Leeds
CITY COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Monday, 23rd January, 2012
at 2.00 pm**

MEMBERSHIP

Councillors

G Driver (Chair)	C Campbell	W Hyde	J Elliott
P Grahame	G Kirkland	C Fox	
N Taggart			
A Lowe			
T Hanley			
G Hussain			

Co-opted Member

Gordon Tollefson
(Chair of Standards Committee)

Agenda compiled by: Phil Garnett (0113
Governance Services 39 51632)
Civic Hall

Produced on Recycled Paper

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A G E N D A

Item No	Ward	Item Not Open		Page No
1			**APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS**	
			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).	
			(*In accordance with Procedure Rule 25, written notice of an appeal must be received by the Head of Governance Services at least 24 hours before the meeting)	
2			**EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC**	
			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.	
			2 To consider whether or not to accept the officers recommendation in respect of the above information.	
			3 If so, to formally pass the following resolution:-	
			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:-	

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3			**LATE ITEMS** To identify items which have been admitted to the agenda by the Chair for consideration (The special circumstances shall be specified in the minutes)	
4			**DECLARATION OF INTERESTS** 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.	
5			**APOLOGIES FOR ABSENCE** To receive any apologies for absence from the meeting.	
6			**MINUTES OF THE PREVIOUS MEETING** To confirm as a correct record the minutes of the meeting held on 9th November 2011.	1 - 4
7			**CHAIR'S REMARKS** To receive any remarks the Chair wishes to make with regards to developments affecting the Committee.	
8			**GOVERNMENT RESPONSE TO THE FUTURE OF LOCAL AUDIT CONSULTATION** To receive a report of the Director of Resources informing the Committee of the Government's response to the consultation on the future of public audit.	5 - 20
9			**CONSULTATION ON THE INTERIM AUDITOR APPOINTMENT FOR 2012/13** To receive a report of the Director of Resources informing Members about the Audit Commission consultation with the Council on making an interim appointment for the 2012/13 audit.	21 - 24

Item No	Ward	Item Not Open		Page No
16			**PROTECTING THE PUBLIC PURSE 2011** To receive a report of the Director of Resources presenting the Committee with a self assessment of the authority's position against the recommended best practice in the Audit Commission's 'Protecting the Public Purse 2011' report and proposed actions to address areas where further work could be done to address the risk of fraud and corruption.	119 - 140
17			**WORK PROGRAMME** To receive a report of the Director of Resources notifying and inviting comment from the Committee on the work programme.	141 - 146

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Corporate Governance and Audit Committee

Wednesday, 9th November, 2011

PRESENT: Councillor G Driver in the Chair

Councillors P Grahame, N Taggart,
C Campbell, G Kirkland, A Lowe , C Fox,
P Harrand (as substitute for W Hyde),
T Leadley (as substitute for J Elliot) and
G Hussain

Co-optee
G Tollefson

Apologies   Councillors J Elliott, W Hyde and T Hanley

43   Appeals Against Refusal of Inspection of Documents

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

44   Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

45   Late Items

The Chair admitted two late items to the Committee which were presented as verbal reports in light of new developments in the following subject areas, (Minutes 49 and 50 refer):

- future of Local Public Audit; and
- developments affecting Standards for Members in the Localism Bill.

46   Declaration of Interests

There were no declarations of interest at this point in the meeting. However Councillor G Hussein declared a personal interest in Agenda item 8 (Minute 53 refers) as a Member of Leeds Faith Forum, Councillor C Campbell declared a personal interest in Agenda item 8 (Minute 53 refers) as a Member Leeds Initiative – City Centre Partnership and Leeds Initiative Sustainable Economy and Culture Board and Mr G Tollefson declared a personal interest in Agenda item 8 (Minute 53 refers) as a Member of NHS Clinical Commissioning Group.

Draft minutes to be approved at the meeting
to be held on 23rd January 2012

47   Apologies For Absence

Apologies for absence were received from Councillors: Hanley; Hyde; and Elliott.

48   Minutes of the Previous Meeting

The minutes of the Corporate Governance and Audit Committee held on 30th September 2011 were approved as a correct record.

49   Future of Local Public Audit

The Chair invited the Chief Officer (Audit and Risk) to present the Committee with a verbal update update on the future of local public audit, following information presented by a representative of the Department for Communities and Local Government (CLG) at the Core Cities Audit Committee – Chairs' meeting.

The Committee were informed that to date around 450 responses had been received following recent consultation on the proposals put forward. A summary of the responses will be published by CLG in the near future and then Government will publish their response to the consultation.

Members were also told about the ongoing Audit Commission fee consultation which proposes a 10% reduction in audit fees for 2012/13. At this point the Committee were also informed about a £41k refund receive by the council from the Audit Commission for 2011/12.

RESOLVED – The Committee resolved to:

(a) thank the Chief Officer (Audit and Risk) for his comprehensive update
(b) request the minutes of the Core Cities Audit Committee – Chairs' meeting from 7th November 2011 be circulated to them when they become available; and
(c) request a further update report as required.

50   Developments Affecting Standards for Members in the Localism Bill

The Chair invited the Head of Governance Services to provide a verbal update on the Localism Bill. The Head of Governance Services informed the Committee that on 7th November 2011 the House of Commons agreed amendments to the Localism Bill relating to Standards.

The Bill now requires that all Principal Authorities, amongst other matters, to;

- adopt a code of conduct which must be consistent with the Nolan Principles;
- ensure that the adopted code of conduct sets out the council's requirements in terms of the registration and disclosure of pecuniary and non-pecuniary interests; and

Draft minutes to be approved at the meeting
to be held on 23rd January 2012

- put in place arrangements under which they can investigate and take decisions on written allegations that a member has not complied with the code of conduct.

RESOLVED – The Committee resolved to thank the Head of Governance Services for his timely update and ask that the Committee be kept in formed of further developments.

51 Leeds City Region - Local Enterprise Partnership Governance

The Head of Regional Policy presented a report of the Assistant Chief Executive (Customer Access and Performance) which set out the current governance arrangements for the Leeds City Region Partnership. The report particularly focussed on the current relationship between the formally constituted Joint Committee and the recently established Local Enterprise Partnership Board (LEP).

The Chief Officer (Localities and Partnerships) was also in attendance.

Members discussed the report in detail particularly exploring the governance arrangements and how democratic accountability is provided – both in terms of input and feedback. Members considered that further scope exists for the work of the joint committee to have a working democratic relationship with councillors in the constituent authorities.

Members also gave consideration to the existing voting arrangements for the joint committee, particularly whether there might be scope for examining the potential for an alternative approach based on a 'weighted' vote.

RESOLVED – The Committee resolved to:

(a) note the contents of the report, particularly the relationship between the City region Joint Committee and the LEP Board; and
(b) to receive further reports as required on developments of the legal status of the LEP as it is determined.

52 Leeds Initiative Governance

The Head of Leeds Initiative and International Partnerships presented a report which updated Members on progress with the review of the Leeds Initiative partnership arrangements and the associated and the associated planning and performance management arrangements in the city.

The Chief Officer (Localities and Partnerships) was also in attendance.

Members considered the report noting the improvements made to the governance arrangements of the Leeds Initiative. Members were also of the view that further consideration should be given to whether the meetings of the

Leeds Initiative Board and its five supporting Strategic Partnership Boards should be held in public to provide greater transparency and openness.

RESOLVED – The Committee resolved to note the contents of the report and recommend that the Head of Partnerships ask the Leeds Initiative Board, and its five supporting Strategic Partnership Boards, to further consider the possibility of their meetings being held in public.

53 Small compensation claims made against the council

The Insurance Manager (Resources) presented a report of the Director of Resources which provided information detailing the amount and type of small claims received by the Council and which also illustrated the monitoring processes which have been put in place in order to enable services to take action, where possible, to reduce the numbers of small claims made against there service.

Members considered the report and raised questions about the arrangements for paying smaller claims and the monitoring undertaken surrounding these payments.

Members also highlighted the areas where most money was paid out to claimants and suggested that a focussed effort should be made to reduce the number of claims made in the first instance.

RESOLVED – The Committee resolved to note the report.

54 Work Programme

The Director of Resources submitted a report notifying Members of the work programme.

The Committee reviewed its forthcoming work programme and considered a request from the Head of Governance Services for the deferral of an item related to the review of the Council's Code of Corporate Governance to a later date due to the imminent announcement of the Localism Bill and the likely impact this will have on the code.

RESOLVED – The Committee resolved to agree to the request of the Head of Governance Services to defer the review of the Code of Corporate Governance scheduled for December and otherwise agree the work programme as submitted.

Report author: Tim Pouncey

Tel: 74214

Report of the Director of Resources

Report to Corporate Governance and Audit Committee

Date: 23rd January 2012

Subject: Government Response to the Future of Local Audit Consultation

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

Summary of main issues

1   Following the announcement of the Governments decision to abolish the Audit Commission in August 2010, the Department of Communities and Local Government (DCLG) consulted on proposals for a new local public audit framework. Those proposals were designed to deliver the Government's objective for a new local public audit framework that places responsibility firmly in the hands of local bodies, giving them the freedom to appoint their own auditors, with appropriate safeguards for auditor independence, from an open and competitive market for local public audit services. They were also designed with the fundamental principle of accountability in mind – providing a system of local public audit that allows local bodies to be held to account for the public money at their disposal, locally to residents and service users, and also as part of a framework of accountability that provides assurance to Parliament about the public money it votes to Government departments and which is in turn devolved to the local level.

2   The Council was firmly of the view that it had the necessary skills, experience and democratic mandate to appoint external auditors and did not support DCLG proposals to require appointment by a committee made up of a majority of independent members. However, DCLG intend to require the Council to form an Independent Audit Appointment Panel and for that panel to make a recommendation to full Council on the appointment of external auditors. Full Council do not need to act on the advice of the Independent Audit Appointment Panel but would be required to publicly set out the reason for not doing so.

On that basis, the Council does not intend to pursue the point any further with DCLG, actively influence the emerging framework and regulations and note the Government's response to the consultation.

Recommendations

3   Members are requested to note DCLG's response to the consultation, note the proposal to actively engage with DCLG to influence the emerging framework and regulations and receive further reports on the framework as the timetable for legislative change is clarified.

1 Purpose of this report

1.1 This purpose of this report is to inform members of the Government's response to the consultation on the future of public audit. It is acknowledged that this report can be described as lengthy. However, officers are conscious of the need to present to the Committee all relevant matters following this significant consultation exercise.

2 Background information

2.1 On 13 August 2010, the Secretary of State for DCLG announced plans to disband the Audit Commission, transfer the work of the Audit Commission's in-house practice into the private sector and put in place a new local audit framework. Local authorities would be free to appoint their own external auditors. A new decentralised audit regime would be established and local public bodies would still be subject to robust auditing.

2.2 In March 2011, the Government published the Future of Local Public Audit consultation paper seeking views on proposals for the new local audit framework following the disbandment of the Audit Commission. These proposals were developed by the DCLG following discussion with a wide range of partners and bodies that would be affected by the changes. The proposals in the consultation paper built on the statutory arrangements and professional ethical and technical standards that currently apply in the companies sector with adaptations to ensure that the principles of public sector audit are maintained.

2.3 On 15th June 2010 the Corporate Governance and Audit Committee received a report from the Chief Officer (Audit & Risk) on the changes proposed by CLG and, subject to the additional comments made by the committee, agreed the Council's response to the consultation.

3 Main issues

3.1 The following sections of this report deal with CLG's proposals in the consultation document in turn. The key themes are summarised as are, where appropriate, consultation comments and CLG's response.

3.2 Design principles

3.2.1 CLG considered that the responses received to the consultation support the proposed design principles. Those design principles are

- Localism and decentralisation
- Transparency
- Lower audit fees and
- High standards of auditing

The response to the consultation reaffirms CLG's view that having a single body that is regulator, commissioner and provider of local audit services provides a unique monopoly position and weak incentives to drive down costs.

That said, the response from DCLG does not address the issue; should not the consultation ask the question, is it correct to abolish the Audit Commission?

The key drivers of audit fees in the new local public audit framework (aside from commercial and market considerations) will be the scope of audit (i.e. what auditors are actually required to do) and regulation of the work of auditors.

3.3 Regulation and registration

3.3.1 The Government considers that having a new and separate regulator for local public audit would be inefficient, risk duplication and have an impact on fees. Therefore, subject to Parliament's agreement, the National Audit Office (NAO) is best placed to produce the Code of Practice that auditors will be required to follow when auditing local public bodies. The NAO recognises the need for annual and in-year guidance to promote consistency in audit approach and is in principle committed to providing support to auditors which is:

- Principles-based not prescriptive;
- Addresses key themes/issues (not every query);
- Informed by technical forum of local auditors (led by the National Audit Office); and
§ Leaves discretion for an auditor to agree local audit approach based on their risk assessment.

3.3.2 The consultation document asked how the right balance could be struck between requiring audit firms eligible for statutory local public audit to have the right level of experience, while allowing new firms to enter the market. The majority of responses suggested that firms should be required to demonstrate their track record in public sector audit and/or their ability to source the appropriate expertise. Other responses included the need to set proper high-level criteria, including the correct skills and qualifications for firms and individuals, but in a way that would not preclude new firms entering the market.

3.3.3 The Government considers that while it is important not to preclude new entrants to the local public audit market, it is also vital that any firm able to be appointed as a local public auditor has a number of suitable individuals with the necessary qualifications and experience to undertake the work. Once enacted, legislation will provide that Recognised Supervisory Bodies (subject to the Financial Reporting Council's oversight and in line with any guidance which the Council produce) will be responsible for determining the level of expertise and experience necessary for any firm to be eligible to be appointed as a local public auditor.

3.4 Duty to appoint an auditor

3.4.1 Generally, audited bodies, local authorities in particular, were against the idea of a majority independent audit committee. Those from other sectors, such as audit and

accountancy firms and the professional bodies, were generally in favour of the proposals.

The Government considers there to be no barriers in terms of expertise that would prevent local public bodies appointing their external auditors, subject to appropriate safeguards to ensure independence in the appointment process. The Government has confirmed on several occasions its commitment to maintaining auditor independence in the new local public audit framework. CLG considers that requiring the appointment of an auditor to be undertaken by the full council on the advice of an independent audit committee is the most practical and effective way of ensuring independence of appointment. Transparency in the appointment process will also be an important part of ensuring auditor independence.

3.4.2   In reaching this conclusion CLG state they have listened to the comments made by some Councils about the constitution of their existing audit committees, and that it might be difficult to find enough suitable independent members to ensure a majority of independent members. In order to distinguish between the existing traditional audit committees and the role proposed for such a committee in the appointment process, it is intended that the advice on the procurement and appointment of the auditor will be made by an independent audit appointment panel.

3.4.3   The Government therefore intends to legislate for a system of local appointment under which all local public bodies with income/expenditure over a threshold (currently £6.5m) will be under a duty to appoint an auditor. Responsibility for the final selection of the auditor and engagement of the auditor on a contractual basis will rest with the Council. However, that appointment must be made by the full council on the advice of an Independent Audit Appointment Panel, independently chaired, with a majority of independent members. Where the body already has an independent audit committee, they may wish to use that committee to meet this requirement.

3.4.4   Some Council's have said that they are interested in undertaking joint procurement exercises and sharing Independent Audit Appointment Panels or independent members. CLG wants to ensure the arrangements that they put in place facilitate that and ease administration burdens and reduce costs. The Council will be able to choose the model that suits circumstances, and will have the flexibility to work with other public bodies to jointly procure an auditor and reduce the costs of meeting this requirement.

3.4.5   CLG intends to hold a series of workshops as they finalise the detail of these proposals, so they are as administratively straightforward and practical as possible. Indeed the Chair of the Corporate Governance and Audit Committee and the Chief Officer (Audit & Risk) have already accepted an invitation to such a workshop being held in Leeds on 19th January 2011. Any significant update following the workshop will be reported verbally to the committee.

3.4.6   To aid transparency in the appointment process the Council will be required to publish details of the auditor appointment on their website within 28 days of making that appointment, alongside the advice of the Independent Audit Appointment Panel, subject to considerations of commercial confidentiality.

If the Council does not follow the advice of the Independent Audit Appointment Panel in making its appointment, it will be required to publish on its website a statement setting out the reasons why it chose not to follow that advice.

3.5   Role of the independent audit appointment panel

3.5.1   The consultation proposed options for specifying in legislation some responsibilities that the Panel should have:

- One mandatory duty for the Council's Independent Audit Appointment Panel, i.e. to provide advice on the engagement of the auditor and the resignation or removal of an auditor.
- Specify a more detailed role for the Independent Audit Appointment Panel. This would provide more assurance about the independence of the relationship between the audited body and its auditor, and would also ensure that the Panel had a wider role in reviewing the financial arrangements of the local public body.

3.5.2   The majority of respondents indicated a preference for the appointment of the auditor as the only mandatory duty for the Independent Audit Appointment Panel, and any other roles or responsibilities would be a local decision. However, a significant number of responses felt that a more detailed mandatory role for the Panel was preferable. The majority of respondents also felt that the process for the appointment of an auditor should not be set out in legislation. Guidance was preferable to a statutory code of practice with the National Audit Office indicated as the preferred provider.

3.5.3   The approach that the Government intends to take is to provide for a limited set of functions on the Independent Audit Appointment Panel in legislation, around advising on auditor appointment, independence, removal and resignation, and in relation to public interest reports. CLG believe that such an approach will provide flexibility for Councils to mould this requirement to suit their own circumstances, and facilitate joint working and joint commissioning. They also recognise that in circumstances where a Council will have both an audit committee (exercising the traditional functions of such a committee) and an Independent Audit Appointment Panel (whether shared or not) there may well be issues about the demarcation of responsibilities between both groups. CLG intend to work with the sector to produce guidance setting out how the responsibilities of the Independent Audit Appointment Panel could be exercised and how those responsibilities might interface with those of a more traditional audit committee. This allows scope for the Council to determine how they may wish to progress these matters locally. There is scope for establishing a separate panel or, for example, for this Committee to make arrangements for the panel to be a sub-committee; using standing independent members of the committee or bringing in such independents solely for the independent panel.

3.6   Involvement of the Public in the Appointment of an Auditor

3.6.1   The consultation said the Government was considering how local people could make representations about the specification designed by the audit committee for the procurement of an auditor. The options considered were:

- Pre-appointment - the public could make representations to the audit committee about any expressions of interest from audit firms for the audit contract; or

- Post appointment – the public would be able to make representations at any time to the audit committee about issues relating to the auditor.

3.6.2   About equal numbers of respondents agreed as disagreed that this was a proportionate approach to public involvement. The Government considers that its proposals to require the appointment to be made by a full council meeting on the advice of an independent auditor appointment panel; the requirement for that advice to be published (and any departure from it publicly justified); and the other measures proposed around transparency of the auditor appointment, secure the necessary level of transparency for the public in the appointment process.

3.7   Failure to appoint an Auditor

3.7.1   The consultation proposed that the Council would be under a duty to appoint an auditor. However, it also recognised that there could be some instances under the new system where a body does not fulfil this duty. In such circumstances it was proposed that the Secretary of State would be able to direct the Council to appoint an auditor. Alternatively, where a local public body does not fulfil its duty to appoint an auditor the Secretary of State could be provided with the power to make the auditor appointment.

3.7.2   The majority of the responses favoured the Secretary of State having a power to make the auditor appointment. Most groups of respondents also suggested a staged approach, i.e. where the Secretary of State would direct the public body to appoint an auditor and, should that fail, the Secretary of State would appoint the auditor. A small majority preferred that a local public body should only be required to inform the Secretary of State in the case where it had failed to appoint an auditor, rather than when they had made the appointment. Other responses suggested that neither scenario warranted informing the Secretary of State as this would go against the principle of localism.

3.7.3   The Government considers it important, given the range of functions and legal responsibilities of a local public auditor, that Councils are required to appoint an auditor by a specified date (31st December) in the year preceding the financial year for which that auditor is to be appointed. Any Council not appointing by that date will be required to notify the Secretary of State. The Secretary of State would then have powers to either direct the local public body to make an appointment or make that appointment directly. In addition to meeting the cost of the appointment the local public body could be subject to a sanction for failing to make the appointment.

3.8   Rotation of Audit Firms and Audit Staff

3.8.1   The consultation proposed that the rotation of staff within the audit firm would need to be in line with the current ethical standards, but the Council would also be required to undertake a competitive appointment process within five years. The Council would be able to re-appoint the same firm for a (maximum) second five year

period, following competition. The majority of respondents were in favour of the proposal to limit a firm's term of appointment to ten years.

However, some felt that there should be no limit on the length of a firm's appointment as this would be a barrier to new entrants.

3.8.2 The Government considers that there is a balance to be struck between providing enough incentive for audit firms to invest in medium term relationships with Councils that would enable them to gain a thorough understanding of operations, and ensuring that those undertaking the audit maintain an appropriate degree of independence and objectivity. The Government considers that the ethical standards of the Auditing Practices Board around the rotation of key audit staff provide enough safeguards without the need for mandatory rotation of firms. The ethical standards provide that the engagement partner would be able to perform audit work for an initial period of five years and then can only be reappointed for a further two years. The audit manager can only be appointed for a maximum of ten years. After these respective periods have elapsed, these key audit staff would not be able to work with the Council until a further period of five years had elapsed. However, the Government is also convinced of the need to ensure Councils are achieving value for money in procuring audit services. It therefore intends to require a competitive procurement every five years. The Independent Audit Appointment Panel would be required to provide advice before any appointment. There would, however, be no bar on the current supplier being reappointed following competition.

3.9   Resignation or Removal of an Auditor

3.9.1 The consultation envisaged that a Council might wish to remove its auditor, or an auditor might wish to resign, only in exceptional circumstances, for example, an auditor being in breach of the ethical standards, or a complete breakdown in the relationship. It recognised the importance of having stringent safeguards in place for the resignation and removal of an auditor to protect the independence of the auditor and the quality of the audit. It proposed safeguards that would broadly mirror those in the Companies Act 2006, but would be adapted to reflect the principles of public audit. The process would be designed to ensure that auditors are not removed, or do not resign, without serious consideration and through a process transparent to the public. The majority of responses received agreed that these proposals provide sufficient safeguard against the removal or resignation of the auditor.

3.9.2 The Government considers that it is important that there is a fully transparent process in place to deal with issues of auditor resignation or removal. In the first instance it is vital that auditors and audited bodies try as far as possible to resolve any difficulties or concerns (including through using the mediation and conciliation services of the professional accountancy bodies if appropriate). If differences become irreconcilable, in the case of auditor resignation, Government intend to:

- Require the auditor to give 28 days written notice of his intention to resign to the Council and its Independent Audit Appointment Panel;
- Require the Council to make a written response to the auditor's written notice, sending it, with the auditor's written notice, to its members and the Independent Audit Appointment Panel;

- Require the auditor to then deposit a statement at the main office of the Council, and with the Independent Audit Appointment Panel, setting out the circumstances connected with the resignation of the office that are relevant to the business of the audited body;
- Require the Council to publish the auditor's statement on its website;
- Require the Independent Audit Appointment Panel to investigate the circumstances that led to the resignation and consider whether any action is required; and
- Require the auditor to notify the appropriate regulatory monitoring body of his decision.

3.9.3 In circumstances where a local public body wished to remove its auditor, the process would be similar:

- Require the Council to give 28 days written notification of its wish to terminate the contract, to the auditor and its Independent Audit Appointment Panel;
- Provide that the auditor will have the right to make a written response to the notice, that the Council will be required to send to its members and the Independent Audit Appointment Panel;
- Require the Panel to provide advice to the Council within that 28 days notice period, having regard to any written response made by the auditor;
- Require the Council to have regard to the advice of the Independent Audit Appointment Panel before making a decision whether to remove its auditor;
- Following the 28 days notice period, require the Council to put to a meeting of full council, a resolution to remove the auditor (at which both the auditor and a representative of the Independent Audit Appointment Panel could speak if they wished);
- Require that, if the Council still wished to remove its auditor, it should publish a statement of its decision on its website within 28 days of the decision of the full council. If the Council did not follow the advice of the Independent Audit Appointment Panel, it will be required to explain in its statement what that advice had been, and the reasons why it had chosen not to follow that advice, subject to considerations of commercial confidentiality; and
- Require the Council to notify the appropriate regulatory monitoring body of its decision.

3.10 Auditor Liability

3.10.1 The Audit Commission currently indemnifies auditors for the costs they incur when they are engaged in litigation. In practice, calls on the indemnity are infrequent. Without a liability agreement, audit firms may increase their fees to match the increased risk they face in undertaking the work. Therefore, the Government considers that auditor liability should be an issue to be dealt with in the contractual negotiations between the auditor and audited body.

3.11   Scope of Local Public Audit

3.11.1 The consultation asked for views on four options regarding the scope of future audits. The narrowest option would comprise an opinion on whether the financial statements give a true and fair view of the audited body's financial position and income and expenditure and a review of other information included with financial statements. Wider options suggested included an auditor's conclusion on regularity and propriety, financial resilience and value for money; and a further option of the auditor providing reasonable assurance on an annual report prepared by the local body setting out its arrangements for securing value for money, whether they had achieved economy, efficiency and effectiveness, regularity and propriety and financial resilience.   The responses to the consultation were split between the options but indicated a slight preference for leaving the overall scope of audit unchanged.

