to spot a Freedom of information request and what to do with it	This policy is drafted and is currently going through consultation with officer groups. Due to be considered by the Information Governance Management Board in February 2011.
Records Management	The purpose of this policy is to provide a single framework to ensure that a records management function is established within the council. This will ensure that records are managed in a way that supports the sharing of knowledge and information. Moreover this policy and subsequent best practice guidance will more easily allow the council to comply with its statutory obligations, mainly under the Freedom of Information Act 2000 and the Data Protection Act 1998.	Don't keep information for longer than you need it for. Check out if certain information has a set period for retaining it.	The existing policy is under review and going through consultation with officer groups. Due to be considered by the Information Governance Management Board in February 2011.
Remote Access	This policy sets out high level controls and is designed to ensure secure and resilient remote access to the council's information systems.	Unknown at this stage	This policy is currently being drafted by ICT Services, before going through officer groups for consultation.
Clear Desk & Clear Screen	<p>The overall purpose of this policy is to ensure users have an awareness of the importance of keeping both paper and electronic documents and records safe when they are working at their desk/workstation or on their screen and that they have knowledge of how to protect them.</p> <p>This policy applies to everyone who has access to the council's information,</p>	If you have a desk in the council & at home you must ensure it is cleared of council information when not in use by yourself.	Undertaken consultation throughout the Council. Signed-off by SIRO in December 2010.

Policy	Overview	Implications for Members	Current Progress
	information assets or IT equipment, whether office based or working remotely.		
Removable Media & Mobile Computing	This policy 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 and mobile computing devices.	Use a council encrypted memory stick if you have to use one	Undertaken consultation throughout the Council. Signed-off by SIRO in December 2010.
Legal Admissibility	This policy will establish guidelines for legal admissibility of scanned, stored and electronically communicated data	Unknown at this stage	To be drafted once consultation with EDRMS supplier has taken place. Policy dependent upon how EDRMS operates.
Scanning	The purpose of the Policy is to: <ul style="list-style-type: none"> • Provide guidance on process, procedure and audit in order to ensure authenticity, integrity, security and maximum evidential weight of scanned, stored and migrated information • Improve reliability of, and confidence in, communicated information, and electronic documents to which an electronic identity is applied • Provide confidence to external inspectors (i.e. regulators and auditors) that the council's information and business practices are robust and reliable 	Unknown at this stage	To be drafted once consultation with EDRMS supplier has taken place. Policy dependent upon how EDRMS operates.
Records Retention & Disposal	This policy sets out the principles behind records retention and disposal so that records are not kept for longer than they are needed, and in compliance with the Council's record retention schedules.	Unknown at this stage	The existing policy is under review and going through consultation with officer groups. Due to be considered by the Information Governance Management Board in February 2011.
Data Quality	To ensure that all council employees, concerned with data collection, are aware of the importance of recording and maintaining good quality data. Staff are obliged to maintain accurate records legally (Data Protection Act), contractually (Contract of Employment), and ethically (professional code of practice).	Member Management System Get it right first time when entering data onto the system, accuracy will help you Try and put information on as soon as you get it Double check after you've inputted people's details that they are correct Check that what you've entered onto the system is accurate.	This policy is drafted and is currently going through consultation with officer groups. Due to be considered by the Information Governance Management

Policy	Overview	Implications for Members	Current Progress
			Board in March 2011.
Remote Working	The purpose of this policy is to provide a framework for managing remote working and to reduce the level of risk posed by remote working to the lowest possible level. It sets out the requirements for legal compliance and the Council's duty of care.	<p>Don't be a target – Keep your laptop covered when walking around – use a laptop bag or rucksack</p> <p>Place documents, laptops and memory sticks/data CDs in your boot when travelling by car</p> <p>You can only store council information on council equipment and storage</p>	Policy signed – off. Policy owned by HR.

This page is intentionally left blank



Report of the Assistant Chief Executive (Corporate Governance)

Corporate Governance and Audit Committee

Date: 21st March 2011

Subject: Contract Procedure Rules

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 paper summarises the current position in relation to the Contract Procedure Rules (CPRs) with regard to the following –

- Are they up to date?
- Are they fit for purpose?
- Are they effectively communicated?
- Are they embedded into the Council's procurement process and routinely complied with?
- Are they monitored?

2. Officers responsible for purchasing must comply with the Council's CPRs. Following CPRs will ensure Officers obtain value for money and have the peace of mind that their contracts have been entered into both legally and transparently.

3. CPRs lay down minimum requirements and, in conjunction with the CPRs Code of Practice, set out best procurement practice which, if followed by Officers, provides the best defense against allegations that a procurement exercise has been carried out incorrectly or fraudulently.

4. CPRs are reviewed annually and Directorates will be given an opportunity to comment upon their appropriateness and effectiveness, with a view to amendments being made to make the tendering process as streamlined and efficient as possible. This must be achieved without compromising the need to ensure that genuine competition is obtained in an open, fair and transparent manner.

5. The purpose behind CPRs is to ensure effective competition is obtained throughout the tendering process in an open, fair and transparent manner. Provided the rules are followed

6. Officers can be certain that they are procuring goods, works and services both legally and in accordance with good practice.

7. Once approved CPRs are published on the internet and a notice is placed upon the front page of the intranet to try and ensure that as many officers as possible become aware of them. Further, all the officers involved in the consultation process are sent a copy of the CPRs and Code of Practice so that they can circulate them to relevant officers within their Directorate.

8. It cannot be said that CPRs are totally embedded into the Council's procurement practices. As stated above a number of measures are taken to communicate CPRs and their importance to officers but there is no way of knowing how many officers actually read CPRs let alone understand them.

9. Further, whilst guidance is provided to Directorates when procuring goods, works or services above £10k (as all such procurements must be carried out using the Council's electronic tendering system) there is no way of knowing how many procurements with a value of under £100K are carried out without regard to CPRs at all.

10. The Procurement Unit seeks to embed CPRs into their procurement practices by developing a business case in the first instance to determine whether a procurement exercise should be undertaken. If it does formal tenders/quotations are obtained inviting sealed bids via the Council's electronic tendering system ("SCMS"). Bids are then evaluated according to the published evaluation criteria and the bidder that submits the most economically advantageous bid wins. The results are then published on SCMS. This process ensures transparency, equal treatment and establishes value for money for the authority. Clearly, this should happen if CPRs are being complied with and it is the ideal that the Procurement Unit wish to ensure is achieved.

11. Whilst audits are carried out on contracts procured by the Procurement Unit and Directorates by the Council's internal audit unit, which often highlights a failure to comply with some element of the CPRs, there is currently no proactive monitoring by the Procurement Unit to ascertain whether CPRs are routinely complied with.

12. In order to address this shortfall plans are currently being developed to ensure pro-active monitoring takes place. Reference has already been made in the recently published Contract Management Guidance for the need to comply with CPRs, and the use of the contracts diary and off-contract spend information to establish a process of "spot checks" for compliance with CPRs is to be introduced.

13. In conclusion, it is considered that generally CPRs are current; fit for purpose and effectively communicated. However, it cannot be said that they are totally embedded into the Council's processes and routinely complied with to a satisfactory level.

14. As part of the efficiency work being undertaken by the Procurement Unit we are seeking to ensure there is greater transparency in the way the Council spends its money and the contracts it uses. This will involve identifying and reducing the instances of "off contract spend" by Officers. We will be obtaining an independent review of such spend by Officers and it is anticipated that this will, in turn, identify areas where CPR training is required.

15. This work has recently commenced and is ongoing and it would be appropriate to provide an update to the Corporate Governance and Audit Committee in three months time so they can be kept abreast of progress made.

1.0 Purpose Of This Report

1.1 Following consideration of the Corporate Governance Statement Action Plan 2010/11 by the Corporate Governance and Audit Committee I have been asked to prepare this report to set out the current position in relation to the Council's CPRs by considering the following matters in particular –

- Are they up to date?
- Are they fit for purpose?
- Are they effectively communicated?
- Are they embedded into the Council's procurement process and routinely complied with?
- Are they monitored?

2.0 Background Information

2.1 The Council is required to have CPRs in relation to contracts entered into by it for the supply of goods or materials or for the execution of works in accordance with section 135 of the Local Government Act 1972. The rules have been drafted to promote good purchasing practice, provide public accountability and deter corruption.

2.2 Officers responsible for purchasing must comply with the Council's CPRs. They lay down minimum requirements and, in conjunction with the CPRs Code of Practice, set out best procurement practice which, if followed by Officers, provides the best defense against allegations that a procurement exercise has been carried out incorrectly or fraudulently.

2.3 The Procurement Unit draft up and publish the Council's CPRs on an annual basis (May) following consultation with officers from all Directorates. The current CPRs were adopted by the Council on the 10th May 2010 and consultation with Directorates is due to commence within the next two weeks.

3.0 Main Issues

Are CPRs up to date?

3.1 As detailed above CPRs are reviewed annually and Directorates are given an opportunity to comment upon their appropriateness and effectiveness, with a view to amendments being made to make the tendering process as streamlined and efficient as possible. This must be achieved without compromising the need to ensure that genuine competition is obtained in an open, fair and transparent manner.

3.2 This review process has ensured that CPRs remain legal and reflect current procurement practices both within the Procurement Unit itself and across those Directorates who carry out their own tendering exercises. Further, it ensures that a consistent approach to tendering is undertaken throughout the authority.

3.3 It should be noted that not all comments made by Directorates can be taken on board as to do so would render the procurement process illegal.

Are they fit for purpose?

- 3.4 As stated above the purpose behind CPRs is to ensure effective competition is obtained throughout the tendering process in an open, fair and transparent manner. Provided the rules are followed Officers can be certain that they are procuring goods, works and services both legally and in accordance with good practice.
- 3.5 CPRs require that formal written tenders/quotations are obtained for all contracts with a value of £10,000 or more. Below this value, 3 written quotes should be obtained unless it can be shown that value for money is obtained without doing so. Contracts over £10,000 but below £100,000 require that formal written quotations from at least 3 organisations are obtained and contracts above this figure should be subject to a formal tendering exercise inviting at least 4 organisations. All quotations/tenders should be undertaken using the Council's electronic tendering system.
- 3.6 A major role of the CPRs and Code of Practice is to ensure that Officers do not place themselves in a position where they could be accused of favoritism towards any particular bidder. This is one of the major reasons why competition is sought and it is extremely important that any Officer who has a vested or personal interest in the outcome of the exercise declare it so that they cannot be involved in any aspect of it.

Are CPRs effectively communicated?

- 3.7 Once approved CPRs are published on the internet and a notice is placed upon the front page of the intranet to try and ensure that as many officers as possible become aware of them. All the officers within the Procurement Unit and those from other Directorates involved in the consultation process are sent a copy of the CPRs and Code of Practice along with an explanatory note detailing the changes for circulation to relevant officers within their Directorate. Further, Officers are given details of where CPRs and Code of Practice can be found on the intranet/internet along with details of the Procurement Governance and Regulation Manager from whom further information about CPRs can be sought.
- 3.8 Currently, Officers within the Procurement Unit are not asked to sign a form to confirm they have read and understood CPRs as it is considered they are fully aware of their contents and embed them into their procurement practices as a matter of routine. However, as a matter of good governance such a process could be introduced from May 2011 when the new CPRs and Code of Conduct will be published.
- 3.9 The Procurement Unit also offers a full day training course on the CPRs and over the last 6 months training has been provided to a number of officers within PPPU, ICT and Highways. Further courses are planned later in the year for Aire Valley Homes and various other officers from all Directorates within the Council.
- 3.10 Various other courses such as contract management, procurement competency and financial procedure rules all make reference to the CPRs as essential bedtime reading.

Are CPRs embedded into the Council's procurement process and routinely complied with?

- 3.11 It cannot be said that CPRs are totally embedded into the Council's procurement practices. As stated above a number of measures are taken to communicate CPRs and their importance to officers but there is no way of knowing how many officers actually read CPRs let alone understand them.
- 3.12 Directorates are allowed to conduct procurements under £100K without consulting the Procurement Unit. Where they choose to do so it is more likely than not that they will breach some element of the CPRs, probably without ever realising it.
- 3.13 Further, whilst guidance is provided to Directorates when procuring goods, works or services up to £100k (as all procurements over £10K must be carried out using the Council's electronic tendering system) there is no way of knowing how many procurements within this value are carried out without regard to CPRs at all.
- 3.14 All contracts with a value of over £100K are procured with the assistance of the Procurement Unit and the procurement professionals play a major role in ensuring that the CPRs are routinely embedded into the process.
- 3.15 The Procurement Unit seeks to embed CPRs into their procurement practices by developing a business case in the first instance to determine whether a procurement exercise should be undertaken. If it does formal tenders/quotations are obtained inviting sealed bids via the Council's electronic tendering system ("SCMS"). Bids are then evaluated according to the published evaluation criteria and the bidder that submits the most economically advantageous bid wins. The results are then published on SCMS. This process ensures transparency, equal treatment and establishes value for money for the authority. Clearly, this should happen if CPRs are being complied with and it is the ideal that the Procurement Unit wish to ensure is achieved.
- 3.16 It is acknowledged that sometimes it proves impossible to comply with CPRs, because the Council has had to act quickly, or there has been a genuine error in their non compliance, CPR 31.4 dictates that officers must prepare a report to their Chief Officer/Director, setting out their reasons and justification for not following the CPRs and Code of Practice. Out of 112 waivers/invocations sought since March 2010 only 8 reports were submitted in relation to CPR 31.4 of which 4 were on the ground of urgency; 1 on the potential loss of funding and 1 was a genuine error in the belief that CPRs didn't apply.

How are CPRs monitored?

- 3.17 Whilst audits are carried out on contracts procured by Directorates by the Council's internal audit unit, which often highlight a failure to comply with some element of the CPRs resulting in the production of a re-active report and recommendations being made for future procurements, there is currently no proactive monitoring by the Procurement Unit to ascertain whether CPRs are being complied with.
- 3.18 In order to address this shortfall plans are currently being developed to ensure proactive monitoring takes place. Reference has already been made in the recently published Contract Management Guidance for the need to comply with CPRs, and the use of the contracts diary and off-contract spend information to establish a process of "spot checks" for compliance with CPRs is to be introduced.

3.19 It is anticipated that a report will be taken to the Legal and Procurement Decisions Group on a quarterly basis detailing instances of Officers failure to comply with CPRs. This information will be used to target training towards the particular officers involved. Should persistent offenders be identified, these will be reported to the relevant Chief Officer/Director so that they can take the appropriate disciplinary action.

4.0 Implications For Council Policy And Governance

4.1 CPRs form part of the Council's constitution and establish the basic governance arrangements that must be followed when procuring goods, works and services on behalf of the Council.

5.0 Legal And Resource Implications

5.1 Failure to comply with CPRs places the Council at risk of legal challenge which may have extensive resource implications in trying to defend such a challenge. It must be remembered that an aggrieved tenderer only has to make a mere assertion that he has been discriminated against and it will then be for the Council to disprove that claim.

6.0 Conclusions

6.1 In conclusion, it is generally considered that CPRs are current, fit for purpose and effectively communicated. However, it cannot be said that they are totally embedded into the Council's processes and routinely complied with to a satisfactory level.

6.2 It is accepted that there is currently no proactive monitoring by the Procurement Unit to ascertain whether CPRs are being complied with, but plans are currently in place to address this. The need to comply with CPRs has been reiterated in the recently published Contract Management Guidance. Further, it is anticipated that the use of the contracts diary and off-contract spend information to undertake a process of "spot checks" for compliance with CPRs will begin in conjunction with the publication of the updated CPRs in May 2011.

6.3 This will be complimented with a quarterly report to the Legal and Procurement Decisions Group ("LAPD") detailing instances of Officers failure to comply with CPRs. Officers identified will be targeted for CPR training within 1 month of the report to LAPD. Should persistent offenders be identified, these will be reported to the relevant Chief Officer/Director so that they can take the appropriate disciplinary action.

6.4 As part of the efficiency work being undertaken by the Procurement Unit we are seeking to ensure there is greater transparency in the way the Council spends its money and the contracts it uses. This will involve identifying and reducing the instances of "off contract spend" by Officers. We will be obtaining an independent review of such spend by Officers and it is anticipated that this will, in turn, identify areas where CPR training is required.

6.5 This work has recently commenced and is ongoing and it would be appropriate to provide an update to the Corporate Governance and Audit Committee in three months time so they can be kept abreast of progress made.

7.0 Recommendations

- 7.1 The Corporate Governance and Audit Committee are recommended to note the contents of this report.
- 7.2 That a further report is submitted to the Corporate Governance and Audit Committee in 3 months time to update on progress made.

Background Documents Used

Contract Procedure Rules and Contract Procedure Rules Code of Practice

This page is intentionally left blank

Definitions

“Administrative Decision” is as defined in the Council’s Constitution

“Approved List” means a supplier of works or services that has been vetted by the Council’s Procurement Unit or relevant department and placed upon the Council’s approved list(s).

“Authorised Officer” means a person with delegated authority to act on the Council’s behalf and is used throughout these Contracts Procedure Rules and the Procurement Code of Practice in the generic sense and includes Architect, Engineer and Supervising Officer as appropriate;

“Best Value for Money” means the optimum combination of whole life costs, quality and benefits to meet the customer’s requirement.

“Call In” means the process by which Members can scrutinise a Key or Major Decision taken by the Relevant Chief Officer

“CIS” means the Contract Information System available via the intranet which enables Council Officers to search against a contract by type or by Contractor in order to check what contractual arrangements the Council currently has in place so that orders can be placed against them.

“Committee” means the relevant Committee of the Council duly authorised (and includes Boards and Plans Panels);

“Contract” means an agreement between the Council and any Contractor made by formal agreement or by issue of a letter of acceptance or official order for goods, works or services;

“Contractor” means any sole trader, partnership or company (limited or unlimited) or any duly incorporated trade, professional or commercial body or any voluntary organisation or charity or any other body who may provide goods works and or services to the Council under a contract;

“Corporate Contract” means an agreement between the Council and Contractor made by formal agreement which has been procured in consultation with and for the benefit of more than one Council department. Examples include the stationery contract and temporary staff contract.

Contracts Procedure Rules

“Chief Procurement Officer” means the manager of the Procurement Unit who is responsible for the procurement function (excluding PFI/PPP projects) on behalf of the Council.

“(The) Council” means Leeds City Council;

“Council’s Constitution” means the set of policies and procedures as amended from time to time which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose;

“CPR” means the Contract’s Procedure Rules

“Delegated Decision” means a formal decision taken in accordance with the Council’s Constitution and includes a Key, Major, Significant Operational and Administrative decision. It is for the Officer seeking the Delegated Decision to decide which type of decision is required.

“Electronic Tender Time-Box” means a web based facility available to tenderers for the submission of expressions of interest and tenders for specific projects;

“Emergency” means an urgent situation or crisis created as a result of a natural disaster (such as flooding or an earthquake) or tragedy (such as an explosion or plane crash)

“Forward Plan” means the plan which sets out key matters to be considered by the Council over the following four months and is updated on a monthly basis

“Framework Agreement” means an agreement which allows the Council to call off from a Contractor to provide services, goods or works in accordance with the terms of the agreement. This includes Corporate Contracts and any strategic partnering contract. If the Council calls off goods works and or services from the Contractor then a binding contract comes into place.

“Highways and Transportation Partnership” means the partnership/framework contract set up by the Council to combine their internal provider (Highways Agency) and a private sector partner to provide all the Council’s consultancy work in transport & engineering (excluding architecture & building services).

“Invocation/Waiver Report” means a report to the Assistant Chief Executive (Corporate Governance) and the Director of Resources in the form of the Invocation/Waiver Report contained in Appendix 1 of the Contracts’ Procedure Rules.

“ISP” means internal service provider

“Key Decision” is as defined in the Council’s Constitution

“The Compact For Leeds” means the agreement between the Council and voluntary, community and faith sector partners. Its purpose is to strengthen working relationships between the partners in order to deliver the best possible outcomes for the people of Leeds.

“Letter of Intent” means a letter setting out the parties intentions to enter into a contract at a later date. However, the fact that the parties envisage that the letter is to be superseded by a more formal contract does not, of itself, prevent it from taking effect as a contract.

“Major Decision” is as defined in the Council’s Constitution

“Officer(s)” means employee(s) of the Council;

“Member(s)” means elected member(s) of the Council;

“Non Approved Framework Agreement” means a Framework Agreement set up by a public body other than the Council.

“One Council Approach To Commissioning Framework” means the commissioning framework detailing how procurements will be undertaken by the Council.

“OJEU” means the Official Journal of the European Union;

“Pre-set Budget” means the pre-determined fixed budget which is to be used to procure the works, goods services in question.

“PIN” means Prior Information Notice for publication in the OJEU;

Contracts Procedure Rules

“Procurement Plan” means a plan identifying major projects maintained by the Relevant Chief Officer. It also provides a basis for information for the Procurement Unit to meet the Council’s reporting obligations;

“PU” means the Council’s Procurement Unit:

“Quotation” means a formal offer to supply or purchase goods, execute works or provide services at a stated price estimated by the Relevant Chief Officer to be of a value of £100k or less;

“Relevant Chief Officer” means the head of the procuring department and includes the Chief Executive, Deputy Chief Executive, Assistant Chief Executives, Directors¹, Chief Officers with appropriate delegations or authorised representative(s) of any of those officers;

“SCMS” means the Council’s supplier and contract management system maintained by the Procurement Unit;

“SRP Toolkit” means the Socially Responsible Procurement Toolkit;

“The Strategic Design Alliance” means the partnership/framework contract set up by the Council to combine their internal provider (Architectural Design Services) and a private sector partner (Jacobs) to provide all the Council’s design and technical consultancy work associated with buildings and architecture. It is the only official means of providing such services (Executive Board Report dated 15th December 2004);

“Tender” means a formal offer to supply or purchase goods, execute works or provide services at a stated price estimated by the Relevant Chief Officer to be of a value of over £100K.

“TUPE” means the Transfer of Undertakings (Protection of Employment) Regulations 2006

“Regulations” means the Public Contracts Regulations 2006

¹ Any reference to a Director within these CPRs shall be deemed to include reference to all officers listed in these CPRs, except where the context requires otherwise
Part 4(i)
Page 4 of 36
Issue 2 – 2010/11
16 December 2010

CONTRACTS' PROCEDURE RULES

1 Compliance

- 1.1 Every contract entered into by the Council shall be entered into pursuant to or in connection with the Council's functions and shall comply with:
- (a) all relevant statutory provisions;
 - (b) the relevant European procurement rules (the EC Treaty, the general principles of community law and the European Union's Public Contracts Directive implemented by the Regulations);
 - (c) the Council's Constitution including these Contracts' Procedure Rules, the Council's Financial Procedure Rules and schemes of delegation; and
 - (d) the Council's strategic objectives and policies including the One Council Approach To Commissioning Framework.
- 1.2 The highest standards of probity are required of all Officers and Members involved in the procurement, award and management of Council contracts².
- 1.3 Members and Officers are reminded of their responsibilities in relation to gifts and hospitality and should ensure that they comply with the obligations set out in the Members' Code of Conduct and Officers' Code of Conduct respectively and any guidance issued in that regard.
- 1.4 These Contracts' Procedure Rules should be read in conjunction with the Council's Procurement Code of Practice.
- 1.5 Any **failure to comply** with any of the provisions of these Contracts' Procedure Rules, the Code of Practice, the Financial Procedure Rules or UK and European Union legal requirements by Officers **may result in disciplinary action** by the Relevant Chief Officer and shall in any event be reported by the Relevant Chief Officer immediately to the relevant Scrutiny Board.

2 Procurement Plan and Statistical Returns

- 2.1 At the beginning of each financial year, the PU shall publish a Prior Information Notice in the Official Journal of the European Union listing the contracts for services and supplies which it expects to procure for the coming financial year. The Relevant Chief Officer shall ensure that all contracts to be procured over £250K per annum are registered on the forward plan at the point that the contract is due to be awarded. In accordance with CPR 21.

² See guide for elected Members' involved in commercial transactions

- 2.2 Each year the PU shall make a statistical return to Central Government for onward transmission to the European Commission concerning the contracts awarded during the year under the EU Rules.
- 2.3 In order for the PU to effectively carry out the above activities, each relevant Chief Officer shall keep a contracts register setting down details of contracts awarded in the preceding twelve months. In the March of the financial year the Relevant Chief Officer shall provide in writing the information contained in the contracts register to the Chief Procurement Officer along with the anticipated tender activity and spend outlined in the relevant service plan for the coming financial year.

3 Delegated Authority

- 3.1 Any procurement carried out on behalf of the Council may only be undertaken by Officers with the appropriate delegated authority to carry out such tasks as set out in the Council's scheme of delegation contained within the Council's Constitution. However, Officers themselves cannot delegate accountability for the procurement carried out.
- 3.2 Officers with delegated authority to carry out a procurement task may only delegate to other Officers who have suitable experience and seniority. Officers shall be informed by their Relevant Chief Officer as to the extent of any delegated authority and any applicable financial thresholds set by the Relevant Chief Officer for each procurement.
- 3.3 Within approved budgets and schemes of delegation, Authorised Officers **must** place orders against an appropriate contract which has been entered into by the Council or to which the Council legally has access through approved consortia arrangements, joint contracts with other Local Authorities or Central Government contracts in accordance with CPR 8. Any contract awards which constitute Key or Major Decisions under the Council's Constitution or which involve any potential transfer of the Council's employees to a Contractor shall be referred for a Delegated Decision to the Relevant Chief Officer
- 3.4 In order to facilitate the Contract Procedure Rule's training programme, each Chief Officer must inform the Procurement Unit via the Chief Procurement Officer, as soon as identified, of known Officers in their department who authorise orders that have been raised (i.e. they have the authority to spend the money) and/or officers involved in tender exercises and the production of reports to award contracts or seek a waiver/invocation of these Contract Procedure Rules. This list will then be used by the Procurement Unit to target those Officers to ensure they receive the appropriate Contract Procedure Rule training.

4 Exempt Contracts

4.1 The following contracts are exempt from the requirements of these Contracts' Procedure Rules:

- (a) employment contracts.
- (b) contracts relating solely to disposal or acquisition of an interest in land.
- (c) urgent special educational needs or urgent social care contracts, if in the opinion of the Relevant Chief Officer it is considered to be in the Council's interests or necessary to meet its obligations under relevant legislation and demonstrates Value for Money for the Council. Use of this exemption by the Relevant Chief Officer must be followed up with a written report under CPR 31.5 on the approved Invocation/Waiver Report format, setting out the reason for such urgency, how it complies with relevant legislation and represents Value for Money.
- (d) residential and nursing care contracts which the Council has a duty to provide under S21 and S29(4) National Assistance Act 1948, S117 Mental Health Act 1983, S17 Children Act 1989 and S2 Local Government Act 2000, if in the opinion of the appropriate Chief Officer, following consultation with the Assistant Chief executive (Corporate Governance), it is considered to be in the Council's interests and demonstrates Value for Money for the Council.
- (e) where contracts are subject to the Regulations the following Contracts Procedure Rules shall not apply to procurements that are being conducted pursuant to the UK government Private Finance Initiative scheme, the Building Schools for the Future programme or the Local Improvement Finance Trust and such other similar UK government sponsored procurement schemes as the Assistant Chief executive (Corporate Governance) may, at their discretion, approve:
 - (i) 7.3, 9, 11, 12, 16.1 (d), 19.2 and 19.5 (save at Final Tender stage only)

5 Estimating the Contract Value

5.1 Contract values should be calculated in accordance with the Regulations (even when the Regulations are not applicable) for consistency. The Council shall make the best use of its purchasing power by aggregating purchases wherever possible. In particular contracts for supplies, services or works shall not be split in an attempt to avoid the applicability of these Contracts' Procedure Rules or the Regulations.