3.11.2 The Government has considered the wide range of views expressed in the consultation and intends to retain the current broad scope so that auditors will continue to be required to satisfy themselves that:-

- The accounts have been prepared in accordance with the necessary directions or regulations and comply with relevant statutory requirements;
- Proper practices have been observed in the compilation of the accounts; and
- The Council has made proper arrangements for securing economy efficiency and effectiveness (value for money) in its use of resources.

3.11.3 The Government considers that the value for money component of the audit could be delivered in a more risk based and proportionate way. This has the potential for a consequent decrease or increase on the level of audit work some Councils might see as a result, but would not expect this in itself to result in an overall increase in the total costs of audit. The auditors will need to base their risk assessment on evidence of arrangements for securing value for money. Government considers that responsibility for providing the evidence rests firmly with the Council, without introducing additional burdens by requiring the production of additional reports or documents. The majority of respondents to the consultation were not in favour of local public bodies being required to set out performance and plans in an annual report. An option that remains available to the Government would be to ask Councils to build on the information they already make available on their arrangements for securing value for money - for example, through the Annual Governance Statement. Input from a range of stakeholders is still needed to develop the value for money element of audit.

3.12   Public Interest Reporting

3.12.1 The consultation proposed to retain existing duties for auditors around Public Interest Reporting and asked whether the new processes for resignation and removal of auditors would mitigate the risk that the introduction of local auditor appointment would impact on the auditor's ability or willingness to publish Public Interest Reports.

The vast majority of responses agreed that the safeguards outlined in the consultation document would allow the auditor to issue a public interest report, but some had concerns that the safeguards may not work in practice.

3.12.2 The Government intends to retain the duty for auditors to undertake Public Interest Reporting under the new framework. As is the case currently, audited bodies will be charged for reasonable work involved in undertaking a Public Interest Report. The new framework will also retain the duty on Councils to consider Public Interest Reports at a meeting within one month of the report and to publish the details of the meeting. In addition, in order to improve transparency the Government intend to introduce a new requirement for Councils to publish the Public Interest Report, as well as the existing requirement to publish a notice of and agenda for the meeting at which it will be discussed.

3.12.3 However, the Government recognise the concerns expressed around the need for further safeguards for Public Interest Reporting and will work with partners to finalise the details of these, in particular the role of the Independent Auditor Appointment Panel, and arrangements for protecting auditors in undertaking and receiving payment for Public Interest Reports, and how the publication of Public Interest Reports may help to increase transparency and engage local people.

3.13   Provision of Non-Audit Services

3.13.1 The consultation proposed that auditors would be able to provide non-audit services to the audited body, with safeguards in the system to prevent any actual or perceived threats to the auditor's independence. It also proposed that auditors should continue to adhere to the ethical standards produced by the overall statutory regulator and permission should be sought from the Independent Auditor Appointment Panel who would provide advice to on whether non-audit work should be undertaken as well as continuing to monitor the relationship between the auditor and the Council. The majority of respondents favoured the auditor being able to provide non-audit services to the local public body in line with the regulator's current ethical guidelines and agreed that the correct balance between safeguarding auditor independence and increasing competition would be achieved.

3.14   Public Interest Disclosure

3.14.1 The consultation proposed that the Audit Commission's role in receiving, acknowledging receipt of and forwarding the facts of disclosure should be broadly transferred to the Council's audit committee. It also envisaged that the statutory auditor and the audit committee would continue to be prescribed persons under the Public Interest Disclosure Act and would continue with their role with no change from the current system. The majority of responses agreed that was appropriate and the Government concludes that it makes sense for the auditor and the Independent Auditor Appointment Panel to be designated persons under that Act and intend to legislate accordingly.

3.15 Transparency

3.15.1 The consultation proposed that the new framework for local audit would modernise the way in which local electors' objections would be considered. It proposed that electors would retain the right to make representations and raise issues and questions with the auditor. It also proposed to introduce discretion for the auditor to decide which representations to follow up. The overwhelming majority of respondents agreed that modernisation of the way objections to the accounts are handled is needed. However, whilst respondents accepted that the auditor should have discretion as to whether to pursue particular objections, it was also suggested that standard criteria should be developed to help an auditor determine if he should investigate an individual representation.

3.15.2 The Government's view is that the right of an elector to make an objection to accounts is a long-established and beneficial principle. However, they note that there are many more mechanisms now by which the electorate can hold local public bodies to account than when the right to object to the accounts was introduced more than 150 years ago. Also the costs of auditors investigating objections can be disproportionate to the sums involved in the complaint or to the normal audit costs. Auditors currently have little discretion to refuse to investigate objections and the costs of investigating objections are recovered from the Council. The Government therefore intend to legislate to provide a power to give the auditor discretion to reject vexatious, repeated or frivolous objections and would welcome a discussion on whether guidance should be produced to help the auditor exercise that discretion.

3.16 Freedom of Information

3.16.1 The consultation proposed that Councils' auditors should be brought within the remit of the Freedom of Information Act to the extent that they are carrying out their functions as public office holders, although recognised the potential impact on audit fees and relationship between the auditor and audited body. Some respondents thought that this would be unnecessary as the information would already be available under the Freedom of Information Act from the Council. All respondents thought that audit fees would increase, and there were mixed views about the impact on working relationships.

3.16.2 The Government does not see a compelling case to bring the auditor within the remit of the Freedom of Information Act. The information held by appointed auditors currently is not subject to the Freedom of Information Act because appointed auditors are not currently 'public authorities' for the purposes of the Freedom of Information Act. They consider that the audited bodies being covered by the Freedom of Information Act and the requirements around publication of the accounts, the auditor's report and Public Interest Report, provide sufficient and transparent access to key material for the public. The inclusion of local public auditors within the remit of the Freedom of Information Act would therefore add little, and has the potential to increase audit fees.

3.17 Grant certification

3.17.1 The Audit Commission Act gives power to the Commission to make arrangements for the certification of grant claims and subsidies from government departments, and charge authorities the full cost of certification. Certification helps grant-paying bodies satisfy themselves that a scheme is operating as intended. It is not an audit but is designed to provide reasonable assurance to grant-paying bodies about an authority's entitlement to grant or subsidy, or about the information provided in a return. Specific instructions or 'Certification Instructions' are developed for each scheme and different levels of assurance arrangements are applied to different thresholds of grant. Grant certification was not covered by the consultation but the Government have set out their views on grant certification in their response.

3.17.2 In 2010-11, certification arrangements were made for 20 schemes, and this has reduced to 16 schemes in 2011-12. Government is reducing the number of ringfenced grant programmes which will lead to a further reduction in the number of grant schemes requiring certification. However, it is expected that a number of grant schemes will be live when the Audit Commission closes – so new certification arrangements are required for these and any new grant programmes.

3.17.3 Following the Audit Commission's closure, grant paying bodies for new grants will need to develop separate arrangements, either in the form of free-standing tripartite agreements (between the grant paying body, the payee and its auditor) or self-certification. Free-standing tripartite agreements would require the grant paying body to define the assurance requirements and certification instructions, and the Council to procure the necessary certification from its auditor. Some grant programmes may use self-certification to provide assurance: this relies on the internal governance and controls of the grant recipient and requires the Chief Executive or Section 151 Officer to certify the claim, usually through a standardised declaration. These arrangements will be supported by Treasury guidance, to ensure consistency of approach across Government grant programmes. For existing grant programmes currently certified by the Audit Commission, the Government are working with grant paying bodies to develop transitional arrangements that provide the assurance required.

3.18 The National Fraud Initiative (NFI)

3.18.1 Similarly, the NFI was not covered by the consultation but the Government has also published its latest thinking on this initiative. The NFI is a secure, fully accredited, data matching service operated by the Audit Commission under statutory data matching powers now provided for in the Audit Commission Act 1998 with the purpose of protecting the public purse from fraud. The Commission's data matching powers mandate those bodies that are audited by the Commission to submit data for matching purposes. The Commission currently runs a data-matching exercise every two years (although it is working on proposals to develop the NFI into a real-time data matching service). The Government is committed to the continuation of the NFI and the DCLG has been considering the best way of securing that outcome.

This has included talking to other parts of Government – the Department for Work and Pensions and the National Fraud Authority that are interested in taking on operational ownership of the NFI once the Commission is disbanded. The Government will discuss these options with the organisations that submit data and use the NFI.

3.19 Value for money studies

3.19.1 The Government have also given their views on value for money studies that were similarly not covered by the consultation. Section 33 of the Audit Commission Act 1998 gives the Audit Commission a duty to promote or undertake comparative or other studies in local authorities so that they can make recommendations to improve the economy, efficiency and effectiveness (the 3Es) and financial management. The Commission also has a duty to report on the effect of central government regulation, legislation, and directions on the ability of local authorities to achieve the 3Es. Before undertaking or promoting any value for money study, the Commission has a statutory requirement to consult with appropriate parties.

3.19.2 The Commission has a long history of publishing recommendations from its national studies. The research was used to provide audit guides that were applied through the appointed auditors in relevant local authorities. More recently, with local public bodies working together across sectors and with a wide range of partners in the public, private and voluntary sectors, the Audit Commission have examined how well that collaboration has delivered efficient and effective outcomes.

3.19.3 The Government announced in August 2010 that the Commission's research activities would stop. They consider that there is scope for rationalisation in the number of value for money studies published relating to the public sector compared to the number previously undertaken. They would like to see a coherent and complementary programme of offerings across providers including the National Audit Office, central Government and the Local Government Association. This was a view supported by the DCLG Select Committee inquiry into the audit and inspection of local authorities.

3.20 Implementation and next steps

3.20.1 Having set out the key elements of the arrangements for principal bodies, Government plan to hold further discussions with local authorities, other public bodies and audit firms, to flesh out the detail of the framework, and how it might be implemented, including transitional arrangements.

3.20.2 The Government will bring forward legislation to close down the Audit Commission and to put in place a new framework as soon as Parliamentary time allows. They intend to publish a draft Bill for pre-legislative scrutiny in spring 2012, which allows for examination and amendments to be made before formal introduction to Parliament.

3.20.3 The Audit Commission is currently in the process of outsourcing all the audit work of its in-house practice The outsource contracts that the Commission will put in place will start from 2012-13 and are expected to run for three or five years giving

councils time to plan for appointing own auditors. Once the audits have been outsourced the Commission will be radically reduced in size to become a small residuary body responsible for overseeing the contracts and making any necessary changes to the individual audit appointments during the life of the contracts.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 DCLG have published their response to a consultation document on the future of public audit. The Corporate Governance and Audit Committee agreed the Council's response to that consultation on 15th June 2011 and this report sets out DCLG's response.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 This report does not highlight any issues regarding equality, diversity, cohesion and integration.

4.3 Council Policies and City Priorities

4.3.1 The terms of reference of the Corporate Governance and Audit Committee require the Committee to consider the Council's arrangements relating to external audit requirements.

4.4 Resources and Value for Money

4.4.1 One of the design principle upon which the DCLG consultation was based was 'lower audit fees'. Once the revised arrangements are in place and external auditors appointed, the Council will hopefully see a reduction in its external audit fee. However, the proposals require the Council to undertake a significant procurement exercise and appoint an Independent Audit Appointment Panel, both of which will have resource implications.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The report does not require a key or major decision and is therefore not subject to call-in. The Government have indicated the need for new primary legislation to abolish the Audit Commission and put in place revised arrangements. The legislative timetable is unclear at this point; the Government indicating that legislation will be brought forward when parliamentary time allows.

4.6 Risk Management

4.6.1 There are no direct risk management implications of this report.

5 Conclusions

5.1 Many of the conclusions reached by DCLG are in accordance with the Council's response to the consultation in June 2011. Other views expressed by DCLG merely make practical recommendations that need to be put in place following the demise of the Audit Commission.

The Council was firmly of the view that it had the necessary skills, experience and democratic mandate to appoint external auditors and did not support DCLG proposals to require appointment by a committee made up of a majority of independent members. However, DCLG intend to require the Council to form an Independent Audit Appointment Panel and for that panel to make a recommendation to full Council on the appointment of external auditors. Full Council do not need to act on the advice of the Independent Appointment Panel but would be required to publicly set out the reason for not doing so. On that basis, the Council does not intend to pursue the point any further with DCLG

5.2 DCLG have stated their intention of working with Councils on the developing framework. The Council will actively participate in DCLG workshops and seek to influence the emerging framework and regulations.

5.3 It is also worth concluding that there remains much further work to do. Specifically, the Council needs to:

- Determine whether it wishes to pursue joint Independent Appointment Panels and/or joint procurement exercise;

- Consider the implications of the revised arrangements on the constitution, for example, Council functions and terms of reference for Corporate Governance and Audit Committee;

- Terms of reference for the Independent Audit Appointment Panel and, for example, whether this would be a sub-committee of Corporate Governance and Audit Committee, or some other arrangement and

- Develop a project plan for the procurement of external auditors and consider the timescales for such a project.

6   Recommendations

6.1 Members are requested to note DCLG's response to the consultation, note the proposal to actively engage with DCLG to influence the emerging framework and regulations and receive further reports on the framework as the timetable for legislative change is clarified.

7   Background documents

7.1 Future of local public audit, consultation, Department of Communities and Local Government, March 2011

7.2 Future of Local Public Audit; Consultation Response, report to Corporate Governance and Audit Committee, 15th June 2011.

Agenda Item 9

Leeds CITY COUNCIL

Report author: Tim Pouncey

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Report of the Director of Resources

Report to Corporate Governance and Audit Committee

Date: 23rd January 2012

Subject: Consultation on the interim auditor appointment for 2012/13

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

Summary of main issues

1. The Department of Communities and Local Government (DCLG) have consulted on the disbanding of the Audit Commission. The necessary arrangements for a post-Audit Commission era have not yet been established. The Council's current external auditor's appointment runs until the conclusion of the final account audit for 2011/12. Therefore there is a requirement to make interim arrangements to ensure that external auditors are in place for the 2012/13 financial year.

2. The Audit Commission are consulting with the Council on their proposal to reappoint KPMG for the period 1st April 2012 to 31st August 2012.

Recommendations

3. Members are requested to note that the Director of Resources intends to raise no objections to the appointment of KPMG on an interim basis and comment on this proposal.

1   Purpose of this report

1.1   This purpose of this report is to inform members that the Audit Commission are consulting with the Council on making an interim appointment for the 2012/13 audit.

2   Background information

2.1   The Audit Commission has previously appointed KPMG LLP to audit up to the 2011/12 accounts of Leeds City Council. The Commission now needs to make a new auditor appointment for 2012/13.

2.2   DCLG have consulted on the disbanding of the Audit Commission. The necessary arrangements for a post-Audit Commission era have not yet been established although a number of interim measures have been taken by DCLG and the Audit Commission. One such measure is that, following a request from DCLG, the Commissioning Board of the Audit Commission agreed to outsource the work currently undertaken by its in-house audit practice. New contracts will be let for either 3 or 5 years starting with the audit of accounts for 2012/13. The process of outsourcing work undertaken by the in-house team will be completed before turning attention to other organisations, like Leeds City Council, that have auditors other than the Audit Commission's in-house team. Therefore, the Audit Commission will not be able to make an appointment before 1st September 2012.

2.3   As auditors must be in place at the start of the financial year, the Audit Commission are proposing to make an interim appointment to cover the period 1st April 2012 to 31st August 2012.

3   Main issues

3.1   The Audit Commission proposes to appoint KPMG to audit the accounts for 2012/13 on an interim basis. The expectation is that KPMG will not need to undertake any substantive audit work and their role will be limited to a watching brief. If this is the case, the Audit Commission will meet any costs incurred by KMPG. During the course of any year there are occasions when the accounting treatment of a particular transaction is open to interpretation. When this occurs, the Council would routinely seek advice from the external auditors rather than wait for the auditors to question the accounting treatment as part of their audit and verification of balance sheet figures. It is understood that this is what the Audit Commission have in mind when they refer to 'watching brief'.

3.2   If any substantive work is required, it will be of an exceptional nature, for example, in the event of KPMG exercising their statutory report powers and producing a 'report in the public interest'. Such additional fees will be met by the Council, not the Audit Commission.

3.3   Given the progress made on the consultation by DCLG on 'the Future of Local Public Audit', there would appear to be no sensible alternative to the interim appointment of KPMG. It would appear highly unlikely that another provider could be appointed to an interim watching brief on the same terms (i.e. nil cost to the Council). In addition,

there are no adverse performance issues that would suggest an appointment other than KPMG should be made.

3.4 Following the award of contracts in Spring 2012 for those organisations that current have the Audit Commission's in-house team as their appointed auditors, The Audit Commission will consult with the Council on the appointment of auditors to audit 2012/13 and future years' accounts. However, there are also concerns about the timetable for the implementation of any new audit framework. Indeed, the timetable is dependent on parliamentary time to introduce primary legislation. There is therefore a possibility that the six month interim appointment may need to be extended.

4   Corporate Considerations

4.1   Consultation and Engagement

4.1.1   The Audit Commission are consulting on their proposal to appoint KPMG on an interim basis for the 2012/13 audit of accounts. Members' views will inform the proposed response to the consultation.

4.2   Equality and Diversity / Cohesion and Integration

4.2.1   This report does not highlight any issues regarding equality, diversity, cohesion and integration.

4.3   Council Policies and City Priorities

4.4   The terms of reference of the Corporate Governance and Audit Committee require the Committee to consider the Council's arrangements relating to external audit requirements. In that regard, Members are asked to agree to the proposal from the Audit Commission to reappoint KPMG as the Council's external auditors from 1/4/12 to 31/8/12

4.5   Resources and Value for Money

4.5.1   In the absence of any viable alternative and because the cost of the proposal is to be met by the Audit Commission (subject to there being no exceptional work to be completed), the proposal represents value for money and can be contained within existing resources.

4.6   Legal Implications, Access to Information and Call In

4.7   The Audit Commission are required under section 3 of the Audit Commission Act 1998 to appoint external auditors. A response on behalf of the Council to consultation by the Secretary of State or Minister of the Crown (construed to be consultation of this type by the Audit Commission) are defined in constitution as significant operational decisions and therefore not subject to call in.

4.8   Risk Management

4.8.1   There are no direct risk management implications of this report.

5   Conclusions

5.1   The Director of Resources in minded to respond to the consultation and raise no objections to the re-appointment of KPMG as interim auditors. The views of Corporate Governance and Audit Committee will be taken into account in the response.

6   Recommendations

6.1   Members are requested to note that the Director of Resources intends to raise no objections to the appointment of KPMG on an interim basis and comment on this proposal.

7   Background documents

7.1   None.

Leeds
CITY COUNCIL

Report author: Chris Blythe

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Report of the Director of Resources

Report to Corporate Governance and Audit Committee

Date: 23rd January 2012

Subject: KPMG report – Annual Audit Letter 2010/11

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

Summary of main issues

1. In line with proper audit practice, KPMG have issued a summary of the key audit findings for the 2010/11 financial year (**see Appendix 1**). The report concludes that the auditors have been able to provide unqualified opinions in respect of all the areas they are required to assess.

2. In addition, as reported in previous audit reports to this Committee, there are two audit recommendations which have been made in respect of 2011/12. Namely, the requirement to monitor the Medium Term financial Plan and to ensure the Council maintains an appropriate policy for componentising it's assets.

Recommendations

3. Members are asked to note the conclusions and recommendations arising from the 2010/11 external audit process.

1   Purpose of this report

1.1   To provide a summary of the key external audit findings in respect of the 2010/11 financial year.

2   Background information

2.1   Section 4 of the Code of Audit Practice 2010 for Local Government bodies requires external auditors to issue an Annual Audit Letter. The purpose of preparing and issuing annual audit letters is to communicate to the audited body and external stakeholders, including members of the public, the key issues arising from auditors' work. The annual audit letter should cover the work carried out by auditors since the previous annual audit letter was issued and matters previously reported to those charged with governance.

3   Main issues

3.1   Members should note the assurances KPMG give in respect of:

- An unqualified Value for Money conclusion;
- The Annual governance Statement complies with proper practice and is not inconsistent with other information they are aware of from the audit of the financial statements; and
- An unqualified audit opinion on the 2010/11 Statement of Accounts.

3.2   The report also highlights two key risks for 2010/11, namely the need for the Council to continually monitor its Medium Term Financial Plan and take appropriate early intervention to manage any financial pressures; and to ensure the Council maintains an appropriate policy for componentising its assets.

4   Corporate Considerations

4.1   Consultation and Engagement

4.1.1   This is a factual report based on evidence provided by the external auditors and consequently no public, Ward Member or Councillor consultation or engagement has been sought.

4.2   Equality and Diversity / Cohesion and Integration

4.2.1   This is a factual report based on evidence provided by the external auditors and has no direct implications for equality, diversity, cohesion and integration.

4.3   Council Policies and City Priorities

4.3.1   As this is a factual report based on evidence provided by the external auditors there are no direct implications for Council policies or City priorities.

4.4 Resources and Value for Money

4.4.1 As this is a factual report based on evidence provided by the external auditors there are no direct implications for resources. The report does however include an audit opinion on whether the Council has proper arrangements for securing value for money.

4.5 Legal Implications, Access to Information and Call In

4.5.1 Under Section 4 of the Code of Audit Practice 2010 for Local Government bodies, external auditors are required to issue an Annual Audit Letter summarising the main audit findings in relation to the financial year.

4.5.2 As this is a factual report based on evidence provided by the external auditors none of the information enclosed is deemed to be sensitive or requesting decisions going forward and therefore raises no issues for access to information or call in.

4.6 Risk Management

4.6.1 All recommendations contained within the 2010/11 external audit reports have been considered and appropriate actions agreed. In particular, External Audit did identify a key risk in their recommendation in respect of the Council's budget monitoring. This risk has been included in the risk register and this Committee is not requested to make any decisions in relation to this issue.

5 Conclusions

5.1 There are no major issues arising from the work of external audit and officers continue to actively implement any recommendations raised in the reports.

6 Recommendations

6.1 Members are asked to note the conclusions and recommendations arising from the 2010/11 audit process.

7 Background documents

7.1 KPMG Financial Statements and VFM Audit Plans 2010/11

7.2 KPMG Interim Audit

7.3 KPMG ISA 260 Report 2010/11

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Appendix 1

KPMG

cutting through complexity ™

Annual Audit Letter 2010/11

Leeds City Council

November 2011

Contents

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![KPMG logo]

This report summarises the key findings from our 2010/11 audit of Leeds City Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our work consists of the audit of the Authority's 2010/11 financial statements and the 2010/11 VFM conclusion.

VFM conclusion	We issued an unqualified value for money ('VFM') conclusion for 2010/11 on 30 September 2011.
	This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness in your use of resources.
	To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.
VFM risk areas	We identified a number of significant risks to our VFM conclusion and considered the arrangements you have put in place to mitigate these.
	Our work identified the following significant matters:
	Managing with Less - The Authority has put in place arrangements following the Government's Comprehensive Spending Review (CSR) to ensure that it achieves its objectives. Achievement of the 2010-11 budget and strong uptake on the Early Leavers Initiative has shown that the Authority is responding to the challenges it faces. To date, 1,500 staff have left the Authority. The Authority has delivered a surplus of £13.5 million against its budgeted position for the year. This is against a backdrop of overspends totalling £10.3 million in directorates, mainly in Adult's and Children's Services. The Authority has identified these services as risk areas and continues to seek early intervention throughout the year. These overspends were offset by corporate savings of £23.8 million.
	The Authority has achieved its £13.5 million underspend with a relative low level of reserves (including earmarked reserves) as a percentage of spending power (with 4% compared to the average core city of 14%) and whilst facing funding reductions which are relatively greater than other authorities. The Authority has always operated within a level of reserves it has felt prudent and has added to these with the surplus reported this financial year.
	The results of the Audit Commission financial resilience survey did not identify any areas of major concern when assessing the VFM arrangements at the Authority.
	The scale of the challenge ahead is not to be underestimated and key to this will be managing the overspends in Adult's and Children's Services which as at the end of July 2011 were showing overspends of £10.6 million. The latest reported figure now stands at £7.6 million).
	The Authority therefore needs to ensure that it continually monitors the Medium Term Financial Plan and takes appropriate early interventions to manage their financial pressures.

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VFM risk areas - continued

Early Leavers Initiative (ELI) - As a result of the significant financial pressures faced by the Authority, the Executive Team approved an early Authority-wide ELI. The rationale for the introduction of this scheme was to provide the Authority with a mechanism to help respond to the financial challenges it faced.

Initial targets for the first phase of the ELI was for 1,000 employees to leave the Authority achieving around £20 million of savings. These figures were determined to support a balanced budget rather than being as a result of a review of staffing to support future service delivery. The Authority has maximised the savings achieved through this initiative by not stopping when it reached its target of 1,000. The Authority continued reviewing individual applications against the business case criteria and drove through extra savings as a result. In total savings from 1,159 employee posts have been released as at 31 March 2011. The number of ELI approved cases was 890, with the remainder achieved through not recruiting as employees have left the Authority.