- 5.2 When calculating the price of any software the Authorised Officer shall ensure that a genuine estimate of the maintenance costs are included within the price of that software. For the avoidance of doubt it is acknowledged that when software, of any value, is procured the cost of maintenance shall continue until such time as the Council decide no longer to use the software

6 Pre-Procurement Procedure and Member Involvement

- 6.1 Before undertaking procurement activity the Authorised Officer shall:

- (a) work with all stakeholders, including Members and interested third sector organisations, to fully identify the need and outcomes to be achieved and fully assess all options for meeting those needs and achieving the outcomes, where appropriate taking account of the The Compact For Leeds.
- (b) using Delivering Successful Change methodology, establish a business case for the procurement, and for contracts over £100K, identify provision for resources for the management of the contract, for its entirety. Further details of what should form part of the business case can be found in the Contract Procedure Rules Code of Practice.
- (c) using the One Council Approach to Commissioning, choose a course of action which will represent Best Value for Money to the Council giving consideration to the use of internal providers, the Highways & Transportation Partnership, the Strategic Design Alliance and other strategic partners, existing Framework Agreements, provision of shared services and the powers to trade, collaborative working and the voluntary sector.
- (d) establish a written specification for the procurement requirement and associated evaluation criteria and strategy which must be formally approved by the Relevant Chief Officer
- (e) ensure that the tender documents are available in a suitable electronic format (usually Portable Document Format (PDF)), unless there are exceptional circumstances where the use of electronic documents are not appropriate. PDF format may not be suitable for documents requiring completion or signature.
- (f) inform the Chief Procurement Officer prior to inviting tenders or quotations to ensure that the Transfer of Undertaking (Protection of Employment) (TUPE) issues are managed correctly where any employee either of the authority or of a Contractor may be affected by any transfer arrangement³

³ Procurements involving TUPE shall always be procured in accordance with CPR 13 Part 4(i)
Page 8 of 36
Issue 2 – 2010/11
16 December 2010

- (g) form an evaluation team with responsibility for evaluating tenders where quality evaluation criteria has been set. The Authorised Officer shall invite the Chief Procurement Officer and finance Officer to form part of the evaluation team. Where appropriate the evaluation team shall include representatives from the other professional services within the Council such as engineers/architects to ensure adequate consideration of the Best Value option. Consideration should also be given to including service users on the evaluation team where appropriate. For procurements over £100K, the evaluation team shall also carry out a risk assessment as part of its pre-qualification assessment and the evaluation process. Guidance can be sought from the Council's Risk Unit
 - (h) consider all aspects of the tender and contract lifecycle with reference to the checklist guidance in appendix 3 of the Contracts' Procedure Rules Code of Practice.
 - (i) apply a gateway review process to contracts above £100K or deemed to be high risk. This process must be applied at key stages of the procurement process in conjunction with the Chief Procurement Officer, and in line with the Council's Delivering Successful Change Methodology.
 - (j) complete the SRP Toolkit, ensuring that both equalities and sustainability impacts are identified and mitigated at the tender scoping stage.
- 6.2 Where the risk in a specific procurement is perceived to be high then that procurement shall be treated as a High Value Procurement regardless of the value of the contract.
- 6.3 Certain types of procurement will be of particular interest to Members. As such the Authorised Officer must consult with Members where the procurement:-
- (i) is of significant strategic importance in meeting the Council's objectives;
- and/or
- (ii) will, or is likely to, have a significant impact upon the communities living or working in the City of Leeds;
- 6.4 The Authorised Officer should use their professional judgment to determine when and how it would be appropriate to consult with Members taking into account the guidance set out in the Contract Procedure Rules Code of Practice at 2.3.

7 Internal Providers

- 7.1 Subject to CPR 7.2 and 7.3, before commencing procurement activity and in consultation with the Chief Procurement Officer the Relevant Chief Officer shall ask the head of the ISP to carry out either part of or the whole of the works or services competition free. If the head of the ISP does not want to carry out the works or services, they must obtain specific dispensation from the Council's Corporate Leadership Team by submitting a formal report to the Team giving clear and transparent justification (e.g. unavailability of skills or insufficient capacity) for not undertaking those works or services.
- 7.2 For all aspects of transport and engineering consultancy work (excluding architectural and building services), the Authorised Officer should undertake initial discussions with the Highways and Transportation Partnership, to establish the extent to which the Highways and Transportation Partnership can meet their needs. It is expected that the Highways and Transportation Partnership will be able to meet the clients needs on most occasions, given the range of skills available and the ability of the Highways and Transportation Partnership to bring in specialist consultants to support it. If, however, following discussions with the Partnership an Authorised Officer feels that the Highways and Transportation Partnership cannot meet, or procure resources to deliver their requirements, then the Authorised Officer must, subject to a sound rationale/business case, submit a report to Council's Corporate Leadership Team and seek a waiver of this Contract Procedure Rule and procure consultancy services in accordance with CPR 6.2 and 28.
- 7.3 For all design and technical consultancy work associated with buildings and architecture, the Authorised Officer should undertake initial discussions with the Strategic Design Alliance, to establish the extent to which the Strategic Design Alliance can meet their needs. It is expected that the Strategic Design Alliance will be able to meet the clients needs on most occasions, given the range of skills available and the ability of the Strategic Design Alliance to bring in specialist consultants to support. If, however, following discussions with the Alliance an Authorised Officer feels that the Strategic Design Alliance cannot meet, or procure resources to deliver their requirements, then the Authorised Officer must, subject to a sound rationale/business case, submit a report to Council's Corporate Leadership Team and seek a waiver of this Contract Procedure Rule and procure consultancy services in accordance with CPR 6.2 and 28.

8 Framework Agreements

- 8.1 In consultation with the Chief Procurement Officer the Authorised Officer must ascertain whether there is an approved Framework Agreement in place that should be used.
- 8.2 The Framework Agreement may include within its terms a requirement for a mini competition exercise between those Contractors who are parties to

the Framework Agreement. These shall be tendered in accordance with these Contracts' Procedure Rules and/or the Framework Agreement itself.

- 8.3 Where the Council is able to call off from existing Framework Agreements procured by central Government agencies, purchasing consortia or other local authorities or public bodies, then the Council may benefit from using those contracts without entering into a separate procurement exercise. Where such Framework Agreements contain a number of different Contractors able to provide a particular category of goods or services a mini competition exercise between those Contractors who are parties to the Framework Agreement may have to be carried out.
- 8.4 However, if such Framework Agreements are used it will be in accordance with the terms of those agreements which may not be appropriate to the particular procurement in question. Advice should be sought from the Chief Procurement Officer prior to commencing the procurement.
- 8.5 Where the use of a Non Approved Framework Agreement is to be considered the Authorised Officer must comply with the relevant provisions of CPR 6 and seek written approval to use the Non Approved Framework Agreement from the Relevant Chief Officer by submission of a Invocation/Waiver Report and associated Delegated Decision. Where the Non Approved Framework contains a mechanism for mini-competitions to be undertaken at regular intervals so that the cheapest provider may change throughout the period of the Non Approved Framework, this must be detailed in the body of the Invocation/Waiver Report.
- 8.6 Any Framework Agreement set up by a client department shall be notified to the Chief Procurement Officer by the Authorised Officer in order that the Procurement Unit can incorporate the Framework Agreement onto the SCMS and CIS systems to make it available to other departments where applicable.

9 Approved Lists

- 9.1 Where any procurement exercise is to be undertaken in accordance with CPR 11, 12 or 13, the Authorised Officer, in consultation with the Chief Procurement Officer, shall ascertain whether there is an appropriate Approved List of suppliers that should be used. These must be used except where the requirement is subject to the Regulations.
- 9.2 The PU sets up and maintains approved lists of Contractors that meet the Council's pre-qualification requirements. These Approved Lists shall be advertised by the PU who shall maintain and review all such lists.
- 9.3 Where an approved list has been set up by a client department the Relevant Chief Officer of that department shall inform the PU that such a list exists and provide details of the Contractors upon that list. The client department shall maintain these lists.

Contracts Procedure Rules

- 9.4 All approved lists set up by the Council shall remain open at all times so that interested Contractors can apply to join the approved lists at any time.

10 Joint Procurement

- 10.1 Any joint procurement arrangement to be established by the Council whereby other local authorities or public bodies are to be allowed to use the contract shall be formally approved by the Relevant Chief Officer before the procurement commences.
- 10.2 Once such approval has been obtained the procurement shall be carried out in accordance with these Contracts' Procedure Rules and the Public Contracts Regulations 2006.
- 10.3 When undertaking a joint procurement arrangement on behalf of the Council the Authorised Officer must ensure the other public bodies that are to be included in that arrangement are listed in the advertisement and contract documents. They can either be individually listed or referred to as a class of organisation within a particular region e.g "all Local Authorities in the Yorkshire and Humber Region" or "all Health Authorities in the Yorkshire and Humber Region" etc Further, the estimate given must include the potential usage of that joint arrangement by those public bodies listed.

11 Below £10K - Low Value Procurement (Quotations)

- 11.1 Where no appropriate internal supplier, Council contract or Framework Agreement exists, competition (three written quotations) is required for procurements with an estimated value of below £10k unless it represents Best Value for the Council not to do so. Where an Approved List is in place it **must** be used.
- 11.2 On a case by case basis where the Relevant Chief Officer deems it appropriate for the efficiency of service provision and it represents Best Value for Money for the Council they shall be able to use their discretion to raise the amount referred to in CPR 11.1 and CPR 12.1 to £25k and award a contract to a specific Contractor without the need for competition. The Relevant Chief Officer must ensure that, if using this rule, details of the procurement are entered onto SCMS and a unique reference number obtained which will be applied to all stages and documentation of the procurement. If previously agreed with the PU, the Authorised Officer may use an alternative referencing scheme.
- 11.3 The decision to invoke the provisions of paragraph 11.2 above cannot be delegated to any other Officer. The Relevant Chief Officer shall keep a formal record of their reasons for all such decisions.

- 11.4 Once a Contractor is selected an order shall be issued specifying the services, supplies or works to be provided and the price and terms of payments.
- 11.5 Subject to CPR 24.1 and 24.2 Quotations should be invited using the Council's standard terms and conditions⁴

12 Between £10K and £100K - Intermediate Value Procurement (Quotations)

- 12.1 Subject to CPR 11.2 where no appropriate internal supplier, Council contract or Framework Agreement exists, competition is required for procurements valued over £10k but at or below £100k. Where an Approved List is in place it **must** be used.
- 12.2 Subject to paragraph 12.3, the procurement must, as a minimum, be procured using SCMS by the Relevant Chief Officer. This will include advertising the Quotation on the system and ensuring that the Quotation documents are electronically available in accordance with CPR 17 and 6.1(e). At least **three** written Quotations shall be invited. The Authorised Officer shall obtain a unique reference number from SCMS which will be applied to all stages and documentation of the procurement. If previously agreed with the PU, the Authorised Officer may use an alternative referencing scheme.
- 12.3 Procurements need not be advertised on SCMS where other arrangements are already in place which enable works, goods and services to be procured via a website set up for those purposes (for example conducting a procurement via the Buying Solutions website). However, once complete details of those procurements must be registered on SCMS by the Authorised Officer.
- 12.4 Faxed or emailed quotations are not acceptable for these purposes.
- 12.5 The Relevant Chief Officer shall ensure that, where proposed procurements, irrespective of their total value, might be of interest to potential Contractors located in other member states of the EU, a sufficiently accessible advertisement is published on SCMS in accordance with CPR 12.2 above. Generally, the greater the interest of the procurement to potential bidders from other member states, the wider the coverage of the advertisement should be. Advice must be sought from the Chief Procurement Officer.
- 12.6 Where clients undertake their own procurements they shall do so in accordance with these Contracts Procedure Rules and Code of Practice and procedures as agreed by the PU.

⁴ The Council's standard terms and conditions can be found on the intranet under Procurement/Frequently Used Documents

Contracts Procedure Rules

- 12.7 Details of all procurements undertaken by client departments of a value greater than £10k must be recorded on SCMS by the Authorised Officer or shall be forwarded to the Chief Procurement Officer in order that SCMS can be updated on their behalf.
- 12.8 Where the procurement of any value is fully funded by a third party, and if that third party so requests, then the name(s) of one or more Contractor(s) may be added to the quotation list or be the only Contractor(s) invited provided the Approved List criteria are satisfied (and the Regulations not contravened). The Chief Procurement Officer will confirm this.
- 12.9 Subject to CPR 24.1 and 24.2 Quotations should be invited using the Council's standard terms and conditions

13 Over 100K - High Value Procurements (Tenders)

- 13.1 Where no appropriate internal supplier, Council contract or Framework Agreement exists, competition is required for procurements valued over £100k. Where an Approved List is in place it must be used (for values up to the EU Thresholds).
- 13.2 For all procurements valued at above £100k and prior to the commencement of the procurement process:
- 13.2.1 the Authorised Officer shall obtain a unique reference number from SCMS which will be applied to all stages and documentation of the procurement. If previously agreed with the PU, the Authorised Officer may use an alternative referencing scheme.
- 13.2.2 approval of the proposed procurement and contract award procedure including the evaluation criteria to be applied shall be formally sought by the Authorised Officer from the Relevant Chief Officer in accordance with CPR 18 below.
- 13.2.3 the Authorised Officer shall develop and document the procurement approach which shall set out which of the considerations detailed in Appendix 3 of the Contracts' Procedure Rules Code of Practice were taken into account.
- 13.3 Where the estimated contract value reaches the relevant EU threshold CPR 14 shall also apply.
- 13.4 The procurement must, as a minimum, be procured using SCMS by the Relevant Chief Officer. This will include advertising the Tender on the system and ensuring that the Tender documents are electronically available in accordance with CPR 6.1 (e) and 17. Where there are sufficient numbers of Contractors at least **four** written Tenders shall be invited.
- 13.5 Faxed or emailed Tenders are not acceptable for these purposes.

- 13.6 The Relevant Chief Officer shall ensure that, where proposed procurements, irrespective of their total value, might be of interest to potential Contractors located in other member states of the EU, a sufficiently accessible advertisement is published on SCMS. Generally, the greater the interest of the procurement to potential bidders from other member states, the wider the coverage of the advertisement should be. Advice must be sought from the Chief Procurement Officer.
- 13.7 Where clients undertake their own procurements they shall do so in accordance with these Contracts Procedure Rules the Code of Practice and procedures as agreed by PU.
- 13.8 Details of all procurements undertaken by client departments must be recorded on SCMS by the Authorised Officer or shall be forwarded to the Chief Procurement Officer in order that SCMS can be updated on their behalf.
- 13.9 Where the procurement of any value is fully funded by a third party, and if that third party so requests, then the name(s) of one or more Contractor(s) may be added to the tender list or be the only Contractor(s) invited provided the Approved List criteria are satisfied (and the Regulations not contravened). The Chief Procurement Officer will confirm this.
- 13.10 Subject to CPR 24.1 and 24.2 Tenders should be invited using the Council's standard terms and conditions

14 Contracts subject to the EU Public Contracts Regulations (Tenders)

- 14.1 Where the estimated value of a contract exceeds the current EU threshold, then the contract shall be tendered in accordance with the Regulations and these CPRs. In all such circumstances appropriate advice must be sought from the Chief Procurement Officer.
- 14.2 The current thresholds are: -

Services	£156,442.00
Supplies	£156,442.00
Works	£3,927,260.00

The thresholds change every two years and are due to change again on the 1st January 2012.

15 Pre-qualification

- 15.1 For all procurements with a value of over £50K, the Council shall only enter into a contract with a Contractor if it is satisfied as to the Contractor's -

- (a) eligibility
- (b) financial standing
- (c) technical capacity

15.2 A Pre-Qualification Questionnaire is available on the PU Intranet for use to determine the criteria under CPR 15.1.

16 The Invitation to Tender/Quote

16.1 The Invitation to Tender or Quotation shall include details of the Council's requirements for the particular contract including:

- (a) a description of the services, supplies or works being procured;
- (b) the procurement timetable including the Tender/Quotation return date and timescales. The Authorised Officer shall allow a reasonable period for the applicants to prepare their Tender/Quotation and where applicable meet the minimum Regulation timescales;
- (c) a specification and instructions on whether any variant bids are permissible;
- (d) Subject to clause 24.2, the Council's terms and conditions of contract or a request for the bidders to submit their terms and conditions in accordance with CPR 24.1;
- (e) the evaluation criteria including any weightings and or sub-criteria as considered appropriate;
- (f) pricing mechanism and instructions for completion;
- (g) whether the Council is of the view that TUPE may apply;
- (h) if appropriate the form and content of method statements to be provided by the bidders;
- (i) rules for submitting of Tenders/Quotations (all Tenders/Quotations should state that the Council's preferred option is to have Tenders/Quotations submitted electronically);
- (j) any further information, such as a project brief, which will inform or assist Contractors in preparing Tenders/Quotations.

17 Submission, Receipt, Opening and Registration of Tenders/Quotes

Tenders

17.1 Electronic Tendering

17.1.1 Requests for Quotations and Invitations to Tender should be transmitted by electronic means using the Council's SCMS. This will ensure that:

- (a) the Electronic Tender Time-Box will only be available for the submission of tenders up to the stated deadline time and date. The date and time of each Tender or Quotation received within the Electronic Tender Time-Box will be automatically recorded electronically.
- (b) Electronic Tenders or Quotations submitted are kept in a separate secure Electronic Tender Time-Box under the control of the Assistant Chief Executive (Corporate Governance) which is not opened until the deadline has passed for receipt of Tenders or Quotations.

17.1.2 The Council's preferred method of tendering is by electronic means. However, in very exceptional circumstances (e.g. PFI schemes, large construction contracts where there are a large amount of drawings required or where a contractor doesn't have the capacity to tender electronically), the Authorised Officer may allow the Contractor to submit a Tender or Quotation in paper format.

17.2 Hard Copy Tendering

17.2.1 Tenders received shall be addressed to the Assistant Chief Executive (Corporate Governance) in a sealed envelope endorsed with the word "Tender" followed by the subject matter to which it relates. No marks shall be included upon the envelope that identifies the bidder prior to the opening of the envelope. Tenders shall be kept in a safe place and remain unopened until the time and date specified for their opening.

17.2.2 Tenders shall be opened by the Chief Procurement Officer and if required at least one other Officer nominated by the Assistant Chief Executive (Corporate Governance). In addition, the Chief Officer of Resources may nominate a representative to attend tender opening should he/she so wish. An immediate record shall be made of the Tenders received including names, addresses, value and the date and time of opening.

17.3 Officers who have been involved in preparing a tender bid, must not be involved in the recording or opening of tenders. Only persons authorised

Contracts Procedure Rules

by the Relevant Chief Officer (as client), the Assistant Chief Executive (Corporate Governance) and by invitation the Chief Officer of Resources shall attend tender opening. Due notice must be given to the Chief Procurement Officer of the details of the scheme, the closing date and time, and the number of Tenders invited. Submission to the Chief Procurement Officer of a blank set of Tender documents when giving this due notice will enable preparatory work to commence and assist the acceptance and award procedure.

Quotations

17.4 With regard to the submission, receipt, opening and registration of Quotations, in order to reduce the potential number of legal challenges the, Relevant Chief Officers must ensure that there is a system in place which has been approved by the Chief Procurement Officer, whereby the probity and transparency of the process cannot be called into question. It is recommended that a system is set up which replicates that used for Tenders as above as all mandatory requirements apply.

17.5 All Quotation envelopes must be retained on file.

General

17.6 The design of the Tender/Quotation documents must be such that price documentation cannot be changed or substituted following submission of the Tender or Quotation.

17.7 No Tenders, Quotations or Pre Qualification Questionnaires received after the specified date and time for their receipt can be considered by the Council.

17.8 All Tender/Quotation documents must be retained in line with the provisions set out at in Financial Procedure Rule 2.10 relating to "Contracts".

18 Tender Evaluation

18.1 The evaluation criteria shall be predetermined and approved by the Relevant Chief Officer and listed in the Invitation to Tender documentation in order of importance. In addition, the criteria shall be strictly observed (and remain unchanged) at all times throughout the contract award procedure.

18.2 Except where there is a Pre-set Budget and the Quotation/Tender is to be evaluated significantly on quality, where the quality evaluation criteria is to be greater than 60% the Authorised Officer must seek an invocation of this rule by submission of a report to the Chief Procurement Officer and the Director of Resources for comment before submission of the associated Delegated Decision to the Relevant Chief Officer. The invocation report must set out in detail and demonstrate why a quality weighting of over 60% is justified.

- 18.3 Tenders subject to the Regulations shall be evaluated in accordance with the relevant Regulations and the evaluation criteria set out in the Invitation to Tender. All other Quotations/Tenders shall be evaluated in accordance with the evaluation criteria set out in the Invitation to Tender.
- 18.4 All contracts, except contracts where lowest price was predetermined to be the only criteria, must be awarded on the basis of the offer which represents Best Value for Money to the Council.
- 18.5 Procurements can only be abandoned and re-tendered for proper justifiable reasons e.g. receipt of non compliant bids so genuine competition cannot be obtained or funding is no longer available etc. It would be a breach of the EU procurement rules if a tender was abandoned on the ground that a particular contractor was not the successful bidder and such action would leave the Council open to legal challenge.

19 Errors in Tenders/Quotations

- 19.1 Errors in Tenders/Quotations must be dealt with either by asking the Contractor to confirm that they will accept the contract documentation as issued or if not withdraw the Tender/Quotation from the procurement process. Where a Contractor has made a genuine arithmetical error they may be given an opportunity to correct that error. Other than where a procurement is being carried out under the competitive dialogue or negotiated procedure, where fine tuning and clarification are permitted, no other adjustment, revision or qualification is permitted.
- 19.2 Tender/Quotation documents must state how errors in Tenders/Quotations will be dealt with.
- 19.3 Careful consideration must be given to the effect of any procedure adopted when dealing with errors in Tenders and the reflection which any such procedure may have on the integrity of the Officers and Members of the Council. It is essential that whatever procedure is adopted is transparent and seen to be fair and equitable to all Contractors. Certainly asking the Contractor to accept contract documentation as issued is less likely to lead to the probity of the process being questioned. In cases of any doubt about the procedure to be adopted in any particular circumstances, the Relevant Chief Officer must consult with the Chief Procurement Officer.
- 19.4 Clearly, the effect of any errors identified in a tender/quotation will depend on how material to the tender / quotation the error is. If a Contractor agrees to stand by an error which will cast doubt on its ability to perform the contract, or to the standard required, or may result in legal dispute, consideration should be given by invocation of this rule with submission of a relevant Invocation/Waiver Report and associated Delegated Decision as to whether to proceed with acceptance

19.5 Contractors regularly making errors should be warned appropriately.

20 Post Tender Negotiation

20.1 Where a procurement is conducted pursuant to the Regulations through either the open, restricted or competitive dialogue procedures, no post tender negotiations are permitted. Under the open and restricted procedures negotiations on price are never permitted. Where the competitive dialogue procedure is used all aspects of the procurement can be discussed pre-tender. However, post tender the Authorised Officer may only seek to clarify, specify or fine tune tenders in accordance with (i) the Regulations and (ii) the tender instructions.

20.2 Where procurements are conducted outside the Regulations, such as below threshold contracts, or where the Regulations application is limited such as Part B services, the Authorised Officer may authorise negotiations if he/she considers that it is in the Council's interest to do so after invocation of this rule by submission of a relevant Invocation/Waiver Report demonstrating how such negotiations would be in the Council's interest and obtaining the associated Delegated Decision from the Relevant Chief Officer.

20.3 Negotiations shall be conducted on behalf of the Council by at least two appropriately trained Officers from the client department concerned. The Chief Procurement Officer shall be invited to send a representative to the negotiation meetings. A full written record shall be kept of the results of the negotiations, signed by the Relevant Chief Officer or his or her nominee personally and the Contractor, and retained on a central file by the Relevant Chief Officer concerned and a copy sent to the Chief Procurement Officer. Where the Chief Procurement Officer sends a representative to the negotiation only one trained officer from the client department will be required

20.4 An amended Tender following negotiations under this rule 20 may not be accepted unless it provides Best Value for Money to the Council.

20.5 At all times during the procurement process the Council shall ensure that all tenderers are treated equally and in a non-discriminatory and transparent manner.

21 Awarding Contracts

21.1 A contract shall only be awarded subject to the tender evaluation criteria.

21.2 Where a Tender is to be evaluated on price only the Contract must be awarded to the Contractor submitting the lowest price.

21.3 Where a Contract is to be awarded on the basis of a price/quality evaluation and the difference between the value of the lowest priced tender and the highest scoring submission is more than 5%, the

Authorised Officer must invoke this rule using the Invocation/Waiver Report and associated Delegated Decision. The purpose of the invocation report is to ensure that the extra cost is justified and demonstrate the method of evaluation. It is not to enable the Authorised Officer to award the contract to any bidder other than the one which submitted the highest scoring submission based on price and quality.

- 21.4 All Contract awards above £10k will be recorded on the SCMS. The PU will arrange this for Contracts valued over £100k. The Authorised Officer must record, or request the PU to record, all Contracts valued up to £100k.
- 21.5 Contracts with a value above £100k shall be executed as a deed by an Officer with the requisite delegated authority to do so within the Procurement Unit.
- 21.6 Contracts with a value up to £100k, based on the Council's standard terms and conditions, or formally approved submitted terms and conditions, may be awarded by an Officer with the requisite delegated authority to do so within the relevant client department.
- 21.7 For all procurements valued at above £100k, as part of the pre-procurement process, the Authorised Officer should ensure that the budget holder responsible for the contract has sufficient funds in place to sustain the contract. The decision to award a contract shall be made by the Relevant Chief Officer on receipt of a delegated decision form from the relevant Authorised Officer. This report should give details of the reasons why tenders, if any, were disqualified and the reasons for the selection of Contractor(s). This rule will not apply for capital schemes where authorisation has already been sought prior to invitation to tender in accordance with the Council's Financial Procedure Rules. However, CPR 21.3 will still apply.
- 21.8 The Council shall only award a contract where it represents Best Value for Money. Where the Regulations do not apply and a 2 stage process is adopted whereby the mechanism for the costs of completing stage 2 of the Contract aren't included in the costs of completing phase 1 of the Contract the Authorised Officer shall submit a report to the Relevant Chief Officer confirming that Value for Money will be achieved by allowing the same Contractor that completed stage 1 to continue with stage 2 without submitting stage 2 to another formal tendering exercise.
- 21.9 Contracts valued over the EU threshold must be awarded in accordance with the Regulations. This will be carried out by the PU at the time of award.
- 21.10 Letters of Intent shall only be used in very exceptional circumstances and authorisation must be sought by invocation of this rule using the Invocation/Waiver Report and associated Delegated Decision. Where the terms and conditions of Contract are not fully agreed no Contractor shall be allowed to commence delivery of goods, works or services until a full

risk assessment has been carried out by the Authorised Officer as to the possible implications to the Council by the Contractor being allowed to commence work before the Contract terms and conditions have been finalised.