The Authority is also in a second phase of the ELI and has target figures of between 350 – 400 early leavers to be achieved through this process in the current financial period. This is also a continual process for the Authority and going forward, due to the continual improvements in service planning, the Authority plans to move to an approach whereby the resourcing team will look at the future delivery method of services. This will be used to identify the future structure of the directorates. This will be used to identify the target numbers for staffing numbers within the Authority based on the most effective, efficient method of service delivery.

Waste Management – The Authority currently sends over 50% of the waste produced by the residents of Leeds to landfill, for which the costs keep escalating. For a number of years, the Authority has been seeking a more cost effective method of waste management. To achieve this, the Authority plans to continually improve its recycling targets and develop a 'residual waste' strategy. To manage this 'residual waste' strategy the Authority commenced the procurement of a contract to treat the Authority's residual waste in 2008. The Authority short listed the participants down to two bidders who have both submitted their final tenders. Proposed recommendations are due to go to the Executive Board in November. It is expected that the facility will become fully operational in March 2016.

Throughout the life of this project the Authority has sought technical, legal and financial advice from external advisors including DLA, PwC and Jacobs and the internal team within the Public Private Partnership Unit (PPPU). This expert advice has been called upon to undertake a technical review of the technology to be used in this facility and the Authority were satisfied with the assumptions used to underpin this work.

The Authority have also sought external advice to determine what the cost would be for the Authority to do nothing and to continue as they are. The costs of the 'do nothing' model are significantly higher than the costs of the 'residual waste' strategy. The overall objective of this project is to achieve a break even position and, if possible, achieve a saving in net terms.

There remain some potential risks that need to be managed by the Authority including the fact that the facility has the potential to be either a combined heat and power (CHP) enabled or deliverable scheme.

We provide a summary of our key recommendations in Appendix 1.

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

Annual Governance Statement	We reviewed your *Annual Governance Statement* and concluded that it was consistent with our understanding.
Audit opinion	We issued an unqualified opinion on your financial statements on 30 September 2011. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
Financial statements audit	Our audit identified no significant audit adjustments. There were a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2010.
	Management did however identify one 'event after the reporting date' with a total value of £8.4 million. This related to the contingent asset, which is an asset where the possibility of receipt depends solely upon a future event, in the Authority's draft accounts. This was in respect of a VAT claim for Trade Waste. Since the year end HMRC have confirmed to the Authority, in writing, that this claim will be paid. Therefore, in accordance with accounting standards, the receipt of this letter confirms that the money from HMRC will be received and so this is classed as an 'adjusting event'. This meant that this income was recognised in the 2010/11 accounts and a corresponding debtor raised with HMRC.
	The impact of this was to:
	▪ increase the balance on the general fund account as at 31 March 2011 by £8.4 million;
	▪ increase the surplus on provision of services for the year by £8.4 million; and
	▪ increase the net worth of the Authority as at 31 March 2011 by £8.4 million.
High priority recommendations	We raised no high priority recommendations as a result of our 2010/11 work. We have detailed both medium priority recommendations in Appendix 1 together with the action plan agreed by management.
Certificate	We issued our certificate on 30 September 2011.
	The certificate confirms that we have concluded the audit for 2010/11 in accordance with the requirements of the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.

Headlines (continued)

Audit fee	As per the Audit Fee Letter issued at the beginning of the year our indicative fee for the 2010/11 audit was set at £570,000, although a rebate of £39,617 was given to the Authority to subsidise the 'one-off' element of the audit cost of the transition to International Financial Reporting Standards, reducing the fee to £530,383. This was significantly below the recommended Audit Commission mid point fee of £598,500.
	In year we have also provided additional services to the Authority at no additional cost. This has included employment tax advice relating to the Early Leavers Initiative (ELI) and advice from our business intelligence team on the design of the financial dashboard monitoring that the Authority are looking to introduce. KPMG has absorbed this cost of approximately £10,000
	We also undertook extra work as part of our audit in looking at an innovative accounting treatment proposed by the Authority. It is expected that we would look to recover our costs and charge a fee for this kind of unforeseen extra work but KPMG has absorbed this cost of approximately £11,000.
	At the request of the Corporate Governance and Audit Committee and in recognition of the financial pressures the Authority is under we agreed to review this fee upon completion of our audit to identify whether reduction in fee could be given to the Authority. We are pleased to report that KPMG have agreed to provide the Authority with a rebate of £5,500 as a gesture of goodwill.
	Overall based on the scale rate this represents a reduction of £55,000 or 9.1%.

Appendices

Appendix 1: Key issues and recommendations

This appendix summarises the two medium priority recommendations that we identified during our 2010/11 audit, along with your responses to them.

Lower priority recommendations are contained, as appropriate, in our other reports, which are listed in Appendix 2.

No.	Issue and recommendation	Management response/ responsible officer/ due date
1	**Medium Term Financial Plan** The results of the Audit Commission financial resilience survey did not identify any areas for major concern when we were assessing the VFM arrangements at the Authority. However, the scale of the challenge ahead is not to be underestimated and key to this will be managing the overspends in Adult's and Children's Services which, as at month 4 of 2011/12, are showing overspends of £10.6 million. The latest reported figure is £7.6 million. The Authority needs to ensure that it continually monitors its Medium Term Financial Plan and takes appropriate early intervention to manage its financial pressures.	Monthly in year budget monitoring is undertaken via the Executive Board. The Medium Term Financial Plan will be reviewed as part of the 2012/13 budget process. **Responsible officer: Chief Officer Financial Management** **Due date: February 2012**
2	**Component Accounting** Following the introduction of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, Local Authorities are now required to implement component accounting across their asset base (both general fund assets and HRA assets). This requires components to be separately recognised subject to appropriate materiality thresholds. Whilst the Code refrains from outlining prescriptive measures for implementing componentisation it does state a number of guiding principles in relation to ensuring that a component is recognised if it has a significant cost and if there is a material difference between the existing depreciation charge and that which would apply if it were recognised. The Authority undertook an exercise, with appropriate advice from the internal valuation team, to identify any potentially significant components across both general fund and HRA buildings. As such the Authority concluded that only a small number of specialised items of plant in some of its general fund buildings met its materiality criteria for separate recognition. At our request the authority also carried out an exercise to estimate the impact on depreciation across the HRA of recognising the largest components it had identified, even though these were not individually significant. The impact on depreciation was found not to be material.	**Response shown overleaf**

Appendix 1: Key issues and recommendations

This appendix summarises the two medium priority recommendations that we identified during our 2010/11 audit, along with your responses to them.

Lower priority recommendations are contained, as appropriate, in our other reports, which are listed in Appendix 2.

No.	Issue and recommendation	Management response/ responsible officer/ due date
2	**Component Accounting – continued**	The council will review all capital spend at the end of each year under its established accounting policy for components.
	We have reviewed the appropriateness of the Council's policy against the requirements of the Code of Practice and IAS 16. In doing so we have outlined a number of considerations that the Authority should keep under review to ensure the policy is appropriate. These considerations include:	**Responsible officer: Principal accountant Corporate Financial Management.**
	• Where the level of capital expenditure in a year is significant and relates to an individual component, such as a roof, then the Authority would need to consider whether the policy is still appropriate or whether the amount spent over the class of asset should be separately accounted for as an individual component; and	**Implementation date: closedown 2011/12.**

The council is closely following the ongoing consultations on changes to HRA asset valuation and depreciation arrangements, and will review its own approach once the national requirements and guidance have been finalised. Responsible officer: |
| | • The impending changes to the HRA. The consultation paper issued by CIPFA in February 2011 outlined the proposed abolition of the Housing Subsidy and the MRA. This will increase the importance of an accurate depreciation charges in the HRA to ensure that suitable provisions are in place to fund major repairs to housing stock. For example, if the total replacement cost for an asset over the 30 year business plan is £33,000 then for business planning purposes, an annual depreciation charge of £1,100 would be expected. | **Principal accountant Corporate Financial Management.**

Implementation date: As and when accounting standards are amended. |

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Appendix 2: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.

Financial Statements Audit Plan (December 2010)

The *Financial Statements Audit Plan* set out our approach to the audit of the Authority's financial statements.

Certification of Grants and Returns (February 2011)

This report summarised the outcome of our certification work on the Authority's 2009/10 grants and returns.

VFM Audit Plan (March 2011)

The *VFM Audit Plan* set out our approach to the our work for the VFM conclusion.

Fee Letter (April 2011)

The *Fee Letter* set out the proposed audit work and draft fee for the 2011/12 financial year.

Interim Audit Report (June 2011)

The *Interim Audit Report* summarised the results from the preliminary stages of our audit, including testing of financial and other controls.

Auditor's Report (September 2011)

The *Auditor's Report* included our audit opinion on the financial statements, our VFM conclusion and our certificate.

Report to Those Charged with Governance (September 2011)

The Report to Those Charged with Governance summarised the results of our audit for 2010/11 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory declarations required under auditing standards as part of this report.

Annual Audit Letter (November 2011)

This *Annual Audit Letter* provides a summary of the results of our audit for 2010/11.

| December |
| 2011 |
| January |
| February |
| March |
| April |
| May |
| June |
| July |
| August |
| September |
| October |
| November |

8

KPMG

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Report author: M Taylor

Tel: 74234

Report of Director of Resources

Report to Corporate Governance and Audit Committee

Date: 23rd January 2012

Subject: Capital Programme Approvals

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

Summary of main issues

1. The Capital Programme approvals framework is set out in the Council's Financial Procedure Rules. Some minor changes to delegations and financial limits have been made in 2007 and 2009 but no major review of the approvals have taken place.

2. In the current budget climate, with staffing numbers reducing, it is appropriate to review our approvals framework to try to streamline the process and improve accountability whilst maintaining an adequate level of control and assurance regarding capital expenditure.

3. The report incorporates the recommendations of a recent Resources and Council Services Scrutiny Board Working Group into decision making issues, following a Scrutiny Call in.

4. The report sets out some proposed changes to the Capital Approvals framework which, if put in place, will strengthen accountability for capital decisions and streamline the decision making process whilst still ensuring there are adequate checks in place to control capital expenditure across the Council.

Recommendations

Members are asked to consider the proposed changes to the Capital Programme approvals process.

1 Purpose of this report

1.1 This report outlines some proposed changes to the Capital Programme Approvals framework. Some minor changes were made in 2007 and 2009. Within the current financial constraints, staffing numbers within the Council are reducing leading to a reduction in capacity across service areas. There is a wish to remove unnecessary bureaucracy to ensure that staff can be as effective and productive as possible. It is therefore an appropriate time to review our approvals framework to try to streamline the process but also to improve accountability whilst maintaining an adequate level of control and assurance regarding capital expenditure.

1.2 The report also incorporates the recommendations from the Resources and Council Services Scrutiny Board Working Group held on 1st December 2011 in relation to capital decision making.

2 Background information

2.1 The capital approvals framework is made up of a number of stages which are designed to ensure that:

- Authorisation is given before schemes are injected into the capital programme
- The Council's own resources are prioritised and controlled
- The Director of Resources has assurance that resources are available to finance schemes
- Authority to progress a scheme is sought at the appropriate stage of its development
- The relevant checks have been made before tenders are invited on a scheme

2.2 The capital approvals framework sets different approval requirements and limits depending on the nature and value of the capital scheme. Schemes are classified depending on the nature of the works as follows:

- Category A – New assets or enhancement of existing assets; e.g. refurbishment programmes. Individual named schemes; e.g. new build, refurbishment, etc.

- Category B – Provisions for repair and maintenance of existing assets. Specific replacement and renewal programmes; e.g. boiler replacement.

- Category C – Works requested and funded by a third party; e.g. Highways Section 278 works.

- Category D - Schemes to provide Information Technology Systems.

The existing capital approvals framework is attached at **Appendix A** and includes the following stages:

2.3 <u>Injection to the Capital programme</u> – this is approval for a scheme to be included in the capital programme but does not commit the authority to proceeding with the scheme. The level of approval required depends on the value of the scheme and how it is funded. More control needs to be exercised on schemes which use the Council's money whether that is in the form of borrowing, non-specific grants, capital receipts or revenue contributions.

2.4 <u>Authority to Spend</u> – this is approval for a scheme to progress and is often referred to as a commitment to invest. It is the stage of a project at which the design is 'frozen', the cost estimate of the design is updated, resources are confirmed to be in place, the scheme is confirmed as being value for money and any revenue cost implications are identified and confirmed to be available. The level of approval depends on the nature and value of the scheme. A higher level of approval is required for higher value schemes and those which are for new developments or assets as opposed to maintaining existing assets. It is at this stage of the Capital Approval's Framework that a Key Decision is made if the cost of the scheme exceeds the financial threshold set out in the Constitution.

2.5 <u>Authority to tender</u> – this is a technical approval which is a best practice measure. Checks are undertaken before tenders are invited to ensure that a project is ready to be tendered. Discovering gaps in technical details such as the form of contract being used, planning or listed building consents or pre-tender estimates can lead to increased costs once tenders have been accepted. As a direct consequence of the Authority to Spend this will be an Administrative Decision.

2.6 <u>Chief Officer Approval</u> – this check takes place after tenders are received and prior to awarding a contract for the works to take place. It is a final affordability check which takes place on all capital schemes with approval given by the Director of Resources. Following this services can award contracts and the scheme moves from being contractually 'uncommitted' to contractually 'committed'. As a direct consequence of the Authority to Spend this will be an Administrative Decision.

3 Main issues

<u>Recommendations of Scrutiny Working Group</u>

3.1 Scrutiny Board (Resources and Council Services) considered a Call In of an officer delegated decision on 9th November 2011. The issue related to the relocation of a service. One of the issues behind the call in was when the pivotal decision was made and therefore the point in which decision makers could be and should be held to account.

3.2 The Scrutiny Working Group met on 1st December 2011 to consider this and other related aspects of the process. The recommendations in relation to capital decision making are as follows:

a) **That a single delegation report for capital schemes be introduced. This report would be similar in content to those submitted to Executive Board. This report to be signed off by the service directorate after**

appropriate consultation with finance. This report and decision would be the published delegated decision notice.

b) **That all delegated decision reports detail, where appropriate, the Member consultation taken place including date and with whom.**

c) **That officers be provided with appropriate training to ensure that delegated decision reports are of the standard expected by Executive Board**

3.3 With regard to the first recommendation, an amendment is proposed to the Authority to Spend decision making so that Service Directors will now give Authority to Spend on capital schemes up to £500k, the limit previously given to the Director of Resources. For schemes above this level, Executive Board approval will still be required. In order to ensure that resources are available for schemes, the Director of Resources will become a mandatory consultee and will be required to sign off "funding approval" prior to a Service Director taking the Authority to Spend decision.

3.4 Discussions will take place with Corporate Governance regarding how this check will be evidenced on the delegated decision notification to ensure that delegated decisions, which have inadvertently bypassed this check, cannot be published.

3.5 With regard to the other recommendations, officers will be made aware of the importance of including details of consultation in delegated decision reports and of the standard of reporting expected.

Injections to the Capital Programme funded by borrowing

3.6 For schemes funded from borrowing where the costs are met by the Council, approval to include schemes in the capital programme has always been treated as a LCC injection to the capital programme, even though the revenue funding to pay for the borrowing is within the revenue budget. Up to £100k these can be approved by the Director of Resources but where the scheme exceeds £100k, Executive Board approval is required.

3.7 This particular approval requirement does seem onerous and does cause some operational issues particularly where replacement equipment or vehicles are required to operate a service. The same applies where there is a need to remove asbestos from a building or demolish a building where the cost of borrowing can be met from running cost savings.

3.8 Subject to the approval of a relevant business case, it is proposed that the Director of Resources will have the authority to inject schemes to the Capital Programme, up to £500k, for the type of schemes listed below which are funded by borrowing. This will apply to schemes for:

- Vehicle and equipment replacement
- Demolition of property
- Asbestos removal and other health and safety works

- Energy Efficiency projects (where capital investment is funded by savings on energy costs)
- Any other spend to save/operate where a business case has been approved

3.9 Where it is proposed to use borrowing to fund new developments/assets, it is proposed that the Director of Resources will have authority to inject a scheme up to £250k (an increase from the current £100K) with schemes above this requiring Executive Board approval.

3.10 As the injection of a scheme into the Capital Programme does not commit the authority to proceed with the scheme this would not be a Key Decision, as defined by the Constitution. There would therefore be no requirement to include the scheme in the Forward Plan prior to the injection, neither would there be a requirement to give notice of the proposed decision. This does not however prevent appropriate consultation taking place with relevant Members and such consultation will be recorded in the report upon which the Director of Resources, or Executive Board are invited to make their decision.

Injections to the capital programme funded by external grant

3.11 Currently Departmental Directors can inject fully externally funded schemes to the capital programme up to £100k and the Director of Resources can approve without limit. There has been a change recently in the flexibility of Government grants with a move to more grants being "unringfenced" (i.e. can be spent as the local authority wishes) rather than being ringfenced to specific projects. Whilst in theory this gives the authority a choice on how to use the funding, it can be difficult to divert grants which have been awarded by Government for a particular purpose to spend on other priorities, for example, primary basic need grant.

3.12 It is proposed to amend the existing approvals to reflect this change and to increase the delegation to Directors for **ringfenced** grants (Government or other) without limit. Where grants are **unringfenced**, it is proposed that injections to the capital programme are approved by the Director of Resources up to a £250k limit and above this they would require Member approval. As more government grants are now non-ringfenced, this could lead to an increase in the need to report to Executive Board unless another route to engage Members in the decision on how to allocate the resources is established.

3.13 Again as the injection of a scheme into the Capital Programme does not commit the authority to proceed with the scheme this would not be a Key Decision, as defined by the Constitution. There would therefore be no requirement to include the scheme in the Forward Plan prior to the injection, neither would there be a requirement to give notice of the proposed decision.

3.14 The requirement that injections to the Capital Programme of over £250k funded by unringfenced grants should be approved by Executive Board ensures consultation with Members in relation to these schemes. There is no reason why consultation should not take place with relevant Members in relation to smaller schemes funded by unringfenced money or by those schemes funded by ringfenced money and such

consultation will be recorded in the report upon which the Departmental Director or Director of Resources is invited to make a decision.

Authority to Spend

3.15 Currently Departmental Directors can give Authority to Spend on category A schemes (new build, major refurbishment, new assets) up to £100k, the Director of Resources can approve up to £500k and thereafter approval is required by the Executive Board. These limits have been in place since 1999 and it is proposed to increase the limits to generally reflect the increase in building costs that has occurred since the limits were established but also to give more accountability to Directors for approval of capital schemes.

3.16 As already referred to in paragraph 3.3, it is proposed that the Authority to Spend decision now falls to Departmental Directors and the existing delegated limit of £500k will remain for category A schemes. All Authority to Spend approvals on category A schemes in excess of £500k will require the approval of the Executive Board.

3.17 Different delegated limits apply for other categories of scheme, e.g. repairs and renewals and ICT investment and these will remain at current levels.

3.18 Also known as 'Commitment to Invest', the Authority to Spend is the point at which a Key Decision is made in the Capital Programme Approvals Framework. Article 13 of the Constitution defines a Key Decision as 'an Executive decision likely to incur expenditure/make savings over £250,000 pa; or which is likely to have a significant effect on communities living or working in an area comprising two or more wards' If the scheme triggers this threshold the decision will be a Key Decision. It will therefore be necessary to include the scheme in the Council's Forward Plan for the month in which it is proposed to make the decision, and to give 5 clear days notice of the report upon which the decision will be based. The decision will also be open to Call In.

Authority to Tender

3.19 When the Authority to Tender process was first established, approval for all schemes in excess of £250k was given by the Director of Resources and below this the approval was given by the Departmental Director. It was intended that once project officers were familiar with the process and the need to perform the technical checks required, more delegation could be passed to Departmental Directors. The limit was increased to £500k in 2008.

3.20 It is considered that the process for carrying out these pre-tender checks is now well established within Directorates and that Departmental Directors should now have full authority and accountability to approve schemes as ready to tender. It is proposed therefore to reflect this within the capital approvals arrangements.

3.21 The Authority to Tender is a direct consequence of implementing the Key Decision made at the Authority to Spend stage of the process. In accordance with the definition of a Key Decision set out at Article 13 of the Constitution this will not

therefore be another Key Decision regardless of the amount of the spend, or the impact on communities. This decision will be an Administrative Decision.

3.22 All the proposals set out in section 3 are reflected in the revised approval table at **Appendix B.**

4   Corporate Considerations

4.1   Consultation and Engagement

4.1.1   This report is seeking the views of the Corporate Governance and Audit Committee in relation to these proposals. Discussions have also taken place with the Director of Resources and capital programme managers within Service Directorates.   The recommendations of the Resources and Council Services Scrutiny Board working group are also incorporated in the proposals outlined in the report.

4.2   Equality and Diversity / Cohesion and Integration

4.2.1   This report does not have any direct equality and diversity/cohesion and integration issues.

4.3   Council Policies and City Priorities

4.3.1   The schemes in the Capital Programme support the Council's City Priority Plans and Council Business Plan. The approvals process for the Capital Programme is consistent with the Business Plan priority of ensuring there are good rules and procedures to govern the Council's business.

4.4   Resources and Value for Money

4.4.1   The approvals process and the level of delegated authority allowed needs to ensure adequate control of resources and integrity of financial information whilst not placing an unnecessary burden on service directorates regarding the seeking of approvals to progress schemes.

4.5   Legal Implications, Access to Information and Call In

4.5.1   The capital programme approvals form part of the Council's Financial Procedure Rules (FPRs) and any changes made will be reflected within the FPRs.

4.5.2   The report sets out proposed changes to the FPRs in advance of taking a decision the Director of Resources seeks the view of the Corporate Governance and Audit Committee.

4.5.3   The report sets out the position in relation to the governance of decision making in relation to the various approvals described. The Monitoring Officer has authority to amend the Constitution for the purposes of clarification and will consider whether any amendments are necessary as a result of this statement of position.

4.5.4   There are no other legal or Access to information issues arising from this report.

4.6   Risk Management

4.6.1 If the capital rules are not adequate, there is a risk that capital expenditure will be committed for which no resources are available. Equally, if rules are too onerous, delays will be incurred in putting approvals in place which can result in delays in delivering projects and/or cost increases.

5 Conclusions

5.1 This report makes proposals for some changes to the capital approvals process. It is considered that the changes proposed will improve accountability and streamline the process without reducing control of capital expenditure and the project delivery process.

6 Recommendations

6.1 Members are asked to consider the proposals contained within the report.

7 Background documents

There are no background papers.

Capital Approvals - Table 1

Financial Procedure Rules

Category of Scheme	Injections		Authority to Spend (2)			Authority to Tender	Chief Officer Approval	Variations (2)
	Fully Externally Funded (1)	Leeds City Council Funded (3)	Category					
			A & E	B & C	D			
All Schemes	All Schemes (2)	All Schemes	All Schemes			All Schemes	All Schemes	Schemes A,B,C (4)
Expenditure up to :-								
£100,000	Director of Department (5)	Director of Resources	Director of Department (5)	Director of Department (5)	Director of Department (5)	Director of Department (5)	Director of Resources	In Accordance with Table 2
£250,000	Director of Resources	Director of Resources	Director of Resources	Director of Department (5)	Director of Resources	Director of Department (5)	Director of Resources	In Accordance with Table 2
£500,000	Director of Resources	Executive Board	Executive Board		Director of Resources	Director of Department (5)	Director of Resources	In Accordance with Table 2
Over £ 500,000	Director of Resources	Executive Board	Executive Board		Director of Resources	Director of Resources	Director of Resources	In Accordance with Table 2

Notes :-

(1) Examples of Full External Funding are as follows :- Section 106 ; Section 278 ; Government Grant ; Lottery ; Private Sector ; Health Authority ; Gifts etc ; Yorkshire Forward ; European Grants ; Surestart Grant.

(2) **NB** - Schemes funded by Section 278 monies can be injected, given Authority To Spend and Variations, up to any limit, by the Departmental Director.

(3) Examples of Leeds City Council Funding are as follows :- General Resources ; Capital Receipts ; Revenue Contributions to support capital reserve ; Unsupported Borrowing.

(4) The Director of Resources will approve all variations on Category D schemes using internally managed ICT Development resources.

(5) Where concurrent delegations exist, this delegation applies equally to the appropriate Chief Officer.