22 Debriefing

- 22.1 Once a decision to award any Contract subject to the Regulations has been taken the Authorised Officer shall inform the Chief Procurement Officer immediately and where applicable by completing the Preferred Tender Proforma attached at Appendix 2 in order that a 10 day review period can be implemented. During this 10 day period unsuccessful tenderers may challenge the Council's decision to award the contract to the successful tenderer.
- 22.2 The Authorised Officer responsible for each procurement shall provide a full and timely debriefing in writing to unsuccessful tenderers upon written request.
- 22.3 Failure to comply with the 10 day review period may provoke a legal challenge resulting in contracts being set aside for up to 6 months after it has been entered into depending on the circumstances. The PU will manage all aspects of this process in conjunction with the Authorised Officer.

23 Contract Award Notice

- 23.1 Where a contract has been tendered pursuant to the Regulations, the Council shall publish a contract award notice in the Official Journal of the European Union and on the SCMS as soon as possible after the decision to award the contract has been taken, and in any event no later than 48 days after the date of award of the contract. This will be done by the PU.

24 Contract Terms and Conditions

- 24.1 The Authorised Officer shall use their best endeavours to ensure that Contracts are entered into on the Council's terms and conditions, which shall be included with each purchase order or invitation to Tender. Where this is not possible, because the Council's terms and conditions are not suitable, and a Contractor has been asked to submit their terms and conditions, those terms and conditions must be formally approved in writing by the PU Procurement Compliance and Regulation team before they can be accepted
- 24.2 The above rule shall not apply to –
- (i) contracts that are being conducted pursuant to the UK government Private Finance Initiative scheme, the Building Schools for the Future programme or the Local Improvement Finance Trust and such other similar UK government sponsored procurement schemes as approved by the Assistant Chief executive (Corporate

Governance), which shall use UK government standard documentation. Such documentation may be amended by the Relevant Chief Officer for value for money or project specific reasons.

- (ii) construction and/or engineering contracts where bespoke conditions based on accepted standard form contracts are used such as JCT, NEC or ICE for example.

25 Contract Extension and Variations

Extensions

- 25.1 Any Contract may be extended before the expiry date where it is in accordance with its terms and proves to deliver Best Value for Money. Approval for such an extension shall be sought in a timely manner and supported by an appropriate Delegated Decision signed by the Relevant Chief Officer. A record of the approval process followed shall be kept on the Authorised Officers file for audit purposes.
- 25.2 Where there is no provision to extend within the contract terms, any extension that involves payment of a further fee or charges shall be dealt with in accordance with CPR 11, 12 or 13. In all other cases, where the terms do not expressly provide for an extension the contract may only be extended where it is reasonable in all the circumstances and written approval has been sought from the Relevant Chief Officer.
- 25.3 Approval for such extensions shall be sought in a timely manner and supported by an appropriate Decision signed by the Relevant Chief Officer. A record of the approval process followed shall be kept on the Authorised Officers file for audit purposes.
- 25.4 All extensions to any Council contracts must be in writing and reported to the Chief Procurement Officer in order that SCMS can be updated accordingly. Variations for extensions of contract shall be governed by this rule and CPR 25.6 and 25.7 shall not apply in these circumstances .
- 25.5 Once a Contract has expired it cannot then be extended.

Variations

- 25.6 Variations to the Capital Programme provision shall be dealt with in accordance with these Contracts Procedure Rules and Appendix F of the Council's Financial Procedure Rules. Variations in relation to revenue Contracts shall be dealt with in accordance with these Contract Procedure Rules and Rule 10 of the Financial Procedure Rules.
- 25.7 All Contract variations must be carried out within the scope of the original Contract. Contract variations that materially effect or change the scope of the original Contract are not allowed.

Contracts Procedure Rules

- 25.8 All Contract variations must be in writing and signed by both the Council and the Contractor except where different provisions are made within the Contract documentation. The value of each variation must be assessed by the Authorised Officer and all necessary approvals sought prior to the variation taking place including registrations on the Council's forward plan if applicable. Approval for any variation shall be sought in writing from the Relevant Chief Officer in a timely manner and supported by an appropriate Delegated Decision signed by the Relevant Chief Officer.
- 25.9 Where appropriate contract variations must be reported to the Chief Procurement Officer in order that SCMS can be updated accordingly.

26 Termination of Contract

- 26.1 For any Contract exceeding £100k in value, early termination shall be approved by the Relevant Chief Officer by invocation of this rule using the Invocation/Waiver Report and associated Delegated Decision. Contracts of a lesser value may be terminated early by agreement prior to the expiry date or in accordance with the termination provisions set out in the contract in conjunction with the PU Procurement Compliance and Regulation team.

27 Nominated and Named Sub-Contractors

- 27.1 If a sub-contractor or sub-consultant is to be nominated or named to a main Contractor, Quotations or Tenders must be invited in accordance with these Contracts' Procedure Rules and the terms of the invitation shall be compatible with the main contract.

28 Procurement by Consultants

- 28.1 Any consultants used by the Council shall be appointed in accordance with these Contracts' Procedure Rules. Where the Council uses consultants to act on its behalf in relation to any procurement, then the Authorised Officer shall ensure that the consultants carry out any procurement in accordance with these Contracts' Procedure Rules. No consultant shall make any decision on whether to award a Contract or who a Contract should be awarded to. The Authorised Officer shall ensure that the consultant's performance in relation to procurement is in accordance with these Contracts' Procedure Rules.
- 28.2 Where the Council uses consultants to act on its behalf in relation to any procurement the consultant must declare any conflict of interest that may arise to the Authorised Officer prior to completing any Tender evaluations on behalf of the Council.
- 28.3 Where the Authorised Officer considers that such a conflict of interest is significant the consultant shall **not** be allowed to evaluate Tenders on behalf of the Council.

29 Emergencies

29.1 In the case of emergencies, the Authorised Officer should first and foremost consider the health and safety of individuals and take action accordingly. This may involve for example, taking the necessary steps to secure a building or prevent the ingress of water. The Council has in place a series of emergency procedures set out in the Emergencies Handbook which should be followed. At the first available opportunity the situation should be discussed with the Chief Procurement Officer and future actions agreed.

30 Record and Document Retention and Control

30.1 Officers attention is drawn to the Financial Procedure Rules section 2

30.2 For each procurement activity up to £100k, the Authorised Officer shall maintain a list of all Tenders and Quotations received. Over £100k this will be carried out by the PU.

30.3 A Contracts Register of all term Contracts awarded above £100k per annum shall be maintained by the PU.

30.4 Each Relevant Chief Officer shall maintain his/her own register of all other Contracts, over £10k as a minimum, entered into by his/her department.

30.5 For every individual Contract above £100k a contracts file shall be maintained with appropriate documentation which must include, as a minimum, the following: -

- (a) the method for obtaining bids (see Rules 11, 12 and 13);
- (b) any exemption under Rule 4 together with reasons for it;
- (c) the evaluation criteria in descending order of importance and associated evaluation method;
- (d) Tender documents sent and received from Contractors;
- (e) any pre-tender market research;
- (f) all notes made by the evaluation panel during the evaluation of tenders;
- (g) clarification and post-tender negotiation (to include minutes of meetings);
- (h) the Contract documents;
- (i) post-contract evaluation and monitoring;

Contracts Procedure Rules

- (j) communications with all Contractors during the Tender process and with the successful Contractor throughout the period of the Contract;
- (k) award of Contract documentation;
- (l) any decision to abandon a procurement exercise or terminate a Contract.
- (m) all delegated decisions, authorisations, waivers and reports relating to the Tender process and subsequent Contract.

31 Waiver of Contracts' Procedure Rules

- 31.1 Waivers of any of these Contracts' Procedure Rules shall only be given in exceptional circumstances and only following consultation with the Assistant Chief Executive (Corporate Governance) and the Director of Resources by submitting the Invocation/Waiver Report form in Appendix 1 and subsequent Delegated Decision which shall be prepared in conjunction with the Chief Procurement Officer
- 31.2 The Relevant Chief Officer must be able to justify a procurement as a genuine exception to the requirements for competition. The reasons for use of this Contracts' Procedure Rule must be documented, and in a format approved by the Assistant Chief Executive (Corporate Governance).
- 31.3 When deciding whether to make the delegated decision to approve a waiver of Contract Procedure Rules the Relevant Chief Officer shall take into account the legal obligations for appropriate advertising.
- 31.4 In exceptional circumstances where a waiver could not or was not obtained the Authorised Officer shall prepare a written report by submitting the Invocation/Waiver Report form in Appendix 1 for consideration by the Assistant Chief Executive (Corporate Governance) and the Director of Resources setting out the reasons why a waiver could not be obtained. The relevant Officers will endeavour to provide comments to the Authorised Officer on all waivers within 7 working days of receipt of the final report by the Assistant Chief Executive (Corporate Governance).
- 31.5 In all the above circumstances the originator of the report is responsible and accountable for making sure that the contents of the report are factually correct . The originator of the report should ensure that all supporting documentation is retained on an easily accessible file for auditing purposes. Should it be found that incorrect information has been knowingly submitted in order to obtain approval for a waiver of these contract procedure rules the originator of the report will be reported to both the Relevant Chief Officer and Scrutiny Board.

32 Contract Management

- 32.1 Authorised Officers must follow the procedures set out in these CPRs and the Contract Procedure Rules Code of Practice.
- 32.2 For all procurements over £100K, Authorised Officers must have a contract management plan. Details of what should be contained in such a plan are set out in paragraph 2.6.1 of the Contract Procedure Rules Code of Practice.

33 Specific Requirements for Construction Contracts

Site Records

- 33.1 The Authorised Officer shall as a minimum ensure the maintenance of accurate records of activities on site as follows:
- (a) labour and plant working on site;
 - (b) labour working on site by trade, including any operatives under 18 years of age; lost time due to inclement weather;
 - (c) plant on site, when idle and when in use; date of arrival and departure of plant; whether plant owned by the Contractor or hired;
 - (d) date, type and volume of materials delivered to site, including the name of the Contractor; ensure that there are adequate facilities for storage;
 - (e) if appropriate, photographs to show the various stages of construction.

Cost Control

- 33.2 The Relevant Chief Officer shall ensure that suitable procedures are laid down and followed for the effective cost control of all Contracts. Such procedures shall involve a continuous monitoring of the cost being incurred on each Contract with the objective of ensuring that the project is completed within the authorised cost and that any unavoidable extra costs are identified quickly so that appropriate action can be taken.
- 33.3 The procedures shall provide:
- (a) a cost statement to be prepared every time a Contract payment is made assessing the probable final cost. This should take into account all known factors including variations, adjustments of prime cost and provisional sums and other items such as re-measured work;

Contracts Procedure Rules

- (b) a cash flow forecast based on a cost statement prepared by the Relevant Chief Officer, showing the expected pattern of payments to the end of the Contract, updated each month until the final payment is made.

33.4 As soon as it becomes apparent to the Relevant Chief Officer that costs will exceed the amount authorised, the Relevant Chief Officer must immediately report the situation to the Director of Resources. A final cost report shall be submitted to the Director of Resources as prescribed by Financial Procedure Rules.

34 Contract Claims

34.1 To safeguard the Council's right to deduct liquidated damages, if the Contract is over-running the Authorised Officer must certify in writing that the Contractor ought reasonably to have completed the works within the Contract period. Such a certification must be in accordance with the Contract conditions and be issued prior to the issue of the final certificate for payment.

34.2 Any events that may lead to claims for extension of time must immediately be brought to the attention of the Authorised Officer.

34.3 Claims for extension of time must be assessed promptly and any extension award made in accordance with the conditions of Contract.

34.4 If the works are not complete the Authorised Officer must issue a certificate of non-completion in accordance with any relevant Contract conditions immediately after the expiry of the (extended) date for completion. It is the ultimate responsibility of the Authorised Officer to arrange for the deduction of liquidated damages.

34.5 If the Contractor subsequently brings forward fresh evidence of delay, the Authorised Officer may award a further extension but must then also issue a revised certificate stating the revised date in accordance with any relevant Contract conditions.

34.6 Before the final certificate is issued the Authorised Officer shall check that any necessary certificate has been issued in accordance with the relevant Contract conditions.

34.7 The above procedures must be strictly followed for each section of a Contract in the case of sectional completions.

34.8 The Assistant Chief Executive (Corporate Governance) shall be kept informed at all times of all contractual claims whether by or against the Council.

34.9 It is critical that documentary evidence is kept relating to all aspects and stages of a claim and these should be kept by the Authorised Officer at one central point.

35 Review and Amendment of Contracts' Procedure Rules

- 35.1 These Contracts' Procedure Rules shall be reviewed and updated on an annual basis by the PU in consultation with Relevant Chief Officers.