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Capital Approvals - Table 1

Financial Procedure Rules

Category of Scheme	Injections		Funding Approval	Authority to Spend (7)			Chief Officer Approval	Variations
	Fully Externally Funded (1)	Leeds City Council Funded (2)		NB - All these delegated limits are subject to prior Funding Approval from the Director of Resources				
Constitutional Decision Type (8)	None at this stage		None at this stage	Major or Key Decision			N/A	Each on individual merit (See Note 8)
Category of Scheme	All Schemes	All Schemes	All Schemes	Category			All Schemes	Schemes A,B,C (3)
				A	B & C	D		
Expenditure up to :- £100,000	Director of Department (4)	Director of Resources (6)	Director of Resources	Director of Department (4)	Director of Department (4)	Director of Resources	Director of Resources	In Accordance with Table 2
£250,000 (5)	Director of Department (4)	Director of Resources (6)	Director of Resources	Director of Department (4)	Director of Department (4)	Director of Resources	Director of Resources	In Accordance with Table 2
£500,000	Director of Department (4)	Director of Resources (6)	Director of Resources	Executive Board	Director of Department (4)	Director of Resources	Director of Resources	In Accordance with Table 2
Over £500,000	Executive Board	Executive Board	Director of Resources	Executive Board	Executive Board	Director of Resources	Director of Resources	In Accordance with Table 2

Notes :-

(1) Examples of Fully External Funding are as follows :- Section 106 ; Section 278* ; Grant (Ring Fenced only) ; Lottery ; Private Sector ; Health Authority ; Gifts etc ; European Grants
*NB - Schemes funded by Section 278 monies can be injected, given Authority to Spend and Variations, up to any limit, by the Departmental Director.

(2) Examples of Leeds City Council Funding are as follows :- External Grants (Unringfenced) ; Capital Receipts ; Revenue Contributions or reserves; Borrowing

(3) The Director of Resources will approve all variations on Category D schemes using internally managed ICT Development resources.

(4) Where concurrent delegations exist, this delegation applies equally to the appropriate Chief Officer.

(5) Please note that approvals above this amount require notification on the Forward Plan.

(6) For the following categories of scheme, the Director of Resources has authority to inject schemes up to £500.0k where the schemes are funded by borrowing :-
Vehicle and equipment replacement; Demolition of property; Asbestos removal and other health and safety works; Energy Efficiency projects (where capital investment is funded by savings on energy costs); Any other spend to save/operate schemes where a business case has been approved.

(7) It is at this stage of the Capital Approvals framework that a Major / Key decision is made if the cost of the scheme exceeds the financial threshold(s) as set out in the Constitution.

(8) NB - This is indicative only. Officers should always refer to Part 3 Section 5 of the Constitution " Guidance Notes on Delegated Decision Making" for full explanation.

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Report author: M Taylor

Tel: 74234

Report of Director of Resources

Report to Corporate Governance and Audit Committee

Date: 23rd January 2012

Subject: Treasury Management Governance Framework

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

Summary of main issues

1. The credit crunch and the Icelandic crises resulted in Cipfa issuing a revised Treasury Management Code and Guidance Notes and a revised Prudential Code. This report confirms that the changes made to the Cipfa codes have been incorporated into the working practices and policies of treasury management and the governance framework.

2. Whilst there have been some changes to the codes, the review indicates that the existing codes have worked as intended throughout the credit crunch.

3. A further revision to the codes has just been issued and the changes will be adopted in the Treasury Management Strategy 2012 report to Executive Board.

Recommendations

Members are asked to :

4. Note the delegations in relation to Treasury Management.

5. Note that the requirements of the revised Cipfa Code of Practice and Guidance Notes have been incorporated into Treasury Management practices and policies and that the Prudential Code has been adopted.

1   Purpose of this report

1.1   This report outlines the governance framework for the management of the Council's Treasury Management (TM) function. This report also reviews compliance with the revised Chartered Institute of Public Finance and Accountancy (Cipfa) code of practice on treasury management and guidance notes and a revised prudential code. These were issued in November 2009.

2   Background information

2.1   The operation of the treasury management is governed by provisions set out under part 1 of the Local Government Act 2003 whereby the Council is required to have regard to the Cipfa Prudential Code for Capital Finance in Local Authorities as updated in November 2009.

2.2   TM is responsible for the Housing Revenue Account and General Fund long term debt in the region of £1.5bn and investments that currently stand at around £30m. It also manages the cash flow requirements of the Council.

2.3   The background to this report dates back to the start of the credit crisis in 2007 when the French Bank BNP Paribas closed two of its mortgage backed securities fund because they could not value them. As a result credit stopped flowing in the money markets. The following 12 months saw banks suffering huge losses, and national Governments taking coordinated action to intervene in the money markets. This did not stem the problem as in October 2008 Lehman's Brothers went into administration. Weeks later the Icelandic banks folded. The collapse of the Icelandic banks in 2008 has thrown the treasury management function into the spotlight. Local Authorities collectively had £1bn on deposit with Icelandic banks which immediately became frozen. Leeds did not have any deposits with the Icelandic Banks.

2.4   Following the collapse of the Icelandic banks Corporate Governance and Audit Committee (CGA) were presented with a report on 12th November 2009 on the recommendations of three reports prepared by the Communities and Local Government Select Committee, the Audit Commission and Cipfa. Following these reports Cipfa issued a revised Treasury Management Code of Practice and guidance notes and a revised Prudential Code.

3   Main issues

Scheme of Delegation

3.1   The Council scheme of delegation is shown in Appendix A and formally documents the decision making framework under which treasury management operates. Members will recall that the CGA agreed that the overseeing role for the treasury management function falls to the CGA.

Key changes

3.2   The main conclusions from the Icelandic crisis show the national treasury management framework operates on the whole as expected. There are however lessons to be learned that have resulted in a revised Cipfa Treasury Management Code of Practice, guidance notes and the Prudential Code. Appendix B shows the main changes to the treasury management codes and the Council's compliance with these changes. TM is fully compliant with the recommended changes and many of these recommendations were already incorporated into the treasury management practices.

3.3 The revised Cipfa Treasury Management Code Of Practice also emphasised a number of key areas that treasury management should follow. These were presented to Executive Board on 12th February 2010 in the Treasury Management Strategy 2010/11 and are shown again in Appendix C. The Treasury management strategy for 2011/12 was presented to Executive Board on 11/02/11 and included a further revision to the Treasury Management Policy Statement.

3.4 Internal Audit has undertaken a review on the 2010/11 TM function and has provided substantial assurance on both the control environment and compliance.

3.5 CIPFA have issued a revised Prudential Code, Treasury Management Code of Practice and Guidance Notes. All three were published on 15 November 2011 and an initial review highlights the following changes below:

- legislative frameworks are updated (now including Northern Ireland);

- the Bribery Act 2010 is now referred to where appropriate;

- a small section on the use of derivatives (if it is deemed lawful);

- A technical change to the reporting of loan maturities.

- the changes arising from HRA self financing reform in England are included.

3.6 A full review of the changes to the codes will now take place and the updated codes will be reflected in the Treasury Management Strategy for 2012 Report to Executive Board in February 2012.

4   Corporate Considerations

4.1 Consultation and Engagement

4.1.1 Cipfa have consulted with all local authorities prior to the issue of the revised codes and the Council has participated in this consultation. There has been no further consultation in relation to this report.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 This report does not have any direct equality and diversity/cohesion and integration issues.

4.3 Council Policies and City Priorities

4.3.1 The execution of treasury strategy enables cash funding to be raised and managed in the most efficient manner and this supports revenue and capital spend in line with City Priority Plans and the Council Business Plan.

4.4 Resources and Value for Money

4.4.1 Execution of treasury strategy enables funds to be raised and managed in the most efficient manner in line with the approved strategy as presented to Executive Board on 11th February 2011 and updated on 02/11/11.

4.5   Legal Implications, Access to Information and Call In

4.5.1   The legislative framework which governs treasury management is outlined in section 2.1. This framework includes compliance with the Cipfa Treasury management code of practice and guidance notes and the prudential code.

4.5.2   The main changes to the revised Cipfa Treasury Management Code of Practice and guidance notes are highlighted in section 3 and have been adopted.

4.5.3   Cipfa have also issued a revised Prudential Code which primarily covers borrowing and prudential indicators. The revised code has also been adopted by the Council.

4.5.4   There are no legal or access to information issues arising from this report. The report is not subject to call in.

4.6   Risk Management

4.6.1   As set out in the treasury management policy statement, treasury management activities are carried out within a risk management framework and the management of risk is key to securing and managing the Council's borrowing, lending and cash flow activities.

4.6.2   By complying with and adopting the Cipfa Treasury Management Code of Practice and the Prudential Code, assurance is given that arrangements are in place to manage risks effectively.

5   Conclusions

5.1   A revised Cipfa Treasury Management Code of Practice and Prudential Code have been formally adopted by the Council. This report confirms that the Council is complying within the revised codes and the internal audit of the function provides substantial assurance on control and compliance.

6   Recommendations

 Members are asked to:

6.1   Note the delegations in respect to treasury management as outlined in Appendix A

6.2   Note the assurance that Treasury Management has adopted and is complying with the revised Cipfa Code of Practice and guidance notes and the Prudential Code.

7   Background documents

7.1   Treasury Strategy 2010/11 - Executive Board 12/02/10

7.2   Treasury Strategy 2011/12 – Executive Board 11/02/11

7.3   Treasury Strategy update 2011/12 – Executive Board 02/11/11

Appendix A

DELEGATIONS IN RELATION TO TREASURY MANAGEMENT

FULL COUNCIL	EXECUTIVE BOARD	CORPORATE GOVERNANCE & AUDIT COMMITTEE	RESOURCES AND COUNCIL SERVICES SCRUTINY BOARD
Borrowing limits	Treasury Management Strategy	Adequacy of treasury Management policies and practices	Review / scrutinise any aspects of the Treasury management function
Changes to borrowing limits	Monitoring reports in year	Compliance with statutory guidance	
Treasury Management Policy	Performance of the treasury function		

↓ **DELEGATIONS TO OFFICERS**

DELEGATION SCHEME	TO WHOM	FUNCTION DELEGATED
Officer delegation scheme (Executive Functions) (p186)	Director of Resources	Making arrangements for the proper administration of the authority's financial affairs
Sub delegation scheme (p21 App1 Corporate & S151 responsibilities)	Discharged through Chief Officers	Making arrangements for the proper administration of the authority's financial affairs
Sub delegation scheme (p24 executive Functions)	To Chief Officers in relation to areas within their remit	Making arrangements for the proper administration of the authority's financial affairs
Sub delegation scheme (p53 Financial Procedure Rules – Treasury Management)	Function discharged by Chief Officer Financial Development	Treasury Management function

↓ **OPERATIONAL AUTHORITY OF OFFICERS**

POLICY DOCUMENT	TO WHOM	OPERATIONAL AUTHORITY
Treasury Management Policy (section 10) – execution of treasury strategy	Chief Officer Financial Development Principal Financial Manager Treasury Manager	Implementation of decisions taken at Treasury strategy review meetings and day to day management of treasury operations

	Cipfa TM Code			Compliance Assurance
	Change	**TM Strategy**	**TM practices**	**Council's position**
A	Clarification of responsibility for TM	Make clear that responsibility for risk management and control lies within the organisation.		The scheme of delegation is shown within the treasury management policy statement (TMPS) and is referred to in Appendix A to this report. It is acknowledged that responsibility for TM rests within the Council. – **Fully compliant**
B	Declaration of risk appetite	Appetite for risk should form part of annual strategy and should ensure that priority is given to security and liquidity.		Contained in the annual treasury strategy report and the TMPS **Fully compliant**
C	Enhancing scrutiny role		Additional 'clause to be formally adopted' – name of body to be responsible for ensuring effective scrutiny of TM strategy and policies. Scrutiny role includes reviewing the TM policy and procedures and making recommendations to responsible body	The scrutiny of the treasury management function sits with the Corporate Governance and Audit Committee. **Fully compliant**
D	Minimum reporting requirements		Inclusion of a mid-year review in the minimum reporting requirements to full board/council	The Council already provides a mid-year report to Executive Board **Fully compliant**
E	Training		Responsible officer to ensure that members have access to training relevant to their needs. Those charged with governance are personally responsible for ensuring they have the necessary skills/training.	Training provided to members on 10/02/10 with a further session for Corporate Governance and Audit Committee on 29/09/10 **Fully compliant**
F	Should not over rely on credit ratings		Credit ratings should only be used as a starting point when considering credit risk". Should also use financial press, market data, information on govt support for banks and the	TM has used a variety of information sources to inform investment decisions prior to the credit crunch. **Fully compliant**

				credit ratings of that govt support.	

	Cipfa TM Code				**Compliance Assurance**
	Changes	**TM Strategy**		**TM practices**	**Council's position**
G	Diversification policy			Include reporting by country, sector and group and the limits applied to each. Describe approach to collecting and using information other than credit ratings.	Changes to investment rationale reported to Executive Board in the treasury reports and TPMS updated. **Fully compliant**
H	Statement that policies and procedures must be followed	Officers involved in TM must be explicitly required to follow treasury management policies and procedures.			TMPS states that it will follow TMPS and procedures. An annual internal audit is conducted and the latest report gave TM substantial assurance. **Fully compliant**
I	Approval Process	Greater emphasis that annual strategy should be approved by full board/council.			Already adopted. **Fully compliant**
J	Treasury Management Indicators			Monitoring reports should include the TM indicators detailed in the sector-specific guidance notes.	Monthly updates are produced for FPG with quarterly strategy meetings with the Director of Resources and the Council's treasury advisers **Fully compliant**
K	Use of external service providers			Include regulatory status of services provided externally. The skills of the in-house team should be maintained so they can challenge the services provided and so undue reliance is not placed upon them.	TMPS refers to using a counter party list as prepared by the Council's advisors and its use is referred to in the reports to Executive Board. In house experience is enhanced by regular training, seminars attended and cores cities, West Yorkshire district working group involvement **Fully compliant**
L	Borrowing in advance	Clarification that borrowing in advance of need will only be			Working practices already incorporate full documentation

		undertaken where there is a clear business case for doing so for current capital programme or to finance future debt maturities.		for rationale behind any new borrowing, rescheduling, replacement borrowing or borrowing in advance of need. **Fully compliant**

	Cipfa Guidance			**Compliance Assurance**
	Changes	**TM Strategy**	**TM practices**	**Council's position**
A	Treasury Management Indicators		TM indicators within prudential code - authorised limit, operational boundary, external debt. TM indicators within TM code – interest rate exposures, maturity structure of borrowing, principal sums invested for less than 364 days	These indicators are already reported in the TM reports to Executive Board. **Fully compliant**
B	Accounting for TM		Be aware of accounting practices when carrying out TM activities.	Working practices already incorporate full documentation for rationale behind any new borrowing, rescheduling, replacement borrowing or borrowing in advance of need. This includes a view on accounting treatment. **Fully compliant**
C	'High 'credit ratings	Define what constitutes a 'high' credit rating in order that TM strategy is clear and approach to risk is transparent.		Already included within the TMPS. **Fully compliant**
D	DCLG (2004) investment guidance	The annual investment strategy should include the authority's policy on the use of credit ratings and credit rating agencies, the use, or not of an external advisor, and the schemes of delegation and the role of the section 151 officer		The annual investment strategy includes these requirements. **Fully compliant**

Cipfa Prudential Code			Compliance Assurance
Changes	TM Strategy	TM practices	Council's position
Net borrowing position	Where there is a significant difference between the net and the gross borrowing position, the risks and benefits associated with this strategy should be clearly stated in the annual strategy		Issues are highlighted in the annual strategy and subsequent updates **Fully compliant**
Accounting changes		The borrowing and investment prudential indicators should exclude all accounting adjustments i.e. EIR, premiums/discounts, accruals.	Existing policy is in line with the revised code. **Fully compliant**
TM prudential indicators to TM Code		Some indicators have been transferred from prudential to treasury indicators. The prudential indicator in respect of TM is that the LA has adopted the Cipfa TM Code and Cross Sectoral guidance notes.	The annual strategy confirms the requirements of the revised TM code and prudential code. **Fully compliant**

The Revised Cipfa Treasury Management Code of Practice 2009

a. All councils must formally adopt the revised Code and four clauses

b. The strategy report will affirm that the effective management and control of risk are prime objectives of the Council's treasury management activities.

c. The Council's appetite for risk must be clearly identified within the strategy report and will affirm that priority is given to security of capital and liquidity when investing funds and explain how that will be carried out.

d. Responsibility for risk management and control lies within the organisation and cannot be delegated to any outside organisation.

e. Credit ratings should only be used as a starting point when considering risk. Use should also be made of market data and information, the quality financial press, information on government support for banks and the credit ratings of that government support.

f. Councils need a sound diversification policy with high credit quality counterparties and should consider setting country, sector and group limits.

g. Borrowing in advance of need is only to be permissible when there is a clear business case for doing so and only for the current capital programme or to finance future debt maturities.

h. The main annual treasury management reports MUST be approved by full council.

i. There needs to be, at a minimum, a mid year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved.

j. Each council must delegate the role of scrutiny of treasury management strategy and policies to a specific named body.

k. Treasury management performance and policy setting should be subjected to scrutiny.

l. Members should be provided with access to relevant training.

m. Those charged with governance are also personally responsible for ensuring they have the necessary skills and training.

n. Responsibility for these activities must be clearly defined within the organisation.

o. Officers involved in treasury management must be explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council (this will form part of the updated Treasury Management Practices).

Leeds CITY COUNCIL

Report author: E Davenport

Tel: 24 78408

Report of Director of Resources

Report to Corporate Governance and Audit Committee

Date: 23 January 2012

Subject: Partnership Governance

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

Summary of main issues

1. The Council's Governance Framework for Significant Partnerships was replaced last year by an advisory note for Directors.

2. This report attaches an updated advisory note and the Council's current register of significant partnerships for information.

3. The report confirms the current monitoring arrangements in respect of governance arrangements for partnerships.

Recommendations

4. The Committee is asked to note the update provided on the arrangements to ensure that the Council's partnership governance arrangements are fit for purpose.

1   Purpose of this report

1.1   To update the committee about the Council's partnership governance arrangements.

2   Background information

2.1   At its meeting on 15 November 2011, the Committee were asked to note the outcome of a review of the Governance Framework for Significant Partnerships. The review established that monitoring arrangements required by the Framework were considered too onerous. In view of this, the abolition of the comprehensive area assessment, and resource restraints, the Framework was re-issued as an advisory note for Directors.   It is supplemented by more detailed guidance contained in the partnerships toolkit.

3   Main issues

3.1   A copy of the **advisory note** on partnership governance is attached for information, as appendix 1 to this report. The note was last reviewed in April 2011. Members will note that the note is based on the six principles of corporate governance set out in the Council's code of corporate governance. The note may therefore need to be reviewed, if significant changes are made to the code.

3.2   The Head of Governance Services maintains a **register** of significant partnerships. A copy of the current register is attached as appendix 2 to this report. Members will note that there are currently 31 partnerships registered.

3.3   Partnerships which were previously required by the Framework to be registered due to their significance remain on the register, unless defunct. Under the revised arrangements, partnerships established by way of key, major, full council or committee decisions, are also registered, as an on-going process. Six additional partnerships have been added to the register over the past year under these new arrangements these are as follows:

- Leeds Initiative – Health and Wellbeing Board;

- Leeds Initiative – Sustainable economy and Culture Board;

- Leeds Initiative Board;

- Leeds Initiative – Safer and Stronger Communities Board;

- Leeds Initiative – Housing and Regeneration Board; and

- Leeds Tenant Federation.

3.4   In addition, in September 2011, Directors were asked to review the register to identify defunct partnerships, resulting in a number of entries being removed from the register.

3.5   The register informs Internal Audit's decisions about allocating time to review partnership governance arrangements, using a risk based approach. No active monitoring of partnership governance arrangements has been carried out by Internal Audit this year. However, under existing arrangements, Directors continue to be

responsible for ensuring that partnership governance arrangements have regard to the advisory note, and the accompanying toolkit.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The advisory note advises Directors to carry out consultation with stakeholders, before entering into a partnership agreement, and that the partnership should agree, review and monitor a stakeholder involvement strategy.

4.1.2 This report does not contain any proposals which would benefit from consultation.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 The advisory note advises Directors to carry out an impact assessment, before entering into a partnership.

4.2.2 This report does not contain any proposals which require an impact assessment.

4.3 Council Policies and City Priorities

4.3.1 The advisory note promotes the key principles underpinning the Council's code of corporate governance.

4.4 Resources and Value for Money

4.4.1 There are no significant financial implications arising from this report.

4.5 Legal Implications, Access to Information and Call In

4.5.1 There are no legal implications arising from this report.

4.6 Risk Management

4.6.1 In addition to the advisory note, Members will note that the Council's risk management arrangements include guidance on the risk management of significant partnerships.

5 Conclusions

5.1 The Council's arrangements to ensure that governance arrangements for its partnerships are fit for purpose have been reviewed and maintained.

6 Recommendations

6.1 The Committee is asked to note this update on the arrangements to ensure that the Council's partnership governance arrangements are relevant and fit for purpose.

7 Background documents

7.1 Report of the Assistant Chief Executive (Corporate Governance) to the Corporate Governance and Audit Committee 15 November 2010

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Advisory Note for Directors:

Partnership Governance

1.0   Introduction

1.1   The Council's **Code of Corporate Governance** sets out six principles behind the Council's approach to corporate governance. These are:
- Focus on the Council's purpose and community needs;
- Clear responsibilities and arrangements for accountability;
- Good conduct and behaviour;
- Taking informed, transparent decisions that are subject to effective scrutiny and risk management;
- Developing the capacity and capability of representatives to be effective;
- Engaging with local people and other stakeholders.

1.2   These principles should also support its work with partners. This advisory note is based on the six principles.

1.3   The purpose of the advisory note is to set out:
- the steps which Directors should take **before entering into a partnership**; and
- the **minimum governance requirements** each partnership should have[1].

2.0   Governance Considerations

2.1   Before entering into a partnership

Directors should ensure the following are carried out;

- an **options appraisal**.
- a full **risk assessment**;
- **consultation** with relevant stakeholders; and
- an **equality, diversity and community cohesion impact assessment**.

Directors should also identify an officer to be its **lead officer** for the partnership.

All decisions to enter into a partnership **must** be made in accordance with Article 13 of the Constitution.

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[1] The relevant Director may determine that a particular partnership does not need to comply with any requirement that is not applicable or appropriate to it.

2.2 Governance Considerations in Establishing Partnerships

Directors should ensure that, where applicable, each partnership:

Governance and accountability

Identifies to whom it is **accountable**.

Agrees and annually reviews a **governing document**.

Agrees and regularly reviews:
- the **objectives** of the partnership; and
- a **strategic or business plan.**

Performance and Finance

Agrees, regularly reviews and monitors:
- a **performance management framework**;
- a **financial performance framework**;
- **financial procedures**, which includes how the partnership will set and control its budget;
- a **commissioning strategy**; and
- a **procurement strategy** and **procurement procedures**.

Annually reviews whether the partnership is achieving **value for money** and makes a report available to the public which considers:
- its **performance**; and
- its **financial position** and **performance**.

Conduct

Agrees, regularly reviews and monitors:
- procedures for dealing with **conflicts of interest**; and
- how the partnership will resolve **disputes** between its partners.

Decision-making

Takes decisions on the basis of **timely, accurate, clear and relevant advice and information**.

Carries out an **Equality, Diversity and Community Cohesion Impact Assessment** of any proposed policies, plans or services; and that it takes the outcomes of these assessments into account when making decisions.

Data management

Agrees, regularly reviews and monitors:
- **access to information** rules;

- arrangements for keeping its **documents**; and
- a protocol for **sharing information**.

Scrutiny and audit

Allows the Council's **internal auditors access** to documents on request.

Has its accounts **externally audited**.

Co-operates with any relevant **Scrutiny Board** Inquiry.

Support for representatives

Provides appropriate **support and training** so that representatives perform effectively.

Stakeholders

Practices the principles set out in the **Compact for Leeds[2]**.

Agrees, regularly review and monitors:
- a **stakeholder involvement strategy**; and
- a **complaints procedure.**

3.0 Responsibilities

3.1 The Director of Resources will maintain and annually review this advisory note for Partnership Governance to ensure it is relevant and fit for purpose.

3.2 The Head of Governance Services will maintain a register[3] of all partnerships established by decision of full council or Executive Board or by officers using their delegated authority[4].

3.3 Directors are asked to seek to ensure that those partnerships which the Council enters into are established having regard to this advisory note and the Toolkit for Partnership Governance[5].

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[2] Where voluntary sector or faith organisations are partners
[3] The register will be utilised by the Director of Resources to inform the Internal Audit work programme
[4] Limited to decisions notified by Key or Major decision
[5] Available on the Council's intranet site at:
http://intranet.leeds.gov.uk/Interest_Areas/Former_departments/Chief_Executives_Department/Council_and_democracy/Corporate_governance/Partnership_Governance.aspx

Directorate	Name of partnership	Member Representation	Name of lead officer	Purpose/vision of partnership	Date partnership started to operate
Adult Services	Safeguarding Adults Board	Cllr Yeadon attends but is not a Member of the Board - no other Member involvement	Dennis Holmes	To ensure that the policy and procedures are in place across partners to appropriately protect vulnerable adults.	1997
Adult Services	Learning Disability Partnership	Cllr Yeadon and Cllr Selby	Dennis Holmes	To ensure that there is a coordinated and strategic response to meeting the health and social care needs of people with a learning disability in an effective and efficient way.	2001
Adult Services	Joint Equipment Service	Cllr Selby and Cllr Cleasby	John Lennon	Primary aim is to improve the delivery of long term strategic goals for the provision of a Community Equipment Service as originally set out in the Health Improvement Programme, and the Guide to Integrating Community Equipment Services.	2004
Adult Services	Leeds Initiative - Health and Wellbeing Board	Cllr Wakefield, Cllr Yeadon, Cllr Blake, Cllr A Carter, Cllr Golton	Sandie Keene	The purpose of the Health and Wellbeing Board is to provide strong and effective leadership, to support effective partnership work, and take action to deliver the aspirations of the Vision for Leeds. In particular, its key objectives are to join up activities to maximise outcomes, and to create a culture where partnership work in the interests of local people is built into the way of all agencies, sectors and organisations act.	13/07/11 (Full Council Minute no. 26)
Children's Services	Leeds Youth Offending Team Partnership	None	Jim Hopkinson	To provide governance and financial support to the Youth Offending Service.	April 2000
Children's Services	Leeds Safeguarding Children Board	Cllr Blake	Bryan Gocke	Key statutory mechanism for agreeing how the relevant organisations in each local area will co-operate to safeguard the welfare of children and young people, and for ensuring the effectiveness of that work.	April 2006
Children's Services	Leeds Children's Trust Board	Cllr Dowson, Cllr Downes, Cllr Blake, Cllr Lamb	Nigel Richardson	Statutory body providing inter-agency governance of the Children's Trust arrangements in Leeds and has responsibility for publishing and monitoring the jointly owned CYPP.	April 2010

Directorate	Name of partnership	Member Representation	Name of lead officer	Purpose/vision of partnership	Date partnership started to operate
City Development	Leeds Initiative - Sustainable Economy and Culture Board	Cllr R Lewis, Cllr Dobson, Cllr Ogilvie, Cllr Gruen, Cllr Procter, Cllr Campbell	Martin Farrington	The purpose of the Sustainable Economy and Culture Board is to provide strong and effective leadership and to support effective partnership work on the issues of sustainable economy, culture, transport and environment, and to take action to deliver the aspirations for the vision for Leeds. In particular, its key objectives are to join up activities between partners to maximise outcomes, and to create a culture where partnership work in the interests of local people is built into the way all agencies, sectors and organisations act.	13/07/11 (Full Council Minute no. 26)
Customer Access and Performance	Association of West Yorkshire Authorities	Cllr Wakefield	Rob Norreys	Partnership of 5 West Yorkshire Local Authorities formed to coordinate issues of common interest other than economic competitiveness (see Leeds City Region). Provide a means for the formulation and expression of joint views of Member Councils to the LGA, central Government and other appropriate bodies and organisations in respect of legislation, proposed legislation and other matters of concern	1993
Customer Access and Performance	Core Cities	Cllr Wakefield	Rob Norreys	Voluntary network of the 8 core cities in England - promotes joint working aimed at reducing regional economic disparities. Acts as a policy advocate with government on behalf of the member cities.	1995
Customer Access and Performance	Leeds City Region	Cllr Wakefield	Rob Norreys	Partnership of 11 local authorities, constituted as a joint committee to address issues around the economic competitiveness agenda - particularly Transport, Housing, Skills and Innovation. Develops strategy and policy on behalf of member authorities and acts as a joint venture with Government on areas of common interest	2004

Directorate	Name of partnership	Member Representation	Name of lead officer	Purpose/vision of partnership	Date partnership started to operate
Customer Access and Performance	Local Government Yorkshire and Humber	Cllr Wakefield	Rob Norreys	Local Government Yorkshire and Humber is a regional partnership of local authorities, aimed at promoting joint working and collaboration on a range of issues. Membership includes all 22 authorities plus the 4 fire and rescue authorities. Formed as part of a de-merger of the former association of local authorities from the Yorkshire and Humber Assembly, the former functions of the regional Local Government Management Board were also merged into LGYH.	2006
Customer Access and Performance	Yorkshire Cities	None	Rob Norreys	Partnership of 9 cities in the Yorkshire and Humber Region that grew out of the Key Cities partnership. Set up to coordinate economic and wider urban policy agenda.	2007
Customer Access and Performance	Leeds Initiative Board	Cllr Wakefield, Cllr Anderson and Cllr Golton	Martin Dean	The purpose of the Leeds Initiative Board is to provide strong and effective leadership and to support effective partnership work across all aspects of the development of Leeds. In particular, its key objectives are to join up delivery between partners to maximise outcomes, and to create a culture where partnership work in the interests of local people is built into the way all agencies, sectors and organisations act.	13/07/11 (Full Council Minute no. 26)
Environment and Neighbourhoods	Leeds Housing Partnership	Cllr Hanley, Cllr Mitchell, Cllr Wadsworth and Cllr Leadley	Liz Cook	Has responsibility for influencing housing and related issues, for contributing and commenting on the Leeds housing strategy and investment programme and an action plan for implementation. It acts as a mechanism for harnessing the views of key housing organisations, public, private and third sector, to influence the Leeds Housing Strategy and advising on housing investment priorities and needs and on capacity issues within housing providers.	1994 (amended in 2004 and 2007 to current arrangements and responsibilities)

Directorate	Name of partnership	Member Representation	Name of lead officer	Purpose/vision of partnership	Date partnership started to operate
Environment and Neighbourhoods	Yorkshire and Humber Regional Migration Partnership	West Yorkshire's representatives for this partnership is Cllr Olivia Rowley of Wakefield Metropolitan District Council	Liz Cook	This is a partnership of organisations in Yorkshire and Humberside from the statutory, voluntary, community and private sectors. Formerly known as the Yorkshire and Humberside Consortium for Asylum Seekers and Refugees. The Partnership is hosted by Leeds but is independent with a ring-fenced budget and accountability back to the regional Leader's Board.The Partnership provides a regional advisory, development and consultation function in the region as well as having operational responsibility for a number of contracts.The RMP has 5 main functions:Centrally managing the contract for the accommodation of asylum seekers across 10 LA's in the region; providing strategic and political leadership on issues relating to migration; aspects of refugee integration, including a contract for Employment Advice for Refugees; co-ordinating and supporting the delivery of Migration Impacts Fund projects in the region, and provision of data and intelligence to partners to make sure local and regional strategies understand the changing nature of some communities.	1999

Directorate	Name of partnership	Member Representation	Name of lead officer	Purpose/vision of partnership	Date partnership started to operate
Environment and Neighbourhoods	Leeds Supporting People Commissioning body	None	Bridget Emery	The Supporting People partnership oversees, directs and makes recommendation on the implementation of the programme for Housing Related Support within Leeds. The partnership meets monthly as a Commissioning Body. Historically there was a statutory requirement to maintain this partnership. It is no longer required by grant regulation or legislation but is maintained in Leeds as good practice. The local authority is the administering body but the partnership comprises NHS Leeds and West Yorkshire Probation who represent the wider Safer Leeds partnership. The partnership ensures that commissioning decisions are made within the priorities for the city.	2002
Environment and Neighbourhoods	EASEL Leeds Ltd	None	Adam Brennan	To oversee the regeneration of the East and South East Leeds Regeneration Area.	23/02/09
Environment and Neighbourhoods	Leeds Bradford Corridor	Cllr R Lewis and Cllr A Carter	Fergus Mitchell	To provide strategic steer for the development of key projects in housing, transport, greenspace and employment.	11/11/09
Environment and Neighbourhoods	Leeds Tenant Federation	None	Simeon Perry	LTF aims to represent tenants and residents of the city both strategically and regionally, make decisions to promote best practice in resident involvement across housing tenures, and support the residents of Leeds to participate in decision making.	11/07/2011 (Delegated decision ref. 38245)
Environment and Neighbourhoods	Leeds Initiative - Safer and Stronger Communities Board	Cllr Gruen, Cllr Dobson, Cllr J L Carter and Cllr Pryke	Andrew Mason	The purpose of the Safer and Stronger Communities Board is to provide strong and effective leadership, to support effective partnership work, and take action to deliver the aspirations of the Vision for Leeds. In particular, its key objectives are to join up activities to maximise outcomes, and to create a culture where partnership work in the interests of local people is built into the way all agencies, sectors and organisations act.	13/07/11 (Full Council Minute no. 26)

Directorate	Name of partnership	Member Representation	Name of lead officer	Purpose/vision of partnership	Date partnership started to operate
Environment and Neighbourhoods	Leeds |nitiative - Housing and Regeneration Board	Cllr Gruen,Cllr R Lewis, Cllr Andrerson and Cllr Pryke	Christine Addison	The Housing and Regeneration Board will agree the strategic direction for programmes and the priority projects delivering the regeneration strategy for the city. All regeneration programmes will receive direction from and report to the Housing and Regeneration Board. The purpose of the Housing and Regeneration Board is to provide strong and effective leadership and to support effective partnership work on the issues of regeneration, housing growth, affordable and social housing, and take action to deliver the aspirations of the Vision for Leeds. In particular, its key objectives are to join up activities between partners to maximise outcomes, and to create a culture where partnership work in the interests of local people is built into the way all agencies, sectors and organisations act.	13/07/11 (Full Council Minute no. 26)
Resources	West Yorkshire Joint Services Committee	Cllr R Grahame, Cllr N Taggart, Cllr K Wakefield, Cllr R Feldman	Alan Gay	Joint Committee providing: WY Archaeology Advisory Service, WY Archive Service, WY Ecology, WY Grants to Voluntary Bodies, WY Materials Testing Service, WY Analytical Services, WY Trading Standards Services	1987
Resources	West Yorkshire Local Resilience Forum	None	Tim Pouncey	The WYLRF sits at the apex of West Yorkshire Local Civil protection arrangements. Its overall purpose is to ensure that there is an appropriate level of preparedness to enable an effective multi-agency response to emergencies which might have a significant impact on the communities of West Yorkshire.	2005 (formally - has been operating informally for about 15 years)
Resources	Leeds Local Education Partnership (LEP)	None	Doug Meeson	To work in partnership with Leeds City Council to improve educational outcomes by providing partnering services, and delivering major capital projects.	04/07

Agenda Item 14

Leeds CITY COUNCIL

Report author: Neil Hunter

Tel: 74214

Report of the Deputy Chief Executive and Director of Resources

Report to Corporate Governance and Audit Committee

Date: 23rd January 2012

Subject: Internal Audit Report December 2011

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

Summary of main issues

1. The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements. Reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.

2. This report provides a summary of internal audit activity for the period September – December 2011 and highlights the incidence of any significant control failings or weaknesses.

Recommendations

3. The Corporate Governance and Audit Committee is asked to receive the Internal Audit December 2011 report and note the work undertaken by Internal Audit during the period covered by the report.

1   Purpose of this report

1.1   This purpose of this report is to provide a summary of internal audit activity for the period September – December 2011 and highlight the incidence of any significant control failings or weaknesses.

2   Background information

2.1 The Corporate Governance and Audit Committee ('the Committee') has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements. Reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.

3   Main issues

3.1   The report details the work undertaken by the Internal Audit section. The report also contains a summary of completed reviews along with their individual audit opinions.

3.2   The report includes progress made in terms of actual days for each assurance block of the Internal Audit operational plan 2011/12. This will continue to be monitored throughout the year and key issues reported to the Deputy Chief Executive & Director of Resources and the Chief Officer (Audit & Risk). The Head of Audit will report key issues arising from this work to the Committee in the bi-monthly and annual reports.

3.3   Internal Audit will continue to undertake a follow up audit on audit reports where the impact has been determined as either 'Major' or 'Moderate' to ensure the revised controls are operating well in practice.

4   Corporate Considerations

4.1   Consultation and Engagement

4.1.1 This report did not highlight any consultation and engagement considerations.

4.2   Equality and Diversity / Cohesion and Integration

4.2.1 This report does not highlight any issues regarding equality, diversity, cohesion and integration.

4.3   Council Policies and City Priorities

4.4   The terms of reference of the Corporate Governance and Audit Committee require the Committee to review the adequacy of the Council's corporate governance arrangements. This report forms part of the suite of assurances that provides this evidence to the Committee.

4.5 Resources and Value for Money

4.5.1 In relation to use of resources and value for money, the Internal Audit work plan includes a number of value for money reviews and a number of initiatives in line with the council's value of spending money wisely.

4.6 Legal Implications, Access to Information and Call In

4.7 None.

4.8 Risk Management

4.8.1 The Internal Audit plan is subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process incorporates a review of information from a number of sources, one of these being the corporate risk register.

5 Conclusions

5.1 There are no issues identified by Internal Audit in the December 2011 Internal Audit Report that would necessitate direct intervention by the Corporate Governance & Audit Committee.

6 Recommendations

6.1 The Corporate Governance and Audit Committee is asked to receive the Internal Audit December 2011 report and note the work undertaken by Internal Audit during the period covered by the report.

7 Background documents

7.1 None.

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LEEDS CITY COUNCIL

INTERNAL AUDIT REPORT

December 2011

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Section 1

INTRODUCTION

1. The Reporting Process

1.1. On behalf of the Corporate Governance and Audit Committee and the Director of Resources, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

1.2. This bi-monthly report seeks to provide the Corporate Governance and Audit Committee with a summary of internal audit activity for the period and report the incidence of any significant control failings or weaknesses.

2. Background

The impact of the changing environment in which the council is operating - responding to challenges from the Government's spending review and facing significant cost pressures - is necessitating a thorough and ongoing re-evaluation of the level of coverage required to give stakeholders, including the Corporate Governance & Audit Committee, an appropriate level of assurance on the control environment of the council. Therefore, as in previous years, the internal audit operational plan is subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk.

3. Progress against the 2011/12 Operational Plan

3.1 The following table shows the progress against the operational plan for the second quarter of the financial year for each assurance block. Resources continue to be reprioritised based on continuous risk assessment. At the moment, it is still expected the mix and volume of work will be sufficient to provide the Committee and other stakeholders with an evidence based assurance on the control environment of the Council.

Assurance Block	Total Days per Audit Plan 2011/12	Total Days Achieved at 1st Quarter 2011/12	Q1 % completion	Total Days Achieved at 2nd Quarter 2011/12	Q2 % completion
Financial Systems	805	182	23%	259	32%
Contingency	770	32	4%	90	12%
Counter Fraud And Corruption	922	273	30%	658	71%
Head Of Audit Assurances	54	30	56%	38	70%
ICT And Data Mining	530	32	6%	104	20%
Internal Control And Compliance	1400	395	28%	865	62%
Policies And Procedures	52	0	0%	38	73%
Procurement, Monitoring And Improvement	915	79	9%	254	28%
Schools	140	46	33%	80	57%
Unannounced Visits	100	58	58%	90	90%
Business Analysis And VfM	2178	561	26%	1061	49%
Total Assurance Days	**7866**	**1688**	**21%**	**3538**	**45%**

In addition, the audit plan also included days for the following:

Audit Area	Days per Audit Plan 2011/12	Days Achieved 1st Quarter 2011/12	Q1 % completion	Days Achieved 2nd Quarter 2011/12	Q2 % Completion
Total Corporate Working Groups	90	0	0%	0	0%
Total External Contracts	324	174	54%	311	96%
Total Days	**414**	**174**	**42%**	**311**	**75%**

4. *How Internal Control is Reviewed*

4.1. There are three elements to each internal audit review. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to give an assurance on the control environment.

4.2. However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

4.3. Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

4.4. To improve consistency in audit reporting, the following definitions of audit assurance are used for all systems and governance audits completed:

Control Environment Assurance		
Level		**Definitions**
1	SUBSTANTIAL ASSURANCE	There are minimal control weaknesses that present very low risk to the control environment.
2	GOOD ASSURANCE	There are minor control weaknesses that present low risk to the control environment.
3	ACCEPTABLE ASSURANCE	There are some control weaknesses that present a medium risk to the control environment.
4	LIMITED ASSURANCE	There are significant control weaknesses that present a high risk to the control environment
5	NO ASSURANCE	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance		
Level		**Definitions**
1	SUBSTANTIAL ASSURANCE	The control environment has substantially operated as intended although some minor errors have been detected.
2	GOOD ASSURANCE	The control environment has largely operated as intended although some errors have been detected.
3	ACCEPTABLE ASSURANCE	The control environment has mainly operated as intended although errors have been detected.
4	LIMITED ASSURANCE	The control environment has not operated as intended. Significant errors have been detected.
5	NO ASSURANCE	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational impact will be reported as either Major, Moderate or Minor. All reports with major organisational impacts will be reported to CLT along with the appropriate directorate's agreed action plan.

Organisational Impact		
Level		**Definitions**
1	MAJOR	The weaknesses identified during the review have left the council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
2	MODERATE	The weaknesses identified during the review have left the council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
3	MINOR	The weaknesses identified during the review have left the council open to low risk. This could have a minor impact on the organisation as a whole.

4.5. The individual reports, and the opinions given within those reports, are detailed in the following table. Not all audit reviews will have an opinion in each of the boxes as this is dependant on the type of review undertaken. The following table includes reports issued between 3rd September and 19th December 2011. Audit reports for 2011/12 which were issued up to and including 2nd September 2011 have been reported previously to the Corporate Governance and Audit Committee.

Audit	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Impact		
Financial Systems					
Bank Reconciliation and Cash Book	Substantial	Substantial	Minor	Resources	06/10/2011
Community Care Finance - Payments to independent providers of residential and nursing care and customers in receipt of direct payments and personal budgets	Good	N/A	Minor	Adult Social Care	12/10/2011
Business Analysis and VfM					
As-is report – LD Community Support Service	N/A			Adult Social Care	04/11/2011
Changing the Workplace: Customer Access Programme – service readiness report for Leeds Register Office	N/A			Resources	29/11/2011
Internal Control and Compliance					
Nursery Education Grants	Acceptable	Limited	Minor	Children's Services	11/10/2011
Information Security	Review of response to data security breaches			Chief Executive	12/09/2011
HR File Review	N/A	Good	Minor	Resources	24/11/2011
Synergy	Acceptable	Acceptable	Minor	Resources	15/12/2011
Procurement, Monitoring and Improvement					
Catering Provider Open Book Review	Acceptable	Acceptable	Minor	Resources	31/10/2011
Purchasing Card Review	Limited	Limited	Major	Resources	02/08/2011
Purchasing Cards Quarter 1 Review	Acceptable	N/A	N/A	City Development	06/12/2011

Audit	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Impact		
Schools					
Farsley Farfield Primary School	Acceptable	Acceptable	Minor	Children's Services	13/10/2011
Bramham Primary School	Good	Good	Minor	Children's Services	20/10/2011
Ralph Thoresby School 6th Form Funding	Good	Acceptable	Minor	Children's Services	21/10/2011
Benton Park School 6th Form Funding	Good	Good	Minor	Children's Services	21/10/2011
St James C of E Primary School Wetherby	Good	Acceptable	Minor	Children's Services	21/11/2011
Waterloo Primary School Follow Up	Good	Acceptable	Minor	Children's Services	14/12/2011
Oakwood Primary School Voluntary Fund Audit	Good	Good	Minor	Children's Services	08/12/2011
Unannounced Visits					
City Art Gallery Shop	Good	Good	Minor	City Development	07/09/2011
Seacroft Children's Centre	Good	Good	Minor	Children's Services	13/09/2011
Suffolk Court Home for Older People	Good	Acceptable	N/A	Adult Social Care	22/09/2011
Burley Willows Home for Older People	Good	Good	N/A	Adult Social Care	27/09/2011
Two Willows Children's Centre	Good	Good	Minor	Children's Services	17/10/2011
Strategic Landlord Assurance Framework Reviews (Internal Control and Compliance)					
Lettings Enforcement - Central Lettings Policy Review	Good	N/A	Minor	Environment and Neighbourhoods	13/09/2011
Annual Report	Summary of individual reports for Strategic Landlord Assurance Framework			Environment and Neighbourhoods	21/09/2011
Follow up of Asset Management Gas Servicing 2010/11 - East North East Homes Leeds	Good	Good	Minor	Environment and Neighbourhoods	12/10/2011
Strategic Landlord Assurance Framework: Date of Registration Quota Lettings Enforcement — Belle Isle Tenant Management Organisation	N/A	Limited	Minor	Environment and Neighbourhoods	13/12/2011

Audit	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Impact		
Head of Audit Assurances					
Building Hope Charity – independent examination of the Accounts 2010/11	The review was an independent examination of the 2010/11 accounts as required by the Charities Act 1993. It does not provide an opinion on the accounts. The independent examination found no issues to indicate that the following had not been met: •keeping accounting records in accordance with section 41 of the 1993 Act; and •preparing accounts which accord with the accounting records and comply with the accounting requirements of the 1993 Act.			Resources	13/12/2011

4.6. As can be seen, there are a small number of reviews that have resulted in limited assurance. However each review concluded with a number of recommendations that, if implemented, would allow appropriate levels of assurance to be given.

4.7. The report on procurement cards did include a detailed action plan and assurances have been given that these have now been implemented. This will upgrade the assurances to good.

4.8. Although significant to the control environment in place for the individual system areas that have been audited, these weaknesses are not material enough to have a significant impact on the overall opinion on the adequacy of the Council's control environment at the year end.

4.9. Further details of key issues identified within each assurance block are included below in the *Summary of Audit Activity and Key Issues at Section 2.*

Section 2

SUMMARY OF AUDIT ACTIVITY AND KEY ISSUES

A summary of reports issued within each assurance block is included in the table at 4.5. The following section highlights any key issues and outcomes where Internal Audit have added value to the organisation within each assurance block.

5.1   Financial Systems

The level of assurance provided for the key financial systems reviews issued during the period was good or higher and in all cases an action plan has been agreed with the appropriate officers that, if implemented, will give substantial control environment assurance.

5.2   Business Analysis and VFM

5.2.1   Business Process Re-engineering Projects

Children and Young People's Social Care

The business analysts have continued to work with the project team within Children's Services on the replacement Social Care System project. Children and Young People's Social Care have now issued the Invitation to Tender document to 7 potential suppliers, complete with the business requirements that the business analysts captured for Assessment, Care Management, Finance, Fostering and Adoption. The process of gathering and defining business requirements is necessary to ensure that any new system will address the business needs effectively.

The business analysts have also been heavily involved in designing the method through which the suppliers will be evaluated. This will ensure that we measure the supplier responses appropriately and proportionately, and procure the best system for Children and Young people's Social Care based on the right balance of a variety of needs: the costs, the required benefits, the ease of implementation, and the ongoing support which is always required with new ICT systems.

A series of workshops has been planned, in order to re-engineer the business processes in Fostering, Adoption, Finance, the Assessment and Care Management Teams, and each of the specialist functions in Children and

Young People's Social Care. It is absolutely imperative that social workers are involved in the design of the system to make sure it is configured to support, rather than hinder, the way that they work, and to be able to identify better ways of doing things which the new system will enable. This will ensure that efficiencies, improvements, and appropriate controls are hardwired into the design of the new system.

Adult Social Care

Work is ongoing in Adult Social Care to agree standardised, city-wide processes, following the completion of a series of workshops, involving social workers, to develop them. This is being done in order to scope out what is possible prior to the planned integration with health functions early next year, essentially differentiating short term goals and long term visions.

In addition, the business analysts are capturing as-is processes in Safeguarding and in Finance and other support functions, and working with each of the teams to identify ways in which they could be improved so that an informed decision can be made about the best way to proceed.

Electronic Document and Records Management System

Work is ongoing on the Electronic Document and Records Management System (EDRMS) project, which is looking to deliver an electronic document scanning and management facility to reduce the amount of paper the council relies on, and mitigates the information security risks, and printing storage and mailing costs, that are inherent in using so much paper.

18 to-be processes have been designed in workshops involving key staff from Revenues and Benefits, and provide a blueprint from which developers can build a solution.

Work has now progressed onto the Phase 2 business case, and analysis is being undertaken to quantify (as far as possible) the financial benefits of the EDRMS system, to ensure that the investment will generate a greater return.

Changing the Workplace

Work on the Changing the Workplace (CTW) Customer Access project - which is looking to create a single location for managing face-to-face customer enquiries within Leeds City Centre - is ongoing. This will be based at the existing City Centre One Stop at 2 Great George Street for an interim period of 5 years.

Reviews of the city centre based customer facing facilities for Adult Social Care, Children's Services, Education Services and Environment & Neighbourhoods (all based at Merrion House), and Registrars (Town Hall)

have been completed. Recommendations have been made to migrate the face to face services for Education Services and Registrars to the City Centre One Stop.

Work has now progressed on analysing the human and physical resources available at the City Centre One Stop, and the demand from customers for services. This review will quantify the resources that Customer Services will require to manage increased customer numbers ahead of the migration of new services.

Further reviews on Planning, Electoral Services and Legal Licensing will be performed in the new year to see whether these services could also be migrated to the City Centre One Stop.