Appendix 1: Invocation/Waiver Report

Guidance Notes

Introduction

The waiving of CPR's shall only be permitted in exceptional circumstances and only with the prior written approval of the Relevant Chief Officer following consultation with the Deputy Chief Executive (Corporate Governance) and the Director of Resources. Waivers cannot be made retrospectively.

An invocation report is required to meet the Council's obligations of transparency and openness and to show that the matter referred for consideration properly falls within Contracts Procedure Rules.

The Processing of the Report

Advice should be sought from the Chief Procurement Officer regarding completion of the Invocation/Waiver Report.

The report must be forwarded to the Chief Procurement Officer and the content of the report is reviewed. The Chief Procurement Officer will raise a proforma with his/her comments and forward the report for comment by Internal Audit.

Once these comments are received the Invocation/Waiver Report is then passed to the client and, once acted upon the proforma shall be referred for a Delegated Decision to the Relevant Chief Officer.



Leeds
CITY COUNCIL

Originator:
Tel:

Report of :
Meeting:
Date of meeting:

SUBJECT:

This Report is for;		
Discussion Only <input type="checkbox"/>	Information Only <input type="checkbox"/>	Advice/consideration prior to taking a Key or Major decision or reporting to a Committee <input type="checkbox"/>

Decision to be taken by:			
Full Council	<input type="checkbox"/>	Corporate Governance and Audit Committee	<input type="checkbox"/>
Executive Board	<input type="checkbox"/>	Standards Committee	<input type="checkbox"/>
An Area Committee	<input type="checkbox"/>	Member Management Committee	<input type="checkbox"/>
A Regulatory Committee	<input type="checkbox"/>	A Relevant Chief Officer using delegated authority	<input type="checkbox"/>

EXECUTIVE SUMMARY

1. *(This is a summary of the entire Invocation/Waiver Report)*

1. PURPOSE OF THIS REPORT

1.1 *(Give a brief explanation as to what the report is for)*

2. BACKGROUND

2.1 *(Sufficient emphasis in the report should be placed on giving the Relevant Chief Officer the necessary background information on the scheme).*

3. REASON FOR CONTRACTS PROCEDURE RULES WAIVER/INVOCATION

3.1 *(The report must give the reasons why a request to waive/invoke Contracts Procedure Rules is being made. Sufficient information must be included to enable the Relevant Chief Officer to make a decision. If required, the Council's Contracts Procedure Rules and associated Codes of Practice can be accessed from the Council's Intranet site.*

Details of the tenders received, the Contractor(s) to be used together with the proposed contract value should be included under this heading. Where you wish to invite a single tender you must give reasons for this. You must also state where you have sourced the tenderer from and detail any alternatives looked at, giving reasons why they are not to be invited to tender. If there is an Approved List for the type of work to be undertaken and you are not wishing to use this list, you must provide full reasons for this decision. The aim of this information is to provide justification to mitigate the risk of third party challenge from contractors who have been unable to bid for the contract.

Information demonstrating that value for money is being achieved must also be included. This differs from outlining whether a course of action is cost effective. Under Best Value legislation, Value for Money can only be demonstrated where competition has been sought. Where tenders have been evaluated on price and quality, details of who carried out the evaluation, the evaluation criteria and a summary of the results of the evaluation need to be included in the report or attached as an Appendix.

The report needs to include information detailing whether an "in-house" provider is capable of undertaking the required works or services and whether they have been contacted to ascertain their willingness to provide the service).

4. CONSEQUENCES IF THE PROPOSED ACTION IS NOT APPROVED

4.1 *(A statement must be included which informs the Relevant Chief Officer of the consequences of the proposed action not being approved and/or the costed alternatives should any exist. Details should include, but not be limited to, possible delays to the*

programme due to the need to advertise the requirement, vet responses prior to undertaking a tendering exercise etc. An indication of the possible increased costs involved in undertaking this process should be given if available).

5. ADVERTISING

- 5.1 *(A statement must be included which informs the Director as to what degree of advertising was undertaken when the work was tendered. If no advertising was undertaken details must be included as to the reasons why taking into account all the circumstances of the particular case such as the subject-matter of the contract, its estimated value, the specifics of the sector concerned (size and structure of the market, commercial practices, etc) and the geographical location of the place of performance)*

6. LEGAL IMPLICATIONS

- 6.1 *(The Procurement Unit will advise as to whether the proposed action would, or might, be held to contravene any enactment, rule of law or Directive of the EU. A statement made by the Chief Procurement Officer must be included in the report and the options available are detailed below. The first option will apply in the majority of cases where a waiver is requested and the second option will usually apply where Contracts Procedure Rules are being invoked to accept a tender which is not the lowest price, where a price/quality evaluation has been undertaken. Should neither of these options apply, the Procurement Unit will notify you of the alternative wording to be used).*

- 6.1 The Chief Procurement Officer has advised that it would be lawful for the Council to waive Contracts Procedure Rule 10 / 11 / 12 / 28 / * in these circumstances, provided that the Relevant Chief Officer of xxxxxx * is satisfied that there are compelling reasons to do so.

or

- 6.1 The Chief Procurement Officer has advised that this invocation report is required to meet the Council's obligations of transparency and openness and therefore this is a matter properly falling within Contracts Procedure Rule 21.7 / 31.2. There are no other legal provisions requiring a further competition exercise to be undertaken.

or

- 6.1 *(Other text to be advised)*

7. RECOMMENDATION

(The recommendation must state the specific Contracts Procedure Rule(s) to be waived/invoked, together with an explanation of the meaning of the Contract Procedure Rules).

Contracts Procedure Rules

- 7.1 The Chief Officer of * xxxxxxxx is recommended to approve the waiver of the following Contracts Procedure Rule(s):

Contracts Procedure Rule No 1 1- Low Value Procurements (Quotations) *

Contracts Procedure Rule No 12 - Intermediate Value Procurements (Quotations) *

Contracts Procedure Rule No 13 - High Value Procurements (Tenders) *

or

- 7.1 The Chief Officer of * xxxxxxxx is recommended to approve the invocation of the following Contracts Procedure Rule:

Contracts Procedure Rule No 4.1 (c) – Exempt Contracts*

Contracts Procedure Rule No 8.5 - Framework Agreement*

Contracts Procedure Rule No 19.4 – Errors in Tenders/Quotations*

Contracts Procedure Rule No 20.2 – Post Tender Negotiations*

Contracts Procedure Rule No 21.3 - Awarding Contracts*

Contracts Procedure Rule No 21.10 – Letters of Intent*

Contracts Procedure Rule No 26.1 – Termination of Contract*

Contracts Procedure Rule No 31.4 – Waiver of Contracts' Procedure Rules*

APPENDIX 2 – Preferred Tenderer Proforma



**INTERNAL MEMO
Procurement Unit**

To:	Dean Backhouse Procurement Compliance and Regulation Manager Procurement Unit 4 th Floor West, Civic Hall	From:	Tel: (0113) Fax: (0113) Your Ref: Our Ref: Date:
-----	--	-------	--

PREFERRED TENDERER PROFORMA

Scheme Title:
Scheme ID Number:

I intend to formally award the above mentioned contract.

Please send a letter to the preferred tenderer:

Name of Successful Contractor	Address	Contact Name and E-Mail Address/Fax No.	Reason why Tender was successful

Please note the following information to be incorporated in the letter to the successful tender:

- The date of the signed Form of Tender is:
- The Tendered Sum that is being awarded is : £
- The contract is due to start on --/--/---- and the completion date for the contract is --/--/----
- Options to extend are:

Contracts Procedure Rules

In addition, please send Regret Letters to the following Tenderer(s) :

Name of unsuccessful Tenderer(s)	Address(es)	Contact Name(s) and E-Mail Address/Fax No:	Reason why Tender(s) were unsuccessful

Please note the following information as this needs to be conveyed to the unsuccessful tenderers:

- Evaluation Criteria (broken down into category/percentage);
- Score of each Tenderer: (broken down into category/percentage); and
- Score of the winning Bid: (broken down into category/percentage);

I will forward the Contract Documents and all relevant approvals to you as soon as possible for acceptance.

Yours faithfully

on behalf of

1 Compliance

- 1.1 There are a number of internal policies and procedures dictating the way in which procurement (purchasing) should be carried out within the Council. There are also many laws that govern procurement within the United Kingdom. These also encompass the EU Public Procurement Directives. The procurement process must be carried out in a particular way and records of procurement activity, any resulting contract(s) (if applicable) and any associated reports, waivers or approvals have to be kept for specific lengths of time for legal reasons.
- 1.2 The Authorised Officer carrying out the procurement must ensure that they have the relevant delegated authority to do so.
- 1.3 The Authorised Officer must ensure that they carry out any procurement in accordance with the Contract's Procedure Rules, the Financial Procedure Rules and all relevant procedures contained within the Council's Constitution. Particular attention is drawn to the Officer Code of Conduct and the Officer Delegation Scheme.
- 1.4 This Code of Practice is a guide for use when purchasing goods, works or services of **any value** on behalf of the Council to ensure that officers comply at all times with the Contracts' Procedure Rules. This will ensure efficient and effective procurement throughout the Council and assist you to:
- Properly plan procurement activities
 - Implement all purchasing activities to legal best practices
 - Comply with legal and internal requirements
 - Obtain Best Value for Money for the Council
- 1.5 The Procurement Unit are responsible for ensuring that the Council delivers the One Council Approach to Commissioning Framework and have obligations to record procurement activity across the Council. If you require any advice or assistance, please do not hesitate to contact your Category Manager or Corporate Contracts Manager within the Procurement Unit. Details of the relevant contacts within the Procurement Unit are contained in Appendix 1 of this document.
- 1.6 Achieving Best Value For Money will ensure reduced procurement costs and increased efficiency. The key areas are:-
- Increase of expenditure within approved Contracts and with Approved Contractors
 - Reduction of the number of Contractors being used
 - Increased use of Framework Agreements
 - Reduction of cost in the procurement process
 - Reduction of "rogue" spending (a significant amount of spend is outside approved contracts)
 - Improved procurement procedures
 - Increased utilisation of electronic tendering procedures.

- 1.7 In particular, adequate division of duties and internal checking must exist and must be capable of being audited by the maintenance of documentary evidence detailing the nature and extent of checks undertaken. Failure to comply with the Contracts' Procedure Rules, this Code of Practice and Financial Procedure Rules by officers can result in disciplinary action.
- 1.8 All officers (including temporary staff) involved with purchasing goods, services and works must notify their line manager immediately if they become aware of any conflict of interest that arises during a procurement procedure. This will include, for example, instances where the officer or the officer's family have an interest in a company submitting a tender or quotation.
- 1.9 It is important that the reasons for all actions taken under Contracts' Procedure Rules and the Code of Practice are documented by the officers concerned. You need to be able to justify the actions that you have taken.
- 1.10 The Procurement Unit is responsible for a number of statistical returns and will make the necessary arrangements for information to be collected annually. Relevant Chief Officers must ensure that appropriate information is recorded in order to comply with these arrangements.

2 The Procurement Process

2.1 There are broadly five stages to the procurement process. These are:

- ◆ preparation
- ◆ invitation of tenders/quotations
- ◆ evaluation of tenders/quotations
- ◆ acceptance and award
- ◆ ongoing contract management/performance

2.2 Preparation

Business Case Policy and Funding Approvals

2.2.1 Before beginning a procurement exercise, the Authorised Officer shall establish a business case for the procurement which should include an estimate in writing of the proposed cost of the procurement together with, where applicable, any maintenance costs and internal costs of staff time. The degree of such costs of this will depend on the complexity and value of the procurement.

2.2.2. Any business case should provide details of what it is you are proposing to procure, how and when you are going to do it, who is to be consulted and how it is going to be paid for. You should ensure that you have considered all possible options (including the most appropriate procurement route) and detail the reasons why you have disregarded all options not to be followed. The process of preparing a business case will help you to focus on how best to procure works, goods or services thereby ensuring value of money is obtained.

- 2.2.2 The Relevant Chief Officer must obtain funding for the project and have considered all revenue implications. Any necessary policy and funding approvals must have been obtained to enable the procurement to proceed. A detailed estimate of the cost of the scheme must be prepared to enable the necessary approvals to be obtained. This can be used as a guide as to whether tenders/quotations received represent Value for Money to the Council.
- 2.2.3 No tender for the execution of a Contract should be invited unless all the Pre Procurement Requirements set out in CPR 6 and Appendix 3 to this Code of Practice are in place.
- 2.2.4 When estimating a Contract value it may be helpful to consider any previous expenditure, known changes in demand/usage and any market factors that will influence this e.g. price changes.

Specifications

- 2.2.5 The Contract Specification is one of the most important documents in the procurement process. All procurements should be based on a definite written Specification. The benefits of this are threefold. Firstly, you have clearly documented what you are seeking from the procurement exercise. Secondly, it ensures that Contractors are all bidding on the same basis. Finally it will be easier to monitor and should prevent the need for costly contract variations or the submission of contractual claims.
- 2.2.6 A Specification should include as a minimum:
- the works, goods or services required, volume and frequency;
 - the level of input, time and resources required or the outputs required;
 - the facilities on-site and access to them;
 - the standards of performance expected;
 - the length of any contract;
 - the quality of the goods, works and/or services required;
 - all relevant Council policies.
- 2.2.7 Your Category Manager will be able to give you advice on developing your specification in particular with regard to the requirements under the Regulations .

2.3 Consultation with Members

- 2.3.1 Elected Members understand the importance of the procurement role in ensuring the Council achieves its strategic objectives and succeeds in providing high quality services to the citizens of Leeds at the right price.