5.2.2 Spending Money Wisely/Value for Money

Internal Audit has produced a Spending Money Wisely policy for the Council with a set of objectives. The aim of the Policy is to set out the Council's commitment and approach to VfM to ensure that this is an integral part of decision-making and day to day business. This will be publicised across the authority. In addition, the VfM reporting service which has been set up by Internal Audit will be further publicised to encourage employees to suggest potential VfM opportunities. A number of specific VfM projects are planned to be completed during the year and we are providing monthly updates on value for money practices and areas where efficiency savings have been made across the authority.

5.3 Internal Control and Compliance

Purchasing Card Review

The only review that concluded a major impact for the organisation was the Purchasing Card Review.

Scope

The objectives of the review were to provide assurance that there are suitable arrangements in place to ensure that:

- Policies and procedures relating to the use of purchasing cards are fit for purpose;

- Purchases made with purchasing cards are in line with the policy and are appropriate expenditure for Leeds City Council.

<u>Key Findings</u>

Limited assurance was provided for the control environment, as significant control weaknesses were found that present a high risk to the control environment. Controls were not in place to ensure that the cards of leavers were blocked and that all users had received training and signed a purchasing card user agreement. Improvements in the purchasing card guidance and the introduction of central monitoring of purchasing card expenditure would also improve the level of assurance in this area.

Limited assurance was provided for compliance with the control environment, as testing identified a number of controls were not operating as intended leading to subsistence levels being exceeded, inappropriate purchases and delays in approval of transactions.

<u>Outcomes</u>

Internal Audit and the Business Support Centre put together an action plan to address the issues raised and Internal Audit will undertake quarterly compliance testing to give assurance on the use of purchasing cards. The Business Support Centre has advised that the recommendations have now been fully implemented which will amend the opinion to 'good'.

Nursery Education Grants

The review provided limited assurance in respect of compliance. This was due to significant issues identified in the following areas:

• The audit visits to the four private providers highlighted instances of non-compliance with the Code of Practice. A particular area of concern was the high number of providers that were found to be charging a 'top-up' fee to parents and;

• Incorrect calculations of payments to providers resulting in overpayments being made.

Information Security Review

In 2009, Internal Audit developed an information governance self assessment health checklist based upon the framework developed and updated by the Local e-Government Standards Body. The audit resulted in Moderate Assurance being provided for the control environment as the majority of the best practice requirements detailed in the Local e-Government Standard had been incorporated within the LCC Information Governance Framework (IGF) but was not fully embedded within the Council. In particular, monitoring of compliance and review procedures required further development. The audit resulted in 16 key recommendations being made to improve existing controls.

A number of these recommendations related to training and awareness of staff on information governance requirements, data security breach management and information security.

Following a number of data security breaches which occurred in July 2011, Internal Audit was requested to review the investigations that were instigated and provide high level assurance that there are robust procedures in place for the prevention, detection and management of data security breaches.

The audit highlighted 3 areas where attention should be focussed as a priority:

1) Policies and Procedures: The audit identified 2 policies that were not fit for purpose as the necessary systems were not in place to support the described processes. These were the Information Security Incident Management Policy and the Protective Marking and Asset Control Policy.

2) Roles and Responsibilities: The investigations undertaken at the time of the review appeared to be in line with legislative and best practice requirements. However, an investigation protocol and procedure was not in place which resulted in a lack of clarity over roles and responsibilities and delays in completing some of the necessary actions.

3) Training and Awareness.

The Business Transformation Team incorporated actions highlighted in the audit report in their action plan which was presented to CLT on 4th October. This action plan also incorporates recommendations that remained outstanding from the 2009 audit report.

A follow up audit has been scheduled for quarter 4 of 2011/12 to assess progress towards implementation.

Strategic Landlord Assurance Framework - Lettings Enforcement (Date of Registration Quota): Belle Isle Tenant Management Organisation

The Lettings Policy allows 25% of all properties allocated via the Choice Based Lettings scheme to be awarded to applicants with the earliest data of registration and a local connection to the area. The focus of this review was to examine how the quota of properties based on date of registration are advertised and allocated in line with the Lettings Policy.

Limited Assurance was provided on compliance with the control environment due to the following findings: a lack of supporting evidence for decisions to bypass applicants; and 1 of 2 application forms selected could not be located.

These weaknesses increase the risk that properties are allocated to customers who are not eligible for them.

5.4   Counter Fraud and Corruption

5.4.1   Referrals

A total of 12 new referrals have been received by the Internal Audit Fraud and Corruption team from 24th August to 11th November 2011.

13 cases have been investigated and closed in the same period.

There are 34 ongoing investigations:

- 22 cases are currently being investigated by the Fraud team;
- 8 have been referred to a Directorate or HR for investigation and the Fraud team is awaiting their responses;
- 4 are awaiting the outcome of police and/or disciplinary action before they can be closed.

5.4.2   Investigations

Fraudulent changes to banking details

A referral was received from the benefits payments team that payments due to a lettings agent have been diverted to a member of the public who was a previous tenant at the property concerned. Another case involving the same individual but a different landlord was also identified.

These cases were referred to the Police and the fraudster has pleaded guilty to both instances in court. We are awaiting information as to how the judge instructed the monies stolen and compensation are to be re-paid to us. Systems issues that enabled this fraud to occur have been considered and recommendations made for action to prevent such cases in the future are to be detailed in a formal report.

Fraud and Corruption Awareness Training for Managers

Training sessions aimed at raising fraud awareness with managers at Aire Valley Homes Leeds and making them aware of the requirements of the Bribery Act 2010 have been held during October.

Comments on the sessions included:
- "Well spent couple of hours"
- "Need to bring agencies together to share information and …. ensure councillors receive this training as they need to be up to date"

- "Very good course, it is time it was handled"

Protecting the Public Purse

The Audit Commission recently published a report *'Protecting the Public Purse'*. Internal Audit is preparing an assessment against this as part of the continual process of improvement. The results of this assessment are included in a separate report to the Corporate Governance & Audit Committee.

5.5   Policies and Procedures

5.5.1 Anti-Bribery Policy

The Anti-Bribery Policy discussed at the September Corporate Governance and Audit Committee meeting has been published on the intranet and publicised in the 10th November 'In Brief' sent to all system users by the Communications Team.

5.5.2 Financial Procedure Rules

There is currently a root and branch review of the Council's Financial Procedure Rules in progress. It is planned to bring the revised documents to CG&AC for challenge and comment prior to these being approved and released early in the new year.

5.6   Audit Philanthropy

Internal Audit once again hosted its annual Children in Need auction and raised a total of £1,861.

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Report author: Heather Pinches

Tel: 43347

Report of Chief Officer (Intelligence and Improvement)

Report to Corporate Governance and Audit Committee

Date: 23rd January 2012

Subject: Performance Management Update

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

Summary of main issues

1. The performance reporting process has been significantly overhauled to take account of the new plans signed off in July 2011. A number of improvements have been implemented most notably the joint analysis and reporting of risk and performance information and better linkages to the appraisal processes. These arrangements have also been documented into a formal Performance Management Framework which is currently in draft and this is brought to Committee for their consideration and feedback.

2. At Quarter 2 the first set of performance reports and scorecards were produced to the new system and taken though the quarterly process. Overall compliance with the reporting arrangements and processes has been good and feedback from those who have received and discussed the information has been very positive. However there is still some work to do in a number of areas:

   - ensuring that the information is of high quality, written in plain English with jargon kept to a minimum.
   - ensuring partnership performance reports are better owned and debated by the five Strategic Partnership Boards.
   - chasing the small amount of missing information – largely relating to new performance indicators for quarter three.

Recommendations

3. It is recommended that the Committee:

   - provide feedback on the draft Performance Management Framework prior to it being finalised.
   - continue to monitor the implementation of these arrangements through the submission of an annual risk and performance report in the summer after the year

end reporting has been completed. Within this annual report a more detailed assurance statement will be provided which will give an update on the implementation of the learning points from quarter 2 and can be used to inform the Annual Governance Statement.

1   Purpose of this report

1.1   This report is to provide an update to the committee on the Council's arrangements for performance management; specifically how those arrangements are contributing to achieving each of the Cross Council Priorities. The Performance Management arrangements for the Council and city have been significantly overhauled to take account of the new set of plans signed off in July 2011 and over 2011/12 they are in the process being implemented.

1.2   The new arrangements are set out in the Performance Management Framework but this remains in draft to enable improvements to be identified and implemented over this first year of operation. Feedback is also sought from the Committee on the robustness of these arrangements prior to the framework being finalised.

2   Background information

2.1   A new set of strategic plans for the Council and the city were adopted in July 2011 and this report sets out the performance reporting arrangements that have been agreed and adopted to monitor the progress in delivery of these plans. The plans and performance management arrangements that form the basis of this report have been developed alongside a new planning framework and revised partnership structures for the city in a whole system approach. Members will note that the delivery of City Priority Plan priorities are shared with partners across the city while the Council Business Plan sets out the Council's contribution to these shared priorities.

- **City Priority Plan (CPP) 2011 to 2015 –** this is the new city-wide partnership plan which identifies the key outcomes and priorities to be delivered by the council and its partners over the next 4 years. It is owned and is performance managed by the new strategic partnership boards. The plan has been restricted to a small set of outcomes and priorities that represent the absolute "must do's" for each of the partnerships in delivering the first phase of the Vision. Some boards may also choose to produce a fuller plan that covers all aspects of their work eg Children and Young People's Plan 2011-15.

- **Council Business Plan 2011 to 2015 –** this is the strategic plan for the council and includes our own priorities alongside our main contributions to the delivery of the city priorities. It has two main elements - a small number of cross council priorities and a set of directorate priorities. The cross council priorities are aligned to the council's new values. The directorate element of the plan is aligned to the Director's own personal appraisal objectives on which their progress will be regularly assessed.

3   Main issues

3.1   The new performance arrangements were developed jointly by the corporate performance team alongside performance teams in directorates, the corporate risk management unit and performance colleagues in key partners most notably Safer

Leeds and NHS Leeds (now NHS Leeds, Bradford and Airedale). This piece of work went back to basics and looked at roles and responsibilities for key individuals and boards and sought to make sure that the new arrangements enabled them to fulfil their roles. These arrangements have also been documented into a formal performance management framework for the first time which is attached in appendix 1a and the information flow is summarised in the diagram at appendix 1b. This framework is still draft and it is brought to the Committee for their views and feedback.

3.2 A number of drivers for change were central to the development these new arrangements:

- the development and sign off of the new plans.

- implementation of Outcomes Based Accountability and using this to improve our accountability arrangements in the city.

- a direct request from CLT to report risk and performance jointly to them in order to make the best use of both sets of data and to minimise duplication. This joint report is underpinned by an analysis of the risk and performance information which enables a more rounded picture to be presented. With the risk information bringing a more forward looking perspective to add to the more backward looking performance information.

Outcomes Based Accountability

3.3 An integral part of the new framework is to secure improved accountability particularly across the partnerships. Outcome Based Accountability (OBA) offers an alternative way of looking at things that can help us to make these arrangements more effective. It is particularly helpful to partnership working and is a way of achieving accountability which recognises that changing outcomes for a complex and diverse city such as ours is difficult and cannot be the responsibility of one single organisation. It can only be done through effective partnership working. At the heart of OBA is an important distinction between accountability for the performance of services or programmes on the one hand, and accountability for outcomes for a particular population on the other:

- **Population Accountability** – this is about delivering outcomes for whole populations; like all children in Leeds, all older people in Harehills or all residents of Otley. This is not the responsibility of any one organisation or programme. For example if we think about the outcome that "all children in Leeds are healthy". Who is accountable for delivering this outcome? Perhaps the obvious answer is the health service but we know that they cannot improve health for all children without the active participation of many other partners like schools, parents, youth services, parks and countryside etc. That is the nature of population accountability – it cannot be the responsibility of one agency and they cannot be held to account for it. Effective partnership working is necessary to make progress on these quality of life outcomes for a whole population.

- **Performance Accountability** this is about individual organisations e.g. the Council or the Police. It's about the programmes and services they provide, and their role in managing these services to make sure that they are working as well as possible. However, these services can only be held accountable for the difference they make to the wellbeing of their specific clients or service users. OBA requires an equally robust approach to managing service provision by

measuring appropriate performance measures for all agencies, projects and programmes. These programmes will clearly make an contribution to the delivery of whole population outcomes and indicators.

Implementation of Outcomes Based Accountability

3.4 In terms of practical implementation of OBA the Vision and City Priority Plan are all about *population accountability* and set out the outcomes, priorities and indicators for the city which are shared with our partners. The accountability arrangements for this plan are therefore focused on the partnership board and their collective accountability for delivery.

3.5 The Council Business Plan is about *performance accountability* and sets out the Council's contribution to the city wide outcomes. These accountability arrangements are focused on the Council's own performance and the directors individual accountability.

Key Changes

3.6 Key changes/improvements embedded into the new arrangements are:

- **Partnership Performance Management:** transferring responsibility for performance management of the outcomes and indicators within the City Priority Plans to the strategic partnership boards – including assigning an overall progress rating based on the collective view of key partners.

- **Introduction of performance reports:** these present a single page (2 sides) quarterly update bringing together high-level progress for each of the priorities (21 in total) in the City Priority Plans. They include indicator results, analysis of trends, actions delivered and those planned. This same format is also used to provide updates for the 5 cross-council priorities from the Council Business Plan with the Best Council Board agreeing an overall progress rating. This provides clear consistent and succinct reporting to Members, the Leeds Initiative Board and the public. An example of a performance report for a City Priority and a Cross Council Priority are provided in appendix 2a and b. These have replaced the action trackers.

- **Introduction of a Directorate Scorecard:** this is produced quarterly and brings together a complete set of information at a high level for each directorate. For each directorate priority in the Business Plan a short summary paragraph is provided with an overall traffic light rating. The scorecard also includes key performance indicators – again with traffic light ratings. In addition directors are also given the opportunity to nominate any other performance challenges/concerns from their area in a self assessment section. These are published on the internet to provide an update to staff, members and the public as well as circulated to Executive Members for them to discuss with their directors. An example of a Directorate Scorecard is provided in appendix 2c.

- **Joint analysis:** the Council's corporate risk management and performance management teams jointly review their information on a quarterly basis. This joint analysis is then discussed at a joint meeting of the Corporate Risk Management Group and Corporate Performance Board where it is reviewed and challenged. Out of this discussion it is agreed what the key issues are that are then highlighted in the cover report to CLT and Executive Members alongside the more detailed risk and performance information. These same issues, but

without the detailed risk information, are also taken to Executive Board and Scrutiny.

Supporting arrangements and links to other processes

3.7 These corporate performance management arrangements are supported by a range of other process and arrangements:

- **Performance Snapshot –** the corporate performance team continue to produce a quarterly snapshot as previously reported to the Board. This brings together a broader range of information, but includes all of the performance information reported corporately, and is broken down by Director and Chief Officer. This is used by the Chief Executive in his appraisals with Directors. As a supplement to this the corporate performance team also provide a list of questions/issues for these discussions.

- **State of the City Report –** the corporate performance management arrangements are deliberately focused on the small number of strategic priorities which means that there is a risk of performance surprises. This risk is mitigated by the annual State of City Report which draws upon a much wider set of data and performance indicators and, therefore, provides a check that there are no performance surprises. The first report was recently launched at a Council meeting to which a range of partners were also invited. The State of the City report will also inform an analysis of the cross-cutting issues such as child poverty or health inequalities which will then be used by the LI Board to challenge the 5 Strategic Partnership Boards. It will also provide some evidence to support or challenge whether the city priorities are still the right ones for the city.

- **Directorate Performance Management –** in addition to the corporate level processes there are also complementary arrangements within each directorate to review and discuss performance. As part of this the directorate management teams also discuss and approve their information before it is submitted corporately.

- **Appraisals –** Appraisals are a cross council priority and a significant amount of work is underway to develop and improve these. This includes a review of appraisal forms to better embed performance management and the values, implementation of a new system to track appraisals and personal development plans and introduction of a quality assurance process. The corporate performance team is working with colleagues in HR to ensure that the corporate performance information is used to inform senior officers appraisals as well as embedding OBA into appraisal processes. This will in turn support the development of a performance culture across the organisation.

Next Steps

3.8 Members will note that the performance management framework is currently in draft. This is to allow for the experience and feedback from a couple of cycles of reporting to be gathered and to enable changes and improvements before finalising these arrangements. It is anticipated that this will be finalised for the beginning of 2012-13. Similarly the joint meeting of the Corporate Risk Management Group and Corporate Performance Board was agreed to be reviewed at the end of the financial year to make sure that is effective. At the current time the first cycle of reporting has been completed (ie Q2 2011/12) and a number key learning points have been identified and are in the process of being addressed including:

- **Partnership Sign Off -** timing issues at Q2 meant that the performance reports for the City Priority Plans were not signed off collectively at partnership boards in all cases at quarter two - although they were signed off by key stakeholders as appropriate. Work is on-going with the Leeds Initiative to align meeting schedules with the performance timetable or to develop alternative arrangements to secure partner sign off.

- **Quality and completeness –** at Q2 the performance reports did not always meet the requirements to be written in plain English and be jargon free. Some of the performance indicator information was also not available – largely for new indicators. Directorates were asked within the "self assessment" section to put forward any other performance issues/challenges to be flagged up to CLT/Members. This recognises that not all services are covered by a priority and/or indicator and there are also enabling projects and programmes that may have an impact on several priorities. Initially, there was little put forward in this section even though the joint analysis with risk information suggested that there might be some issues that should have been included. The corporate performance team and colleagues in directorates have discussed this and will continue to provide feedback and challenge.

3.9 As part of the restructure of Customer Access and Performance the corporate performance management team have been aligned to the corporate research and intelligence function which will enable closer working and links to intelligence products like the Joint Strategic Needs Assessment, State of the City report, Leeds Observatory and Neighbourhood Index. This better linking and triangulation of different data sources will further strengthen the performance management processes.

Risks & Challenges

3.10 There are a number of potential risks and challenges arising from this approach including:

- The streamlined and priority focused reporting does give an increased risk of performance surprises but these are mitigated through the joint analysis of risk and performance information which bring a more forward looking view. It is also mitigated by other reporting processes which bring together a much broader range of information eg State of the City.

- The Strategic Partnerships Boards will need to allow sufficient time on their agendas to discuss risk and performance issues. The participants will need to challenge each other and be open to challenge so that a full and frank discussion of performance is allowed which is action focused. The partnership delivery approach also relies on partners going back to their own organisations and undertaking the agreed actions and implicit in this is that the right person attends the board and is empowered to take action. In mitigation the Leeds Initiative Board has agreed that it has a role as the forum for raising and resolving performance issues that cannot be addressed within individual Strategic Partnership Boards or for escalating issues that are stuck. Related to this they also have a role to challenge progress and ensure the commitment of key partners. The Corporate Performance Team, working with colleagues in Leeds initiative and partner performance teams, will use this route to raise issues as they arise. In addition each Director has an individual priority to "create the environment for partnership working" and "ensure the delivery of the

relevant City Priority Plan" and as necessary this is discussed in CLT or other forums as well as being challenged by the Chief Executive in individual Director appraisals.

- There is an important behavioural and cultural element to the successful adoption of these revised accountability arrangements. The performance reports need to be an open and honest self-assessment of progress and highlight both good and poor performance. This is mitigated by the implementation of the new values which will also form part of the appraisal process for senior management going forward.

- The removal of the National Indicator Set has limited the ability of the Council to easily benchmark performance information. Some information is collated and published by government from the data returns that local authorities are still required to make. Department of Communities and Local Government are considered ways to make a standard set of comparable date available to the public. The Local Government Association is developing a system of self-regulation for the sector through a programme called "freedom to lead". This will include tools for benchmarking as well as peer review and an early warning system to identify failing councils. This work has the potential to mitigate a number of these risks and the corporate performance team continues to monitor progress.

- A range of cross cutting issues have been identified that cut across the work of two or more boards this includes tackling health inequalities, child poverty and the broader poverty/inequalities that exist across the city. The Leeds Initiative Board has a specific role to track and challenge progress and have commissioned a piece of work to look at this. This is focusing on what reporting arrangements are needed in order to track progress in these cross cutting areas and capture the contributions of each strategic partnership board effectively without creating separate and potentially bureaucratic processes. Proposals are scheduled to be brought to the Leeds Initiative Board in February. However, the recent State of the City report and Joint Strategic Needs Assessment do provide a significant amount of information and analysis in this area.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 As already identified the new performance arrangements were developed jointly by the corporate performance team alongside performance teams in directorates, the corporate risk management unit and performance colleagues in key partners most notably Safer Leeds and the NHS Leeds (prior to restructure). These arrangements were discussed and agreed by CLT and the Leeds Initiative Board in July 2011. Feedback will also be taken to each Strategic Partnership Board.

4.1.2 As part of the overall consultation process the Committee are also asked for their views on their draft arrangements.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 Whilst some of the performance reports did include an update on the significant issues for the delivery of the priority from an equality perspective many did not. This is an issue that will be given further consideration through the work

commissioned by the Leeds Initiative Board in order for them to monitor the cross cutting issue of poverty and inequality that runs through many of the CPP priorities. There is also work underway with those who support the 5 strategic partnership boards, both Leeds Initiative staff and officers in directorates, to ensure this is challenged.

4.3 Council Policies and City Priorities

4.3.1 This report provides an update on the arrangements for reporting performance and progress in delivering the council and city priorities.

4.4 Resources and Value for Money

4.4.1 There are no specific resource implications from these new arrangements as they replace similar processes. The new arrangements do seek to make our processes more efficient with joint risk and performance reporting and more effective analysis.

4.5 Legal Implications, Access to Information and Call In

4.5.1 All performance information is publically available and is published on the council and Leeds Initiative websites.

4.6 Risk Management

4.6.1 The performance reports themselves include an update of the key risks and challenges for each of the priorities. This is supported by the comprehensive risk management process in the Council to monitor and manage key risks. CLT and Executive Members have also reviewed the corporate risk register alongside the performance information as part of the new joint process.

4.6.2 The key risks and challenges arising from the new process itself are set out in section 3.10 above.

5 Conclusions

5.1 The performance reporting arrangements has been significantly overhauled to take account of the new plans signed off in July 2011. At Quarter 2 the first set of performance reports and scorecards were produced and taken though the quarterly process. Overall the performance reports and directorate scorecards were a clear and simple summary of performance and CLT, Executive Members and some Scrutiny members have welcomed the new format and found the reports easy to understand and use. In particular the joining up of performance and risk information has been successful and means that the most important issues are highlighted to senior officers and Members for decision making and action. The corporate performance process has also been much better aligned with appraisals with further work planned.

5.2 There is still some work to do to ensure that the information is of high quality, written in plain English with jargon kept to a minimum. In terms of City Priority Plan performance reports these also need to be owned and debated by the five Strategic Partnership Boards and include more information from across the partnership. Some of the performance information was also incomplete and will be chased for

quarter three. However, overall compliance with the new reporting arrangements and processes has been good.

6   Recommendations

6.1   It is recommended that the Committee:

- provide feedback on the draft Performance Management Framework prior to it being finalised.

- continue to monitor the implementation of these arrangements through the submission of an annual risk and performance report in the summer after the year end reporting has been completed. Within this annual report a more detailed assurance statement will be provided which will give an update on the implementation of the learning points from quarter 2 and can be used to inform the Annual Governance Statement.

7   Background documents

- City Priority Plan 2011-15
- Council Business Plan 2011-15
- Council and City Performance Management Framework (Draft)

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Leeds City Council[1] and Leeds Initiative Performance Management Framework

Version 1.1
Dec 2011

The Performance Management Cycle

Effective performance management requires organisations to systematically and practically implement the following steps:

- **Plan** – this is about understanding current performance and identifying what needs to be improved. Priorities can then be determined, resources allocated, targets set and actions planned.
- **Do** – ensuring the proper systems and processes are in place, managing risk, communicating and implementing plans.
- **Review** – measure and monitor progress and report performance at the appropriate levels involving service users and stakeholders.
- **Revise** – using the lessons learned and performance information to make informed decisions about what needs to change.

Source IDeA

Principles of Performance Management

The principles underpinning performance management in Leeds are:

- Performance management processes and information initiate and support an open, positive and challenging debate on whether progress is good enough and which results in action being taken as a consequence.
- Provides an open and honest assessment of performance of the council and city; is easy to understand and uses plain English.
- Focused on outcomes with an emphasis on whole community/population level performance within the partnership context to enable shared commitment and joint ownership of the key issues.

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[1] There are close links between performance management and risk management and, from 2011, the corporate performance team and Council's Risk Management Unit (RMU) will begin reporting jointly each quarter to CLT. The Performance Management Framework should therefore be read in conjunction with the Leeds Risk Management Framework within which the Council's Risk Management Policy & Strategy outline specific risk management roles and responsibilities.

- Flexible and proportionate approach which is action oriented
- Is evidence based and intelligence led and provides analysis and interpretation - not just circulating data.
- Embeds principle of Collect Once Use Numerous Times (COUNT)

In addition the city has adopted the Outcomes Based Accountability (OBA) methodology to help the partnership to develop effective and on-going processes to develop plans which are effective in delivering outcomes for the public. OBA is particularly helpful to partnership working and is a way of achieving accountability which recognises that changing outcomes for a complex and diverse city like Leeds is difficult and cannot be the responsibility of one single organisation. It can only be done through effective partnership working and OBA provides some tools and techniques to help achieve this.