Contracts Procedure Rules – Code of Practice

That is why it is important to consult Members as part of the procurement process. Depending on what is being procured consultation may take the form of a report to Executive Board at the highest level to discussions with ward Members at local level to ascertain their views on the type of service required.

2.3.2. Consultation with Members, undertaken by the Procurement Unit, has identified procurements involving the following are of particular interest to Members: -

- (i) voluntary/faith sector;
- (ii) Small Medium Enterprises;
- (iii) use of local labour or long term unemployed;
- (iv) ethical procurement issues such as the use of genetically modified crops

2.3.3. As such, if it is an area where the Authorised Officer has determined Members should be consulted the following issues must, as a minimum, be consulted upon:–

- (i) the rationale behind the decision to procure the goods, works or services in the first place and/or procuring them in the way proposed;
- (ii) the contents of the specification in terms of quality and scope;
- (iii) the setting of appropriate evaluation criteria. This should include consultation around the particular weighting to be given to each specific criteria;
- (iv) the potential risks and scenarios that may arise as a result of the procurement (e.g. incumbent provider may lose the contract)

2.3.3 Consultation with Members can be achieved by referring the matter to the Executive Member responsible for the area being procured or, where there is no Executive Member, consultation should be undertaken with the Executive Member with overall responsibility for procurement.

Aggregation

2.3.4 Further, before proceeding with any procurement, you must consult with your Category Manager within the Procurement Unit. This is to ensure that you can be made aware of any arrangements detailed below that are already in existence which you could or must use. Also, it will ensure that the Council complies with all relevant regulations, particularly with regard to aggregation (this is where the Council adds together the value

of all Contracts where the items purchased are of a similar nature and must ensure compliance with the Regulations).

Internal Service Providers

2.3.5 The Council has a number of internal service providers who may be able to provide the goods, works or services that you wish to procure. CPR 6 requires that all procurement decisions represent Best Value for money (not necessarily the lowest price) and the use of an in-house provider must be part of that consideration.

2.3.6 Details of internal suppliers are available on the Intranet or from your Category Manager

Approved Lists of Suppliers

2.3.7 There are a number of Approved Lists of suppliers for certain works and services maintained by the Procurement Unit and where your requirement falls outside the Regulations they must be used. These lists are available on the Intranet or from your Category Manager.

2.3.8 If a contract falls within the Regulations, then existing Approved Lists cannot be used and you will be advised of this by your Category Manager.

Framework Agreements

2.3.9 The Council has in place a number of Framework Agreements for various goods, services and works. Where there is such a Contract in place it must be used if it covers your requirements. These lists are available on the Contract Information System accessible at the following address <http://cis.leeds.gov.uk>. If you are having difficulty accessing the Contract Information System assistance can be obtained from the procurement unit via your Category Manager.

2.3.10 In order to satisfy audit requirements, when using a Non Approved Framework Agreement it is suggested that Officers satisfy themselves it has been procured in line with the Public Contracts Regulations 2006 and represents Value for Money to the Council.

2.3.11 If there are no internal suppliers, Approved Lists or Framework Agreements that can satisfy your requirements, you will need to issue a Request to Quote or Invitation to Tender. This will require further documentation to complete the tender/contract documentation.

Invitations for Tender/Quotation

2.3.12 Contracts' Procedure Rules distinguish between 'tenders' and 'quotations' (although legally there is little difference) and this is done on a value basis. The reason is merely to show that there are different procedures to be followed. It is not acceptable for a Relevant Chief Officer to break up a tender so that the value of each part of the whole scheme only requires quotations to be invited.

2.3.13 For procurements where Tenders are to be invited formal contract documentation must be prepared. In addition to the Specification, you will need to consider the inclusion of the following documentation as a minimum (and formally document your reasons for your decision if you decide not to use any of them):

- Pre Qualification Questionnaire (PQQ) which will ascertain:
 - financial standing
 - managerial and technical ability
 - record relating to Equal Opportunities
 - attitude towards Quality and Environmental issues
 - health and safety record

- Instructions to Tenderers
- Collusive tendering certificate
- Contract terms and conditions
- Method statements and work programmes
- Confirmation of receipt of tender documents
- Tender evaluation criteria (see notes below)
- Request for information regarding what vetting has been carried out by contractors on employees where they will be working with vulnerable people/children

2.3.14 The value and complexity of the proposed procurement will have an influence on the depth of documentation prepared. Standard packs of documents are published on the Intranet and your Category Manager will advise you accordingly.

2.3.15 The Council's electronic tendering system must be used in all cases where the value of the contract is over £10k to not only ensure appropriate process management but also to satisfy minimum advertisement requirements where applicable. There are further advertising requirements for procurements that fall within the Regulations. Your Category Manager will advise you accordingly.

2.3.16 There is a brief summary of the mandatory requirements for all procurement activities in appendix 2 of this document. This is for guidance only and the officer responsible for the procurement must ensure that all relevant financial and contracts procedures are followed in accordance with the Contracts' Procedure Rules, the Financial Procedure Rules and any internal control procedures laid down by the Director of Resources

2.3.17 There is a suite of documentation available on the Intranet for simple and complex procurements.

2.3.18 Any requirement for documentation to be provided in writing will be satisfied by electronic submission of that documentation.

Evaluation criteria

2.3.19 You must decide the evaluation criteria against which tenders and quotations will be judged, so that you can be sure that the information requested from Contractors will give you the necessary information to allow you to evaluate responses correctly. These criteria will depend on the procurement in question but might include:

- quality of work proposed
- whole life cost
- financial stability of the organisation
- level of resources available in the organisation
- references to established experience of similar work

2.3.20 Tenders and Quotations must always include the evaluation criteria. Once you have issued your evaluation criteria you cannot change it.

2.3.21 If Tenders/Quotations are to be evaluated on the basis of price and quality the evaluation criteria and methodology (including the price/quality percentage splits) must have been approved by the Relevant Chief Officer before the Invitation to Tender/Quote is issued (CPR 18.1). Other than where there is a pre set budget and the procurement is to be evaluated on 100% quality, where the quality evaluation criteria is to be greater than 60%, CPR 18.2 states, the Authorised Officer must set out in a written report to the Relevant Chief Officer the detailed reasons for setting the quality evaluation criteria greater than 60%.

2.3.22 Tenders/Quotations should be invited in accordance with the Contracts Procedure Rules (CPR 11,12,13 and 14)

2.3.23 Departments are discouraged from nominating/ naming sub contractors or suppliers, as any failure on their part may be attributed to the Council rather than the main contractor. Many of the problems experienced on poor performance by such sub contractors arise from a lack of a vetting procedure in the first instance, and, secondly, an inability of the main contractor to exercise control.

2.4 Evaluation of tenders/ quotations

Post Tender Negotiation (but pre contract award)

2.4.1 Except where the Regulations allow, all negotiations with suppliers on fundamental aspects of contracts , (aspects that if varied would be likely

Contracts Procedure Rules – Code of Practice to distort competition) shall be carried out with extreme caution. Details of all negotiations shall be adequately recorded. At least two officers should be present when conducting negotiations, one of whom should not have been involved in earlier stages of the process and at least one should be appropriately trained in conducting effective negotiations. The above guidance also applies where it is proposed to extend an existing Contract by negotiation.

- 2.4.2 Discussions held with Suppliers or Contractors must be for the purpose of clarifying or supplementing the content of their Tender/Quotation or the requirements of the Council. No negotiations, including those under Contracts' Procedure Rule 20 should ever involve discrimination against any Contractor.
- 2.4.3 Generally, during the tendering process, negotiations on price are not permissible and your Category Manager **must** be approached prior to commencing any form of negotiation.

Submission, Receipt, Opening and Registration of Tenders and Quotations

- 2.4.4 There are strict rules regarding the receipt and opening of Tenders and Quotations and it is imperative that officers ensure compliance with these. The Procurement Unit must open **all** tenders (over £100k) unless agreement has been obtained from the Chief Procurement Officer. They can also provide the opening service for Quotations (under £100k). Your Category Manager will advise you accordingly.

Evaluation of Tenders/Quotations

- 2.4.5 The method of evaluation must be concluded and documented before Tenders/Quotations are returned.
- 2.4.6 The majority of high value Contracts awarded by the Council are evaluated on the basis of price and quality to obtain most economically advantageous Contract to the Council. Simpler Contracts are more likely to be evaluated on price only.
- 2.4.7 Every Contract above £100k should have an evaluation team formed by the Authorised Officer and it is advised that you consider this for all other procurements.
- 2.4.8 When setting up an evaluation team consideration should be given as to whether to include service users/end users and Officers from other parts of the Council with specific expertise and or knowledge.

2.5 Acceptance and Award

Acceptance of tenders/quotations

- 2.5.1 Before acceptance of a Tender/Quotation you must ensure that all financial approvals have been obtained in accordance with the Financial Procedure Rules.

Disclosure of Tender Results

- 2.5.2 You must always try to conclude an evaluation process expediently to avoid causing delays to Contractors.
- 2.5.3 At no time prior to the selection of the preferred Contractor should the name of any Contractor be disclosed to other Contractors involved in the Tender/Quotation.
- 2.5.4 Contracts subject to the full force of the Regulations (e.g, works, goods and Part A services) must provide feedback to the unsuccessful tenderers and allow a minimum period of 10 days before the contract can be awarded. The feedback given must detail the characteristics and relative advantages of the successful tender and should be included on the Preferred Tender Proforma (Appendix 2 of CPRs) as required by CPR 22.
- 2.5.5 The 10 day standstill period does not apply to Part B services or above threshold call offs under a framework agreement. However, challenges can still be brought if the procurement rules and regulations are breached whilst conducting such procurements. As such, the procurement unit recommends the publication of a voluntary transparency notice in OJEU in order to try and negate any potential challenge.
- 2.5.6 The precautions set out in this Code of Practice should protect the Council's interests in the event of the most suitable Tender being withdrawn or if for any reason it is not accepted.

2.6 **Ongoing Contract and Performance Management**

- 2.6.1 Contract and performance management varies significantly depending on the Contract type and value. Your Category Manager can advise you which procedures apply to your Contract. However, as a minimum,

contract management plans for all procurements over £100K, should contain the following

- (a) a risk register during the Contract period;
- (b) a requirement to undertake appropriate risk assessments and for identified risks to ensure contingency measures are in place.
- (c) a monthly formal review with the Supplier/Contractor. The review may be conducted quarterly if formally approved by the Relevant Chief Officer or Officer with the authorised delegation.
- (d) a formal written annual report to be submitted to the Relevant Chief Officer giving details of Contract performance by the Contractor including disputes and how they were resolved.

2.6.2 During the life of the Contract the Authorised Officer must, as a minimum, monitor in respect of:

- (a) performance;
- (b) compliance with the specification and Contract;
- (c) cost;
- (d) any value for money requirements;
- (e) user satisfaction and risk management.
- (f) benefits realised under the Contract against the expected benefits prior to contracting

2.6.3 At the end of each Contract regardless of value the PU or SCMS will issue a Contractor Performance Report to the Authorised Officer which should be completed and returned as instructed in a timely manner.

2.6.4 Legal advice should be sought via your Category Manager where you are contemplating terminating a Contract for unsatisfactory performance.

3 Help and Advice

3.1 Your Category Manager is available to offer you any advice that you require and also to assist you where formalities must be met.

3.2 Appendix 2 of this document is designed to provide you with an overview of the Tender process in brief and authorisations that you may be required to obtain.

Contracts Procedure Rules – Code of Practice

- 3.3 Appendix 3 of this document is designed for you to use as a checklist at each stage of your requirement planning, preparation, Tender/Quotation exercise, Contract award and ongoing Contract management.
- 3.4 Appendix 4 of this document details the location of documents and guides published on the Council's Intranet mentioned within this Code of Practice and the Contracts Procedure Rules.
- 3.5 There are training courses available on Contracts' Procedure Rules. Please contact your training officer for details.

Appendix 1 – PU Contacts



Chief Procurement Officer
Wayne Baxter
22 43353
Secretary Jackie Bywater 39 51855



Deputy Chief Procurement Officer
Malcolm Foster
24 74091



Procurement Governance and Regulation Manager
Dean Backhouse
22 43702



Procurement Initiatives and Projects Manager
Keri Wilkins
39 51269



Project Performance and Systems Manager
Steve Kelvin
22 43466



Strategic Category Manager
Tony Bailey
24 76661



Strategic Category Manager
Iain Dunn
24 76671



Strategic Category Manager
David Galloway
24 76662



Strategic Category Manager
Philippa Elliott
39 50564

The Compliance and Regulation team are responsible for providing all the necessary legal advice required to deliver the council's major projects.

The team drafts terms and conditions, advises on major contract disputes and gives assistance on all legal aspects of the procurement process.

The team undertakes appropriate monitoring, in conjunction with the relevant Procurement Manager, of high profile schemes

They provide advice and assistance on the suitability of the other parties' terms and conditions; instruct Counsel where appropriate; Give advice on the application of the EU Regulations and the Council's Contract Procedure Rules.

The team deals with tender opening, tender results, contract awards and executing contracts.

The Initiatives and Projects Team are responsible for developing and implementing a range of corporate procurement initiatives and strategies designed to obtain best value for money in all areas of council procurement.

In particular, the team co-ordinates the development of the Council's procurement strategy and leads on the development of policies and procedures in all areas of the strategy. The team has officers dedicated to the themes of sustainability, regeneration and training and development.

The team leads up on the Beacon co-ordination for "Quality Services Through Procurement" 2006-07.

The Procurement Performance and Systems Team are responsible for providing access to efficient and effective procurement transaction management and information systems, and assists in the development and monitoring of corporate procurement service objectives.