Planning Framework

The city and council planning framework is set out in a related document which can be found on the intranet.

Performance Management Roles

In order to ensure the right information was discussed by the right boards and stakeholders it was important to establish clear roles and responsibilities. The performance reporting arrangements have been designed to support these stakeholders in fulfilling these roles.

Internal to Leeds City Council
Chief Executive
- Holding Directors to account in quarterly 1-2-1's/appraisals for their leadership of the partnership (ie how well are they leading/facilitating the delivery of their partnership priorities in the City Priority Plan), their contribution to Cross Council Priorities and delivery of Directorate priorities (in the Council Business Plan).
- Monitoring performance of Directorates against a broader range of corporate requirements (eg minimising sickness) using the snapshot to ensure that there are "no surprises".
- Maintaining an overview of key performance issues for council and city.

CLT
- Collective accountability for delivery of Cross Council Priorities including agreeing actions to address poor performance.
- Maintaining an overview of key performance issues for council and city.
- Safe forum to raise emerging performance concerns.
- Forum to debate performance issue which require action from a number of Directorates/Services or where a one-council approach is required such as locality working and customer strategy.
- No need for duplication of discussions taking place between individual Directors and the Chief Executive.

Directors
- Accountable for leading/facilitating the delivery of their partnership priorities in the City Priority Plan, their contribution to Cross Council Priorities and other one-council approaches (eg Customer strategy or locality working) and delivery of Directorate priorities.
- Holding their Chief Officers to account in quarterly 1-2-1's/appraisals for delivery of their contribution to council and city priorities.
- Delivery of a broader range of other corporate requirements (eg minimising sickness)

Executive Board
- Maintaining an overview of key performance issues for council and city
- Accountable to the public for the performance of the council and a route for formally reporting performance to the public
- Makes decisions/revises policy in response to poor performance

Leader of Council
- Holding Chief Executive to account in quarterly 1-2-1's/appraisals for his leadership of the council and partnership and for the delivery of the Council Business Plan.
- Leadership of partnership through chairing LI Board – facilitating/leading delivery of the City Priority Plan.

Executive Members
- Maintaining an overview of key performance issues for council and city.
- Holding Directors to account for delivery of their contribution to Cross Council Priorities and the Directorate Priorities in the Council Business Plan.
- Leadership of Strategic Partnership – facilitating/leading delivery of the relevant priorities in the City Priority Plan.

Scrutiny Boards
- Providing constructive performance challenge to Executive Member(s) and Directors for the delivery of the Council Business Plan and City Priority Plan within their portfolio areas.
- Making recommendations for improvement including conducting more detailed investigations through Scrutiny Inquiries.

Performance Board
- Responsible for development and implementation of the performance management framework to support the delivery of the City Priority Plan and Council Business Plan. With a particular focus on ensuring partnership and corporate systems and process that link efficiently and effectively with directorate/service systems and processes.
- To review performance information regularly to get a collective view of performance issues and decide what needs to be escalated to decision makers.
- Embedding a performance culture change across the council and partnership working with boards and management teams to ensure performance is discussed and action is taken.
- Ensuring effective linkages are made with related agendas like equality and research and intelligence.

Corporate Governance and Audit Committee
- Reviews adequacy of the Council's Corporate Governance Arrangements including the performance management framework used to monitor the delivery of priorities. This includes receiving an assurance statement annually which forms part of the Annual Governance Statement.

Leeds Initiative Partnership
Leeds Initiative Board
- Ensuring commitment from all key partners
- Maintaining an overview of progress in the delivery of City Priority Plan and maintaining an understanding of the key performance issues for the city.
- Providing constructive challenge for progress in relation to the overall Vision themes which cut across the 5 strategic partnership eg Poverty/Inequality, Use of Resources, Locality working/community engagement
- Forum for raising and resolving performance issues that cannot be addressed within individual Strategic Partnership Boards or for escalating issues that are stuck.
- Commissioning improvement work from across the partnership
- Shaping and influencing the strategic direction of the city, reshaping the priorities as circumstances change and commissioning updates of the Vision.

Five Strategic Partnership Boards
- Leading the delivery of the City Priority Plan – monitoring performance regularly and identifying changes and improvements (using OBA Turning the Curve methodology)
- Driving the delivery of the action plan for each city priority and ensuring these are kept up to date based on performance discussions in the Board

- Providing constructive challenge across the partnership to ensure the delivery of the city priority plans based on shared commitment to delivery improved outcomes for the city

NB it is likely that a range of sub-partnerships will be developed which will have specific performance roles devolved to them from the Strategic Board. However, the overall responsibility rests with the Strategic Partnership Board.

External
Public
- Holding the council and other public services to account for performance including our progress to deliver 'Best City, Best Council'.

NB This is an area where further work is required not only to communicate performance effectively to the public but also in providing opportunities for the public to challenge the council and partners on the priorities and budget allocation. This will need to ensure all key groups eg Children and Young people, older people etc are able to participate by tailoring the methods used to the issues, the places, the times and the media that are important to those groups. This also needs to link this to Ward Members role and to the developing locality working approaches. The Local Government Group are developing tools to support this. The annual State of the City report and the Leeds local information system also provide public access to a broad range of performance data and information and are likely to form part of the solution.

Other Key Stakeholders
Area Committees + other locality bodies like clusters – further work is required to ensure that performance discussions can also be supported in localities.
Adult Safeguarding Board and Leeds Safeguarding Children Board – these boards have distinct statutory roles but also review and discuss performance.

Target Setting

In line with the OBA methodology which has been adopted by the city targets are not set at a population accountability level (outcomes and indicators) ie there are no targets within the City Priority Plan. However, within the related action plans performance measures have been identified and targets have been set for these. Similarly targets have been set for Cross Council Priorities and Directorate priorities within the Council Business Plan.

Performance Reporting Mechanisms/Elements
- Performance Reports are a high level overview of progress which includes qualitative and quantitative information and are both forward and backward looking. They are used to assess our progress in turning the curves for the city priorities and the cross council priorities and are limited to one page (2 sides) only. These are produced quarterly unless data or other requirements means a different frequency has been agreed. Drafted by a lead delivery person working with a performance lead and signed off by the Strategic Partnership Board who assign the overall RAG rating. They are written in Plain English.
- High Level Action Plans – these capture the main partnership agreed actions/activities for the delivery of the city priorities. They are produced to a consistent format and include robust performance measures with targets to enable the partnership to assess the effectiveness of the contribution of each workstream to the delivery of the outcomes. They are also a vehicle for ensuring partners commitment and for holding partners to account for their contribution to the delivery of the overall outcome. These are live documents that are reviewed and amended regularly.
- Directorate Scorecards these a quarterly progress summary against the Council Business Plan for each directorate. It includes information on the directorate priorities and performance measures as well as the directorates contribution to the Cross Council Priorities. They are a flexible tool that also includes the opportunity to raise any other performance issues to ensure that we do not have any performance surprises eg in areas of work not covered by the Directorate Priorities.

- Corporate Performance Snapshot – this brings together the full range of quarterly performance data to support the 1-2-1's/appraisal process. It is produced electronically and includes the latest performance information for the City Priority Plan and Council Business Plan alongside a broad range of corporate health data eg risk management, internal audit, compliance with governance processes etc.
- Annual State of the City Report which brings together a much broader range of information and is used in assessing our success in relation of the cross cutting Vision themes (eg Poverty/Inequality) which cannot be the responsibility of any one strategic partnership. The first report is available on the intranet. Further work is required on how we link this effectively to needs assessments including JSNA as these will feed into action plans, commissioning plans and for challenging the priorities as part of the review process.

Performance Reporting Process

The process of performance reporting is set out in the summary diagram and there is also a timetable which sets out key deadlines for the reporting process.

Key challenges/Further Work

Our performance reporting processes need to remain flexible and adaptable in order to continue to meet the needs of the council and the partnership. Within the document a number of areas have been identified for further consideration and development including:

- Development of locality based performance information that response to local need but is efficient and has some consistency. In some areas work is already well developed eg Children's Partnership and demands for information are increasing. There are potentially significant resource implications to this which will need to be resolved.
- Cross cutting issues – work is underway to ensure that these are picked up effectively through the existing actions plans and reporting processes. The LI Board have a clear role to monitor progress across the 5 strategic partnership boards in these areas. However, further work is required to ensure that a clear lead Board is agreed and no important issues are lost.
- Embedding a performance culture that is less about the process and feeding the beast and more about action and improvement. This framework goes some way to achieving this but there are very importance cultural and behavioural aspects to performance and the city's leaders are aware of these and championing these changes.
- Ensuring that we have effective arrangement for reporting performance to the public and to enable them to challenge our priorities and spending decisions.
- Arrangements for the provision of performance information and data from health needs to be monitored as there is considerable re-structuring in this area including the dismantling of the Leeds PCT, implementation of Clinical Commissioning Groups as well as the transfer of the public health duty to LCC.
- Benchmarking in the post NI era – LGG is currently developing tools to do this and we are working with core cities and other key comparators to try to ensure benchmarking continues and it provide importance context against which to judge our ambitions and progress
- We need to continue to ensuring high quality of data and development of a clear data improvement agenda as required by OBA.
- Further work to link effectively to appraisals and personal performance management arrangements.
- These arrangements provide only the minimum information and will need to be supplemented by additional more detail reporting as required. A list of additional reports is being developed for Scrutiny but this needs to be agreed and finalised.

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Leeds Performance Management Framework - Information Flow

City Priority Plans

Performance Reports supported by annual state of the city report used to look across cross cutting themes eg Poverty/Inequality and Health Inequality

Health and Wellbeing

H&W Priority 1 Perf Report
Draft

H&W Priority 2 Perf Report
Draft

H&W Priority 3 Perf Report
Draft

Sustainable Economy and Culture

SEC Priority 1 Perf Report
Draft

SEC Priority 2 Perf Report
Draft

SEC Priority 3 Perf Report
Draft

+

Housing and Regeneration
Children's Trust
Safer and Stronger Communities

NB 21 Report cards in total

Performance Reports drafted by nominated delivery lead supported by a performance lead

LI Board

Summary table of CPP Overall Progress RAG rating:
H&W 1
H&W 2 etc

CPP Performance Reports by exception
Final

H&W Report Cards
Final

SEC Report Cards
Final

Draft report cards discuss by Board and finalised/approved for circulation
AND
Board assigns progress rating using RAG system

All performance reports published on Council and LI website. Partner websites provide link to this. Report cards go to Partner meetings as appropriate.

CLT / Executive Members

Summary table of CPP Performance Reports & RAG rating:
H&W 1
H&W 2 etc

Cross Council Priorities - report cards x 5
Final

+ any directorate priorities by exception and other performance issues nominated by Director
+ risk management update (joint reporting)

CPP summary table brought for information and discussion where the Council contribution is an issue.

Scrutiny

Cross Council Priorities – performance report
Final

Directorate Scorecards

H&W Perf Reports
Final

SEC Perf Reports
Final

Cross Council report cards, Resources and CAP Scorecards reviewed by Resources and Council Services Scrutiny Board

CPP report cards and Directorate Priorities reviewed by relevant Scrutiny board:
- *Health and Wellbeing and Adult Social Care*
- *Sustainable Economy and Culture*
- *Regeneration*
- *Children and Families*

NB This is minimum and a list of additional reports required for Scrutiny is being developed e.g. a more detailed report on Adult Safeguarding

Executive Board

Cross Council Priorities – Perf Reports
Final

Exec Board reporting frequency is 6 monthly i.e. Q2 and Q4

Summary table of CPP Performance Reports & RAG rating:
H&W 1
H&W 2 etc

Cross Council Priorities – performance reports
Draft

Performance Reports drafted by delivery lead supported by a performance lead. Best Council Board has support and challenge role including agreeing the overall RAG rating

Council Business Plan

Children's Services Scorecard
E&N Scorecard
Resources Scorecard
PP&I Scorecard
City Development Scorecard
ASC Scorecard

Directorate Priorities
Traffic Light rating + short summary paragraph with high level progress

Key Performance Indicators
- Measure d - traffic lights and commentary
- Measure e - traffic lights and commentary
- Measure f - traffic lights and commentary

Directorate contribution to key Business Plan Indicators
- % Appraisals
- % staff engaged
- % decisions with evidence of consultation
- % decisions with evidence of due regard to equality
- Variation from budget

Self Assessment
Any other key performance issues nominated by Director

Scorecards summarise performance for each directorate these are
- *Discussed with Executive Members*
- *Published on internet*

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Children's Trust – Children and Young People's Plan Performance Report October 2011

Children Leeds

Meeting:	Children's Trust Board 31 October 2011
Outcome 2:	Children and young people do well at all levels of learning and have the skills for life
LCC lead:	Paul Brennan

Population:	Young people of academic age 16, 17 and 18 (age on 31 Aug)
Priority 4a:	Increase numbers in employment, education or training (EET)
CTB lead:	Martin Fleetwood and Diana Towler

Why is this an obsession Being in EET increases young people's confidence, prospects and economic independence and therefore supports the city's overall economic performance. By targeting groups and areas where NEET is a particular challenge, we can raise aspirations and prospects for young people who often have multiple poor outcomes. The current economic downturn presents challenges for young people looking to enter the workplace for the first time.

**OBSESSION
Overall Progress
Amber æ**

RAG: Gap to national performance **Direction of travel:** Reducing rates of Not Known and good rates of young people in learning
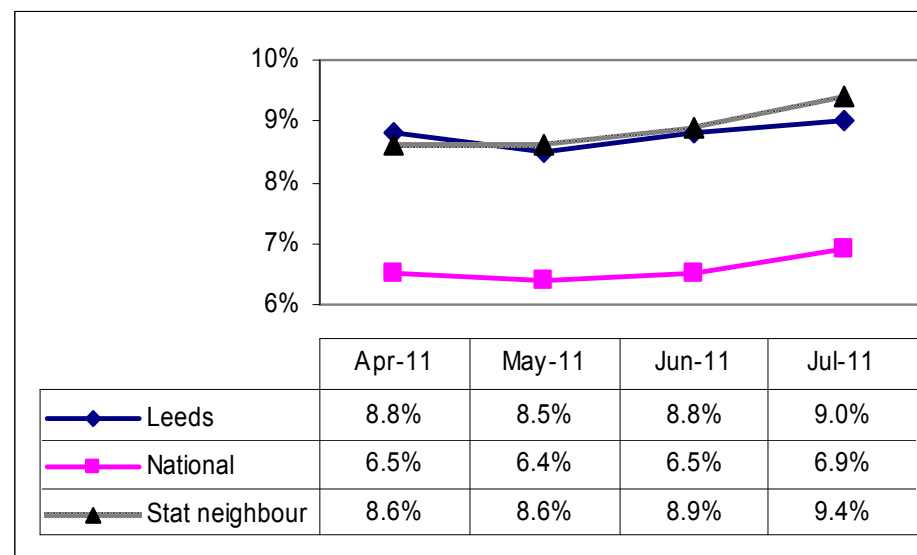
Story behind the baseline

The NEET definition changed in April 2011, and Leeds now has around 400 more young people in the NEET cohort. Leeds has a higher NEET rate than national levels, although it is slightly below the statistical neighbour (SN) rate. Leeds has a lower rate of young people whose status is not known (7.8%) than national (10.4%) and SN levels (9.3%). The rate of young people in learning (77.8%) is above national (76.4%).

Young people become NEET for complex and diverse reasons. NEET levels tend to be higher in deprived areas, and for teenage parents, those with lower school attendance, lower levels of qualifications and young offenders. NEET rates are more than 50% among young people with special educational needs, young parents and pregnant young women.

Improvement plans cover a range of circumstances. Transition between learning opportunities can trigger disengagement; as can missing out on good quality impartial information, advice and guidance (IAG). Family networks have a major influence on a young person's decision-making. Activity is therefore planned with families to ensure young people are positive about their ability to succeed, as well as activity to ensure access to IAG to help choose the right learning pathway; and support at transition points.

Upcoming risks include: changes to the provision of careers education and IAG with more responsibility for schools in September 2012, but without increases in funding; reductions in post-16 funding for all providers, but that will hit schools particularly hard; and changes to which vocational qualifications count in the performance tables. This jeopardises the future of some smaller qualifications that have enabled young people to build confidence and achievement in small steps. It is not yet known how the 16-19 bursary fund will impact on supporting young people to stay in learning.

Curve: Percentage of young people who are NEET [1]

	Apr-11	May-11	Jun-11	Jul-11
Leeds	8.8%	8.5%	8.8%	9.0%
National	6.5%	6.4%	6.5%	6.9%
Stat neighbour	8.6%	8.6%	8.9%	9.4%

[1] Based on April 2011 definition of where young people live (not where they attend learning) and academic age 16-18, i.e., year groups 12 to 14.

What do children and young people think A diverse group of NEET young people were consulted as part of the development of the Children and Young People's Plan. Young people said that the current economic climate had a big impact on their employability, however they also experienced other difficulties in finding employment, education or training, such as: difficulties using the systems in job centres; access to IT to apply for jobs or courses; lack of confidence; struggling with interview skills; travel and financial barriers; poor reading and writing skills; and coping with complex personal circumstances.

What we have done

- Work has commenced with schools to support them in meeting new statutory requirements for careers education and IAG responsibilities.
- Systems are now in place to gain consent from NEET young people to share their contact details with potential learning providers in order to improve recruitment onto programmes.
- In 2010/11 NEET data was shared with high schools; allowing schools to see long term outcomes for their former pupils, and helping them to focus resources on current pupils at risk of being NEET.
- Leeds Pathways, the online post-16 common application system, allows schools and Connexions to identify young people who have not made an application and target support to them to ensure progression after Year 11.
- A protocol is being developed between Housing and Connexions to agree methods for joint working with staff who are working with young people who are homeless or living independently of family.
- The Young People Employability Initiative was launched in May 2011 to give young people who are 'work ready' an 8 week programme including work experience, accredited training and employability skills.

New actions

- Identify the reasons why young people who are NEET do not engage with the current learning offer, using information from Connexions.
- Development of models for parental engagement to improve the progression information and advice available to parents through schools.
- Work with local authorities across West Yorkshire, as well as the West Yorkshire Colleges Consortium, to ensure learners facing financial hardship in accessing learning receive appropriate financial support, regardless of where they choose to learn.
- Develop a city wide strategic action plan that joins up the work of children's and adult services with 14 to 19 year olds. This will focus on placing NEET in the context of city-wide issues such the raising of the participation age as youth employment, apprenticeships, jobs and skills, and changes to the provision of IAG.
- Work in partnership with businesses to develop a model, financially supported by business, to deliver enterprise and skills development programmes in target schools.

What works locally

Accurate data and tracking, increased information sharing and improved learning options have all contributed to reducing NEET. At the same time the loss of some funding and the economic downturn pose major challenges.

Data development

- Planning for systems and data transfer processes in preparation for the end of the Connexions service.
- Improved data exchange agreements to reduce the tracking of young people who are in contact with other services, e.g., JobCentre Plus and the National Apprenticeship Service.

Partners with a role to play Adult social care, schools and FE colleges, Connexions, housing services, young people, parents and family, employers, 14-19 confederations, JobCentre Plus, offsite providers

CROSS COUNCIL PRIORITY PERFORMANCE REPORT

Value: Working as a team for Leeds

Priority: Staff have a clear understanding of their role as well as clear objectives and performance targets which are monitored through high quality appraisals.

Why this is a priority - Appraisals for all staff are essential in driving effective performance management to achieve the Council's business and service plan objectives, embed the revised values and help us meet future challenges. The Chief Executive and directors are championing regular appraisals as a priority so that all employees are managed, motivated and developed to perform their role effectively and deliver improving services for Leeds.	**Overall Progress:** **AMBER**

Story behind the baseline:

Appraisal targets - For 2011-12 a **corporate annual appraisal timetable** was agreed with full appraisals will take place between April and July and interim meetings between October and December

A corporate target was set of 100% of staff having an appraisal between 1st April and 31st July 2011 to ensure objective and target setting is linked with Council, Business and Service Plans.

As at 31 July 2011, the LCC average was 78% with the highest performing directorate (Legal) achieving 97% and the lowest (Resources) achieving 63%.

At 30 September 2011, the LCC average was 93% with three directorates achieving over 95% and a further three reporting over 90%.

Directorate performance:

PPI, City Development and Legal – have maintained a position of achieving consistently high levels of appraisals

Adult Social Care - no significant challenges and have improved performance since 2010 -11

Headline Indicator: Every year 100 per cent of staff have an appraisal

Appraisals completed by directorate 2011-2012

Children's Services – Education Leeds joined with Children's Services in April 2011 resulting in challenges around structures but has improved significantly.

Environments & Neighbourhoods – challenges around scheduling appraisals for crew workers have been addressed with group appraisals as part of training days.
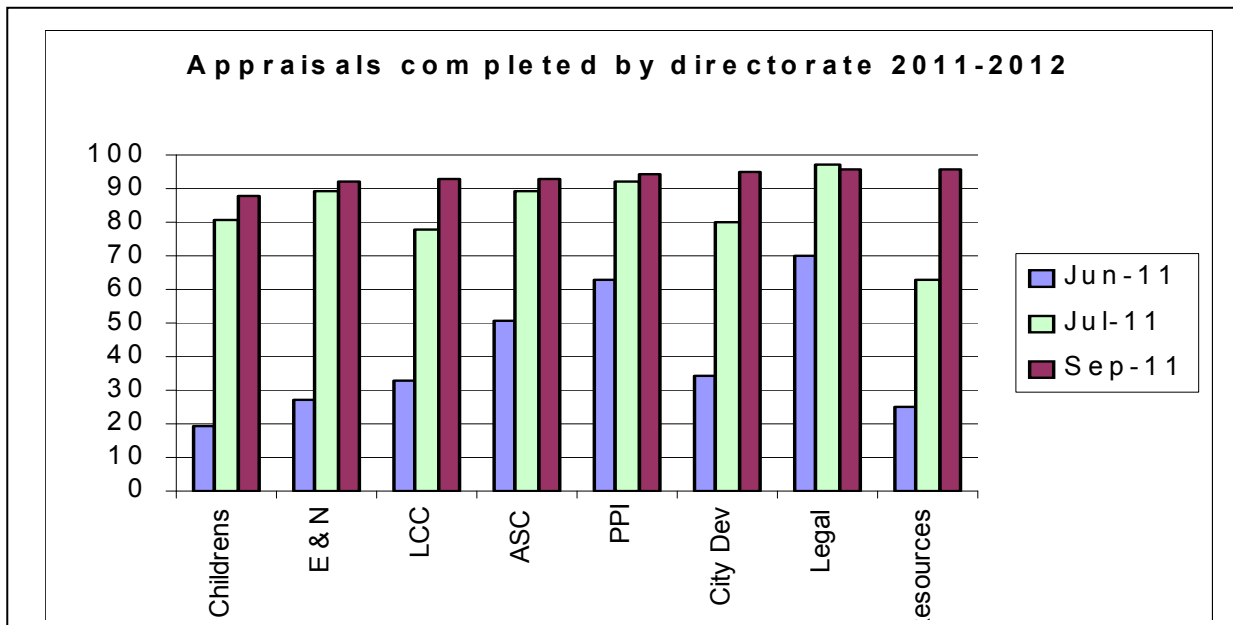
Resources – there have been challenges around scheduling appraisals for school based staff which have been addressed.

As the target of 100% appraisals is close to being achieved, this reflects the profile of the workforce with no measurable variance by equality strand. Appraisal Guidance makes appraisers aware of how not to treat staff unfairly during appraisal meetings or by the process itself.

The Investors in People review highlighted the need for the council to define the expected leadership behaviours. The 'Expectations of our leaders & managers' document reinforces the importance of appraisals in ensuring people are clear about what is expected of them and receive regular feedback on their performance.

One of the Chief Executive's three 'Calls to Action' in 2011/12 to all leaders is to ensure that all employees have a quality appraisal with a PDP and at least one development action linked to service plans.

What do staff think? In the 2009 Staff Survey, 68% of the council's staff said that they had had an appraisal/ development review in the previous 12 months with directorate responses between 54% and 79%. The 2011 Employee Engagement Survey will provide quantitative data about how people feel about the support, guidance and feedback provided by their managers. The Improving Performance Project will sample appraisals carried out and provide feedback on staff perception of the quality of appraisals. The final Investors in People assessment will provide qualitative information regarding staff perceptions of how leaders and managers, lead, develop and support them.

What we did

Strategic actions completed:

- For the first time, a corporate target of 100% appraisals by July 31st was set.
- Call to action of 'quality appraisals' communicated by Chief Executive to all leaders and managers in organisation at start of 2011/12.
- HR Business Partners, HR OD Leads and Appraisal Co-ordinators all appraised of their continuing roles
- Directors and Chief Officers receive regular appraisal performance reports and directors are appraised on the percentage of their staff that are appraised.
- Learning Site established on intranet to give access to managers and employees to available learning and development opportunities to support 'quality appraisals' including Appraisal Skills for Managers.
- Learning Supplement distributed to all staff (electronic and hard copy) to encourage take-up of learning and development opportunities.
- Expectations of Leaders and Managers developed and launched at the Leadership Conference 2011
- Equality data for the whole workforce was updated on SAP in July 2011 and will continue to be updated and developed to reach 100% compliance.