The team maintains the Corporate Procurement Unit's performance management arrangements, and produces management information in relation to this as well as budget monitoring and client satisfaction.

The team maintains day-to-day management of e-procurement, contract management and information systems to meet the requirements of client departments, suppliers and other stakeholders.

The team also provides general advice, particularly in relation to approved lists and tenders.

Procurement services include comprehensive reviews of spend to assist client departments in meeting efficiency targets.

The teams provides innovative, efficient and professional procurement services including project support, advice, guidance as a contribution to the continuous improvement of service delivery to the citizens of Leeds.

Appendix 2: Tender/Quotation Brief Process and Authorisation Summary

Minimum Requirements under the Contracts Procedure Rules

The key areas are:

- Equality
- Transparency
- Maintenance of records
- Tender/Quotation management, recording and opening process
- Cost monitoring
- Errors in tenders
- Clarification
- Negotiation
- Waiver/Invocation of Contracts Procedure Rules

Pre Procurement mandatory requirements

The complexity of these requirements will vary according to the requirement. Your Category Manager will advise you.

- Budget approval
- Business case and/or justification established
- Consultation with Members and other relevant stakeholders
- Estimation of life cycle costing
- Options considered and Value For Money option chosen
- Written specification required
- Evaluation strategy and criteria must be established at the outset

Actions required	Mandatory Requirements*
<p>Up to £10k</p> <p>3 written quotations “unless to do so would not represent value for money to the Council”</p> <p>Exception – on a case by case basis Directors can use their discretion to procure up to £25k without competition where it is deemed appropriate for the efficiency of service provision and represents Best Value For Money..</p> <p>Council Ts and Cs to be used</p>	<p>Is there an in-house provider? If there is it must be used. Dispensation can be obtained by submitting a report to the Council’s Corporate Leadership Team.</p> <p>Is there a framework agreement in place? If there is it must be used</p> <p>If you are not seeking 3 quotations a report must be prepared to record the reasons and how Best Value for</p>

	<p>Money is being achieved.</p> <p>The Director's decision must be formally recorded</p> <p>Any other terms and conditions must be approved by the Compliance and Regulation Manager - PU</p>
<p>£10k to £100k</p> <p>The SCMS must be used (even for a single quotation).</p> <p>3 written quotations required.</p>	<p>As above plus normal financial approvals and contract signature approvals.</p> <p>A waiver is required if no competition is to be sought</p>
<p>£100k to £156k (Supples and Services); £110k to £3,927k (works); or high risk (any value) or contracts involving TUPE</p> <p>Formal tender process required in conjunction with your Category Manager.</p> <p>Evaluation criteria and strategy to be prepared</p> <p>Award must be based on a Best Value for Money evaluation</p>	<p>As above plus:</p> <p>Where a procurement exercise is due to commence that has the potential to transfer staff from the employment of the Council, then the procurement exercise should be conducted in line with the requirements of the TUPE protocol. A copy of the protocol is available on the procurement page on the intranet.</p> <p>Approval by Relevant Chief Officer</p> <p>A Waiver and associated Delegated Decision to award is required if the evaluation results in selection of tender(s) 5% more than cheapest tender submitted</p>

	<p>Delegation Decision is required for - Major decision (over £100k) by the Relevant Chief Officer</p> <p>Subject to Scrutiny</p>
<p>£156k+ (Supplies and Services); £3,927k + (works)</p> <p>EU Regulations apply – all formal activities as above including regulatory requirements eg OJEU notice of requirement</p> <p>Must be carried out in conjunction with your Category Manager.</p>	<p>All approvals as above plus EU requirements</p>
<p>£250k+ (all values)</p> <p>Key Decision</p>	<p>All approvals as above plus:-</p> <p>Project must appear on the Forward plan and be subject to public notice prior to scrutiny</p>

This document is designed to give you a quick reference to the process you are required to follow and the type of authorisations that you must seek depending on the value or complexity of the procurement. You must ensure, however, that you conduct your procurement in accordance with the Council's Contracts Procedure Rules and Financial Procedure Rules.

Appendix 3: Tender and Contract Lifecycle

STAGE	ACTIONS REQUIRED
PREPARATION	<ul style="list-style-type: none"> • Business need identified • Feasibility study, Best Value Options Review and outcome options • Identify business benefits/efficiencies anticipated • Justify the requirement ie link to the Corporate Plan and strategic objectives of the department • Identify the required outcomes • Consultation with citizens/customers and clients where applicable • Consider market testing/analysis
PLANNING	<ul style="list-style-type: none"> • Format the project scope (including technical, operational, financial, legal etc) and identify the project owner • Seek input from all parties to all consideration of all options for strategy development and timescales. (Input will be required from the Finance Department, Project Management (if applicable), your Category Manager and your own internal specialist) • Prepare a business case • Estimate the whole life costing and obtain the relevant initial budget approvals and payment mechanisms • Establish your evaluation team and/or project team (include business representatives, including users, technical specialist and commercial/procurement specialists) • Create a risk analysis and allocation • Establish a gateway/project review plan • Develop a specification of requirements in conjunction with business representatives, including users, technical specialists and commercial/procurement specialists. Consider an output based specification and value added elements that will allow flexibility in the solution chosen. • Develop an evaluation strategy and evaluation criteria • Obtain all relevant authorisation (financial, legal, etc) prior to commencement of any tender activities • Consider any requirement to place the project on the forward plan
PRE QUALIFICATION	<ul style="list-style-type: none"> • In conjunction with your Category Manager and Evaluation/Project Team you must consider the following:

Appendix 2
Contracts Procedure Rules – Code of Practice

	<ul style="list-style-type: none"> • Sustainability • Social Responsibility • Fair Trade • Community benefits • Environmental issues • Recycling/packaging requirements • Political importance/strategic fit • Performance measures required • Continual improvement and efficiencies • TUPE <ul style="list-style-type: none"> • Issue of appropriate advertisements <ul style="list-style-type: none"> • Preparation and issue of formal documentation in conjunction with your Category Manager for pre qualification of suppliers invited to tender/quote (where applicable). This will likely take the form of the Pre Qualification Questionnaire (PQQ). <ul style="list-style-type: none"> • Receipt and evaluation of pre qualification submissions from suppliers. This may include: <ul style="list-style-type: none"> • Site Visits • Demonstrations • Reference Site Visits • Presentations • Clarification meetings <p>All of which must be formally documented.</p>
TENDER/QUOTATION INVITATIONS/RECEIPT	<ul style="list-style-type: none"> • Preparation and issue of formal documentation in conjunction with your Category Manager • Selection of appropriate tender/quotation process (in conjunction with your Category Manager) • Formal management of supplier questions prior to tender/quotation return • Establish formal process for receipt of tenders/quotations
SUPPLIER SELECTION/EVALUATION	<ul style="list-style-type: none"> • Evaluation of tender/quotation submissions from suppliers. This may include further: <ul style="list-style-type: none"> • Site Visits • Demonstrations • Reference Site Visits • Presentations • Clarification meetings <p>All of which must be formally documented.</p> • Apply the pre determined evaluation criteria and strategy to all submission • Identify the preferred supplier(s) • Obtain all relevant authorisation (financial, legal, scrutiny etc) prior to award of contract
CONTRACT AWARD	<ul style="list-style-type: none"> • Collate all documentation into contract documentation • Ensure all formal authorisations/scrutiny have been obtained • In conjunction with your Category Manager arrange for contract award

Contracts Procedure Rules – Code of Practice

	and formal closure.
IMPLEMENTATION	<ul style="list-style-type: none"> • Provide consultation with citizens, customers and clients • Implement any formal implementation plan in accordance with your project plan and the contract documentation • Ensure that formal testing and sign off is carried out in accordance with your project plan and the contract documentation
ONGOING CONTRACT MANAGEMENT	<ul style="list-style-type: none"> • Conduct formal performance management / service level agreements as defined in the contract and in accordance with any specific contract requirements (eg Construction) • Monitor spend against the contract in accordance with the contract terms and conditions, Contract's Procedure Rules and Financial Procedure Rules <p>Ensure that the contract term is carefully monitored and that extensions, termination and re-tendering is initiated in a timely manner</p>

Appendix 4: Location of Reference Documentation

DOCUMENT

LOCATION

Contracts' Procedure Rules	LCC Intranet, Site Index (Alphabet), 'C', Constitution Part 4 Also LCC Intranet, Interest Areas (Intranet Only), Procurement, Corporate Policies
Contracts Procedure Rules – Code of Practice	LCC Intranet, Site Index (Alphabet), 'C', Constitution Part 4 Also LCC Intranet, Interest Areas (Intranet Only), Procurement, Corporate Policies
Financial Procedure Rules	LCC Intranet, Site Index (Alphabet), 'C', Constitution Part 4
Officer Delegation Scheme	LCC Intranet, Site Index (Alphabet), 'C', Constitution Part 3
Code of Conduct – Members	LCC Intranet, Site Index (Alphabet), 'C', Constitution Part 5
Code of Conduct – Officers	LCC Intranet, Site Index (Alphabet), 'C', Constitution

Guidance Notes on Delegated Decision Making	LCC Intranet, Site Index (Alphabet), 'C', Constitution Part 3
One Council Approach to Commissioning Framework	LCC Intranet, Interest Areas (Intranet Only), Procurement, Corporate Policies
Approved Lists of Suppliers	PU Project and Performance Systems Manager
Framework Agreements List	LCC Intranet, Interest Areas (Intranet Only), Procurement CIS or Corporate Contracts Manager

This page is intentionally left blank



Report of the Assistant Chief Executive (Corporate Governance)

Corporate Governance and Audit Committee

Date: 21st March 2011

Subject: Work Programme

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 is attached at Appendix 1.

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

3.4 Due to only three items being on the agenda for May, it is proposed that the meeting scheduled for 11th May 2011 be cancelled. Subsequently the reports currently in the May work programme to be distributed to the June and July meetings of the Committee.

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.
- 6.2 That the May meeting of the Committee be cancelled and the items on the May work programme be distributed between the June and July meeting

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
18th April 2011 – 10a.m.		
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
Internal Audit Report	To receive a report presenting the Internal Audit report on current issues. (This is a report brought to the Committee on bi-monthly basis)	Chief Officer (Audit and Risk) Tim Pouncey
Leeds Initiative Partnership and City Planning	To receive a report detailing the governance arrangements for the revised partnership structure and strategic planning arrangements.	Assistant Chief Executive (Planning, Policy and Improvement) James Rogers
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)	Chief Officer (Audit and Risk) Tim Pouncey
KPMG VFM Audit Plan 2010/2011	To receive a report detailing KPMG's VFM Audit Plan.	Chief Officer (Financial Management) Doug Meeson
Local Enterprise Partnerships	To receive a report on the governance arrangements for the new Local Enterprise Partnership specifically exploring governance issues contained within the partnership governance toolkit. (requested at the 14 th December 2010 meeting following a discussion on the Leeds City Region)	Chief Officer (Leeds Initiatives and Partnerships) Kathy Kudelnitzkey
11th May 2011 10a.m		

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

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
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
KPMG Interim Audit Report	To receive an interim audit report from KPMG on findings on the audit and of progress towards an IFRS based statement of accounts.	Chief Officer Financial Management Doug Meeson
June – 2011		
Corporate Governance and Audit Committee Annual Report 2010/11	To receive a report presenting the draft Corporate Governance and Audit Committee Annual Report 2010/11.	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
Internal Audit Report	To receive a report presenting the Internal Audit report on current issues. (This is a report brought to the Committee on bi-monthly basis)	Chief Officer (Audit and Risk) Tim Pouncey
July – 2011		

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Annual Monitoring of Key and Major Decisions	To receive a report presenting the outcome of the monitoring process relating to Key and Major decisions. (The annual report to the Committee to gain assurance that Key and Major decisions are being made in line with procedure)	Head of Governance Services Andy Hodson
Annual Report on Risk Management	To receive a report regarding the Council's risk management arrangements.	Chief Officer (Audit and Risk) Tim Pouncey
2010/11 Statement of Accounts	To receive a report detailing the statement of accounts for 2010/11, prior to public inspection.	Chief Officer (Financial Management) Doug Meeson
September - 2011		
Annual Governance Statement	To receive the Annual Governance Statement	Assistant Chief Executive (Corporate Governance) Nicolé Jackson
Small Claims Made Against the Council	To receive a report detailing the amount and type of small claims and the actions taken to reduce them. (requested at the meeting held on 14 th February 2011)	Insurance Manager Frank Morrison
2010/11 Statement of Accounts for Approval	To receive a report detailing the statement of accounts for 2010/11.	Chief Officer (Financial Management) Doug Meeson
KPMG Audit Report on 2010/11 Statement of Accounts	To receive KPMG's Audit report of the findings in respect of the 2010/11 Statement of Accounts.	Chief Officer (Financial Management) Doug Meeson
Un-scheduled items for 2010/11		

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Impact of Disbanding the Audit Commission	To receive a report on the impact of disbanding the Audit Commission, on how the assurance framework is assessed and reported to the Committee. (requested by the Committee at its meeting held on 26 th September 2010 during discussion on the disbanding of the Audit Commission)	Chief Officer (Audit and Risk) Tim Pouncey
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
Overall External Audit and Inspection Plan 2011/12	To receive a report consulting Members on the content of the External Audit and Inspection Plan 2011/12.	Chief Officer (Audit and Risk) Tim Pouncey
Implications of the Localism Bill	To receive a report updating Members on the implications of the Localism Bill (This report was added to the work programme following a report detailing the Implications of the Localism Bill for the ethical framework in Leeds which was discussed on 14 th February 2011)	Assistant Chief Executive (Corporate Governance)