What Worked Locally /Case study of impact

Directorate based initiatives where there is evidence of impact / good practice

- City Development has achieved high appraisal levels by prioritising appraisals, reporting progress at DMT level and to Services' Learning Boards.
- Directorate OD Leads are in the team and take on a higher level 'Appraisal Champion' role, raising the importance of quality appraisals.
- Directorate HR Leads are reviewing Organisation Structures/ SAP data and records for casual and non LCC employees.
- Group Appraisals for teams of front line operatives are being piloted to minimise costs and disruption to front line services.

New Actions

New strategic actions:

- Expectations of Leaders and Managers to be embedded
- Leadership and management behaviours will be defined as part of our wider programme to develop our council-wide competencies framework based on the values
- Sampling of 'quality appraisals' to take place across all Directorates
- Planning and piloting of a performance management system that will provide on-line completion of appraisals and personal development plans commencing in April 2012
- Development of a set of common core appraisal forms across the Council
- Range of useful tools and resources available for leaders and managers launched on SharePoint.

Data Development

- Further work needed to ensure integrity of SAP data e.g. correct base organisation structures and data recorded in correct fields.
- Analysis of data to establish core population of Appraising Managers by directorate, service, grade, span of control etc.

Risks and Challenges
- Agreement over a series of common core appraisal forms
- Resourcing issues for appraising some crew-based front line services
- Tight timescale and resource support to implement the performance management system by April 2012

2011/12 Adult Social Care Directorate Scorecard

Reporting Period : **Quarter 2 20011/12**

Contribution to Cross Council Priorities	Progress Summary	Overall Progress	Supporting Measures	Q1	Q2	Q3	Q4
Appraisals	no significant challenges and have improved performance since 2010 -11	Amber	Every year 100% of staff have an appraisal	51%	92%		
Staff Engagement	Note: Overall Progress to be ascertained from Staff Engagement Survey results and any subsequent activity.	See Note	increase the level of staff engagement	N/A	N/A	Employee Engagement survey undertaken in October 2011.	
Consultation	The priority will be measured using a new indicator which aims to measure the extent to which there is evidence that consultation with the public is available to decision makers for key/major and Executive Board decisions. By including it as a specific indicator it shows the commitment from senior leaders to ensure that the views of the public are clearly reflected in our policies and decisions. Work is underway to develop the methodology for measuring the indicator with the Best Council Board providing oversight and challenge.	Amber	Every year we will be able to evidence that consultation has taken place in 100 per cent of major decisions affecting the lives of communities	N/A	N/A	N/A	Indicator being developed - to be reported in Quarter 4
Equality	The priority will be measured using a new indicator which aims to measure the extent to which there is evidence that equality is given due regard in policy and decision making. By including it as a specific indicator it shows the commitment from senior leaders to ensure that there is a full understanding of the potential impact our policies and decisions could have on different communities. Work is underway to develop the methodology for measuring the indicator with the Best Council Board providing oversight and challenge.	Green	Every year we will be able to evidence that equality issues have been considered in 100 per cent of major decisions	N/A	N/A	N/A	Indicator being developed - to be reported in Quarter 4
Keep within budget	Overspend mainly reflects non achievement of assumed procurement savings for residential and nursing care packages within Adult Social Care, partially offset by a reduction in the number of placements	Amber	No variation from agreed directorate budget in the year	£2,849,000 overspend	£2,675,000 overspend		

Directorate Priorities	Progress Summary	Overall Progress	Supporting Measures	Q1	Q2	Q3	Q4
Create the environment for effective partnership working	A Head of Service for parnership working has been appointed. A vision for integration of health and social care has been established and a wide ranging programme of work has begun.	Green	N/A	N/A	N/A	N/A	N/A
Deliver the Health and Wellbeing City Priority Plan	The Health and Wellbeing board has been established, priorities agreed and a plan formulated.	Green	N/A	N/A	N/A	N/A	N/A
Help people with poor physical or mental health to learn or relearn skills for daily living	The provision of reablement services is now an option for all new service users. Work is underway to extend the service to existing service users who would benefit from some short term support to regain their independence. Although there has been some delays in the introduction of this new service, the Directorate expects to meet its provisional target for 550 people to have receieved the service within the financial year.	Amber	Increase the number of people successfully completing a programme to help them relearn the skills for daily living.	166	317		
Extend the use of personal budgets	Personal budgets are now offered to all new eligible service users. Personal budgets are now used by 5,077 service users and carers. The propration of those choosing to control their own budgets through a direct/cash payment/s has increased from 8% in Quarter 1 to 10%, this equates to 1,639 people.	Green	Increase percentage of service users and carers with control over their own care budget	25%	31%		
		Green	Increase percentage service users who feel that they have control over their daily life.	79%	75%		
Improve the range of daytime activities for people with eligible needs	Consultation, needs analysis, market testing and a review of current day services are being undertaken. Plans to decommission a number of day centres for older people have been approved. Daytime activities for older people are being extended through work with the Neighbourhood Networks and for people with learning disabilities through the Fulfilling Lives Project.	Green	N/A	N/A	N/A	N/A	N/A
Ensure more people with poor physical or mental health remain living at home or close to home for longer	The Leeds Health and Social Care Transformation Programme has been established including work to prevent admission to hospital and to develop new pathways through services to support people with long term conditions in the community. Admission rates for 2011/12 are forecast to be within budget	Green	Reduce number of older people admitted permanently to residential and nursing care homes (per 10,000 population)	86.8	84.6		
Support adults whose circumstances make them vulnerable to live safe and independent lives	The Partnership board have been focusing upon the development of thresholds for safeguarding which will inform referral decisions and be included in revised procedures adopted in October.	Green	Increase percentage of safeguarding referrals which lead to a safeguarding investigation	31.50%	34%		

		Overall Progress		Q1	Q2	Q3	Q4
Ensure resources are efficiently matched and directed towards those with greatest need	The target is £7.3m, 54.7% delivered after 6 months, projected delivery is 80.6%. The medium term financial plan ensures that resources are matched to those in greatest need.	Amber	Delivery of efficiency savings for directly provided services	£3.1m	£4.0m		
Provide easier access to joined-up health and social care services	The Leeds Health and Social Care Transformation Programme includes a workstream which will look at identifying those who are most at risk of hospital admission and provide co-ordinated support to these people. In the short term ASC staff are working with staff at access points to prevent admission to those whose needs could be met in the community.	Green	Reduce number of delayed discharges from hospital due to adult social care only (per 100,000 adult population per week)	1.84	2.18		
People with social care needs receive coordinated and effective personalised support from local health and wellbeing agencies	The Leeds Health and Social Care Transformation Programme includes a number of workstreams to provide support to people with long term condiitions in the community including those with diabetes and those with chronic obstructive pulmonary diseases (COPD). The measure for this shows ongoing improvement.	Green	Increase proportion of older people (65 and over) who were still at home 91 days after leaving hospital into rehabilitation services	92.90%	93.80%		
Our customer experience is enhanced through improved information systems developed with health partners	A Leeds Care Record vision has been approved by the Health and Social Care Transformation Board. The enablers being scoped to support this vision are capturing the NHS number on social care records, completion of the IG Toolkit and a local network link. A bid for funding from NHS Leeds has been developed and approved in principle	Green	N/A	N/A	N/A	N/A	N/A
Establish local joined-up services for older people	Demonstrator sites for the introduction of integrated local teams of health and social care staff have been identified and criteria for success are being determined. Area Heads of Service and relevant health managers are linked into the clinical Commissioning Groups and are actively working together to scope the size and remit of the teams.	Green	N/A	N/A	N/A	N/A	N/A

City Priority Plans	Overall Progress	Headline Indicator	Q1	Q2	Q3	Q4
Make sure that more people make healthy lifestyle choices.	Amber	Reduce the number of adults over 18 that smoke.				
Support more people to live safely in their own homes.	Green	Reduce the rate of emergency admissions to hospital.				
		Reduce the rate of admission to residential care homes.				
Give people choice and control over their health and social care services.	Green	Increase the proportion of people with long-term conditions feeling supported to be independent and manage their condition.	29%			
Make sure that people who are the poorest improve their health the fastest.	Red	Reduce the differences in life expectancy between communities				

Self Assessment
No performance related issues

Leeds
CITY COUNCIL

Report author: Victoria Clegg

Tel: ext. 74147

Report of the Director of Resources

Report to the Corporate Governance and Audit Committee

Date: 23rd January 2012

Subject: Protecting the Public Purse 2011

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

Summary of main issues

1. The Audit Commission has released the report *'Protecting the Public Purse 2011'* which provides best practice guidance and examples from other councils on tackling fraud and corruption in local authorities.

2. Internal Audit has undertaken a self assessment of the authority's arrangements to counter fraud and corruption and identified areas where LCC currently meet best practice and where further action may be needed to address emerging risks.

3. The Corporate Governance and Audit Committee is being provided with an analysis of the Audit Commissions report, and the Internal Audit self-assessment to:
   - provide them assurance that the risk of fraud and corruption is being effectively managed; and
   - inform members of best practice so that they are aware of how we are attempting to embed an anti-fraud and corruption culture within the authority.

Recommendation

4. The Corporate Governance and Audit Committee is asked to note the assessments made by Internal Audit regarding arrangements to meet the best practice detailed in Protecting the Public Purse 2011 and also to note the proactive approach being taken in continually improving controls to prevent fraud against the organisation.

1   Purpose of this report

1.1   To present to the Corporate Governance and Audit Committee a self assessment of the authority's position against the recommended best practice in the Audit Commission's 'Protecting the Public Purse 2011' report and proposed actions to address areas where further work could be done to address the risk of fraud and corruption.

2   Background information

2.1   'Protecting the Public Purse' is an annual Audit Commission report that was published on 10th November 2011. The report primarily detailed the findings from their 2010/11 fraud and corruption survey and councils' progress in tackling significant risks highlighted in *PPP2009* and *PPP2010*. More than 480 public sector organisations responded to the survey, a 99% response rate, the survey results therefore show a comprehensive picture of detected fraud across local government in the last year.
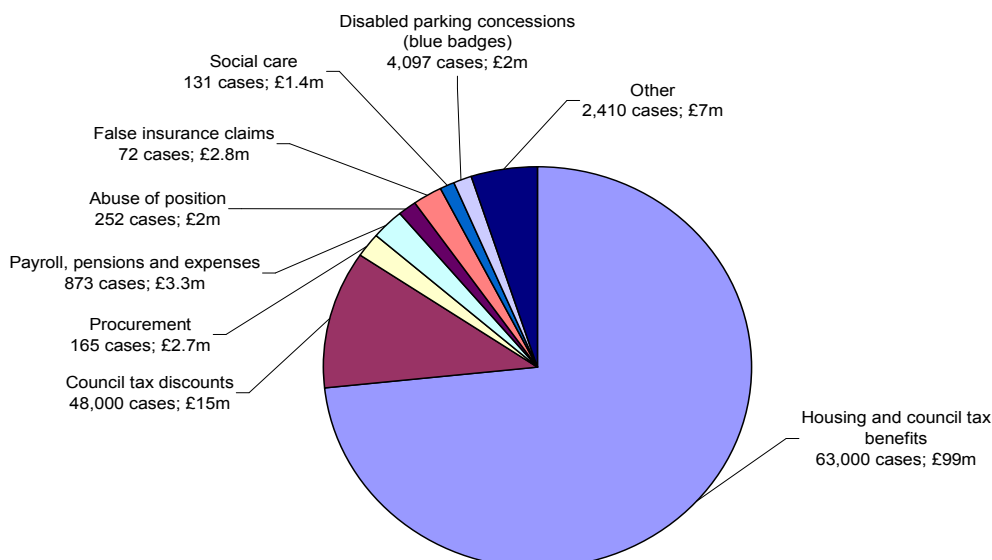
2.2   The 2011 Protecting the Public Purse report states that the National Fraud Authority (NFA) have reported that fraud against councils costs more than £2billion a year. It also states that 121,000 individual fraud cases were reported to the Audit Commission in the 2010/11 survey, which resulted in losses of £185 million. This compares to 119,000 detected incidents in 2009/10 valued at £135 million. The 2010/11 level of detected incidents therefore represents only 9.25% of the NFA estimate, indicating 90.75% remains undetected.

2.3   Also published are two short leaflets, one for school governors and one for parish councillors providing advice on fraud risks as they have concluded the size, complexity or limited numbers of staff in schools and parish councils may mean that internal control is more difficult.

Key PPP 2011 national statistics

2.4   Internal Audit has analysed the statistics provided in *PPP 2011* on the various fraud types and trends between 2009/10 and 2010/11 shown in the charts below.

National value of detected incidents 2009/10 (£m)

- Disabled parking concessions (blue badges) 4,097 cases; £2m
- Social care 131 cases; £1.4m
- False insurance claims 72 cases; £2.8m
- Abuse of position 252 cases; £2m
- Payroll, pensions and expenses 873 cases; £3.3m
- Procurement 165 cases; £2.7m
- Council tax discounts 48,000 cases; £15m
- Other 2,410 cases; £7m
- Housing and council tax benefits 63,000 cases; £99m

National value of detected incidents 2010/11 (£m)

Disabled parking concessions
(blue badges)
3,007 cases; £1.5m

Other
1,646 cases; £21m

Social care
102 cases; £2.2m

False insurance claims
149 cases; £3.7m

Abuse of position
395 cases; £4.3m

Payroll, pensions and expenses
556 cases; £5.6m

Procurement
145 cases; £14.6m

Housing and council tax
benefits
59,000 cases; £110m

Council tax discounts
56,000 cases; £22m

% change in value

Housing and council tax
benefits
11%

Council tax discounts
47%

Other
210%

Disabled parking concessions
(blue badges)
-25%

Social care
57%

False insurance claims
32%

Procurement
441%

Abuse of position
115%

Payroll, pensions and expenses
70%

2.5   The 37% increase in the value of detected incidents compared to the 1% increase
      in the number of cases could mean:
      a.   fraudsters are getting bolder and targeting larger amounts;
      b.   councils are improving the methods by which they value losses; or
      c.   councils do not have the resources to investigate all frauds and are therefore
           targeting their resources better to higher value cases.

2.6   The majority of detected fraud losses reported in 2010/11 related to Housing and
        Council Tax Benefit fraud (59% of the total) and Council Tax discounts fraud (12%
        of the total). 'Other' fraud types therefore accounted for 29% of the total value.

3   Main issues

3.1   Protecting the Public Purse emphasised the importance of an organisational culture
        that supports action against fraud. It also states counter-fraud specialists need
        accurate information about the levels and types of fraud to identify key risk areas
        and target plans, strategies and resources to where prevention and detection work
        can have the most impact.

3.2   The report highlights the key fraud risk areas nationally as follows:

- **Housing tenancy fraud-** tackling this area is described as "one of the most
  cost-effective means of making social housing properties available to match the
  demand from those in genuine need" and reduced the significant financial loss
  to the public purse caused by this fraud. It is estimated to cost councils on
  average £18,000 a year for each of the families they place in temporary
  accommodation. Further work is believed necessary from councils to work with
  housing associations to tackle tenancy fraud, and for all registered social
  housing providers to give consideration to applying both civil and criminal legal
  action on a case by case basis in order to recoup losses and deter potential
  tenancy fraudsters. New legislation to enable this to occur has been proposed
  by the government and a consultation document on it is due to be issued
  shortly by the CLG.

- **Council Tax fraud-** the report discusses single person discount (SPD) fraud
  (where a 25% discount is given) and 4-6% of claims are believed to be
  fraudulent costing taxpayers at least £90 million a year. It also details the
  emerging risk of student exemption fraud (where a 100% exemption is given)
  which it states could represent a financial loss similar in scale to SPD fraud.

- **Personal budgets (direct payments) fraud-** the fraud risks in this area
  include a person falsely claiming they need care, fraud by someone managing
  the personal budget of the person in need and fraud by an organisation or
  someone providing care to the person in need. The number of personal
  budgets is said to have increased by 55% in the last year alone and is set to
  increase further so this risk requires careful management to ensure we
  safeguard the interests of those in genuine need.

- **Procurement fraud-** fraud in this area can occur at any stage in the
  procurement cycle from the first business case to the award and management
  of a contract, and it can be carried out by external providers or internal parties
  in various forms. The NFA estimates that procurement fraud costs councils
  £855 million a year. Losses in individual cases can be large however it is often
  difficult to determine this type of fraud from error and bad contract management
  and to quantify the losses to procurement fraud.

- **Housing and council tax benefit (HB/ CTB) fraud -** The NFA estimates that
  housing benefit fraud losses alone (excluding those to council tax benefit fraud)

in the UK cost councils £260 million a year and the PPP 2011 figures show that this is the prevalent kind of fraud detected. The government proposes to set up a single fraud investigation service (SFIS) in 2013 that could include housing benefit fraud investigators currently employed by councils. The Audit Commission highlights the risk to councils of losing such valuable investigative resources and recommends that they review their counter-fraud capability in the light of the proposed changes.

- **Emerging fraud risks** identified in the survey include:
  - the impact of the current economic climate putting more pressure on individuals' finances and tempting people to commit fraud;
  - reduced staff numbers which may weaken councils' internal controls;
  - fraudsters abusing the expenditure information that councils are now asked to publish by the CLG in order to defraud local public bodies; and
  - the expansion of personal budgets in social services.

3.4 The report states that councils can make significant savings by reducing fraud which can help protect frontline jobs and services. In its conclusion it details various best practice documents in managing the risk of fraud, which are to be published in 2012 such as the NFA's *Fighting Fraud Locally,* the results of the 2010/11 National Fraud Initiative (NFI) and a new Audit Commission counter fraud and corruption manual.

3.5 It again states the need for a zero tolerance culture towards fraud and for counter fraud teams to be able to work collaboratively with other public sector organisations, assess the risk of fraud accurately and consider it before launching projects and programmes, measure and report losses appropriately and change systems where they are vulnerable to fraud.

3.6 Internal Audit has carried out a self assessment of the arrangements currently in place at Leeds City Council against the recommendations made in Protecting the Public Purse 2011 and developed an action plan to manage our response to the report which can be found at Appendix 1 to this report.

3.7 Similarly Internal Audit has also answered the questions detailed in the "Checklist for those charged with governance" appended to PPP 2011 and identified areas where further action is considered necessary to meet best practice requirements. This document is attached as Appendix 2.

3.8 Carrying out this self assessment has identified we have already introduced many key areas of best practice detailed in the report, for example:

- Our zero tolerance stance, the use of a modern proactive approach and allocation of dedicated resources to counter fraud and corruption.

- The data matching work we are undertaking in partnership with a leading credit reference agency in order to identify council tax single person discount, empty property discount, council property sub-letting and our participation in the NFI.

- Proactive work using data matching techniques, for example on the Council's creditors system.

- The sharing of strategic and operational good practice and information on emerging risks we undertake with other local authorities.

- The development of a fraud risk register to focus our proactive work in order to use our resources more effectively.

- The issue of an Anti-Bribery Policy and communications, including presentations to staff on the Bribery Act 2010 and what it means for Leeds City Council.

- Bi-monthly reports to Corporate Governance and Audit Committee (CGAC) on how we are tackling fraud risks, carrying out our plans and outcomes delivered.

3.9 However, the fight against fraud is a continuous activity and the Internal Audit review of Protecting the Public Purse 2011 has identified areas where further initiatives can be introduced, details of which can be found in the appendices. For example:

- Ensuring personal budget arrangements safeguard those under our care.

- Ensuring effective action is taken to improve the use of criminal and civil action to deter tenancy fraudsters and target the profits of tenancy fraud when legislation is introduced to enable us to do this.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 This report is not believed to have a significant impact on any particular area/ ward or specific Budget and Policy Framework implications therefore consultation and engagement on it has not been undertaken.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 This report is not related to any key or major decision and is not believed to have any equality and diversity or cohesion and integration impact.

4.3 Council Policies and City Priorities

4.3.1 This report is linked to the following Leeds City Council policies which are all managed by Internal Audit:

- Fraud and Corruption Strategy/ Policy
- Whistleblowing Policy
- Raising Concerns Policy
- Anti-Money Laundering Policy

- Anti-Bribery Policy

4.3.2 It also contributes to work on the following council values :
- Working as a team for Leeds
- Being open, honest and trusted
- Treating people fairly
- Spending money wisely

4.4   Resources and Value for Money

4.4.1 The Audit Commission states that reducing fraud can make an important difference to local finances. The report therefore has implications for our core value of 'Spending money wisely' as losses to fraud cannot be used to meet council priorities and contribute to the Vision for Leeds.

4.5   Legal Implications, Access to Information and Call In

4.5.1 The legal implications of increased partnership working, in particular regarding the sharing of data to identify fraud and corruption, will have to be considered.

4.6   Risk Management

4.6.1 The report provides best practice and statistical information to be considered as part of the Resources directorate risk 'Failure to embed an anti-fraud and corruption culture across the Council'.

5   Conclusions

5.1   As stated by the Audit Commission "reducing fraud can make an important difference to local finances". The self assessment indicates the organisations control environment in the main reflects the best practice detailed in the *Protecting the Public Purse 2011* report.

5.2   However, the risk of fraud is perceived to be increasing and as such our organisational response to it is continually assessed and updated. The Internal Audit action plans detailed in the appendices will drive this agenda forward.

6   Recommendations

6.1   The Corporate Governance and Audit Committee is asked to note the assessments made by Internal Audit regarding arrangements to meet the best practice detailed in Protecting the Public Purse 2011 and also to note the proactive approach being taken in continually improving controls to prevent fraud against the organisation.

7   Background documents

7.1   Audit Commission, *Protecting the Public Purse 2011*, November 2011

7.2   Audit Commission, *Fraud risks in parish and town councils- a guide for councillors*, November 2011

7.3   Audit Commission, *Fraud risks in schools- advice for school governors*, November 2011

7.4   Audit Commission, *Protecting the Public Purse 2010*, October 2010

7.5   National Fraud Authority, *Annual Fraud Indicator*, January 2011

7.6   Department for Communities and Local Government, *Tackling Unlawful Tenancies and Occupancy: Good Practice Guidance for Social Landlords*, November 2009

7.7   Chartered Institute of Public Finance Accountants (CIPFA) Better Governance Forum*, Managing the Risk of Fraud – Actions to Counter Fraud and Corruption (Red Book 2)*, October 2008

7.8   Leeds City Council, *Whistleblowing Policy*, February 2008

7.9   Leeds City Council, *Raising Concerns Policy,* August 2008

7.10   Leeds City Council, *Anti-Money Laundering Policy,* April 2009

7.11   Leeds City Council, *Anti-Bribery Policy*, November 2011

Recommendations made in PPP 2011 and Leeds City Council self- assessment and action plan

Ref	Recommendation made in PPP 2011 report	IA assessment of current position	Details of current arrangements upon which IA based assessment	Action needed	Responsibility & Target Date
1.1	Councils should ensure they keep the capability to investigate fraud that is not related to housing benefit.	Substantial assurance	Internal Audit is not aware of any proposals to remove the responsibility for the investigation of non housing benefit fraud away from the council and there is a dedicated team in Internal Audit to deal with non benefit counter fraud work.	No action needed.	Internal Audit Counter Fraud and Corruption Team
1.2	Councils should improve their use of data, information and intelligence to focus their counter-fraud work.	Substantial assurance	Data matching is being undertaken in partnership with a credit reference agency to identify fraudulent discount and other benefit claims and intelligence on risks areas and benchmarking information is shared between the West and South Yorkshire Fraud Investigators Group (SWYFIG). The Council also takes part in the National Fraud Initiative (NFI) data matching exercise and a fraud risk register has been compiled after analysis of local and national risks and cases which is to be updated at regular intervals based on the latest information and intelligence available.	No action needed.	Internal Audit Counter Fraud and Corruption Team Ongoing.
1.3	Councils should review their counter-fraud arrangements in the context of the NFA's strategy for local government *'Fighting Fraud Locally'*, to be published shortly.	Substantial assurance	*'Fighting Fraud Locally'* is yet to be published, however it is intended to review our arrangements in line with this document in a similar method to that undertaken on the release of the CIPFA *'Managing the Risk of Fraud' (Red Book 2).*	To undertake a review of our counter-fraud arrangements in the context of *'Fighting Fraud Locally'* upon its publication and feed the findings of this review into our update of the corporate strategy.	Internal Audit Counter Fraud and Corruption Team Ongoing
1.4	Councils should work with other registered social housing providers to improve the use of civil and criminal action to deter tenancy fraudsters.	Substantial assurance	The Housing Partnerships team in Environment and Neighbourhoods has been working closely with ALMO's and other Registered Social Landlords to increase the number of tenancy visits and suspicions of tenancy fraud reported by neighbours and contractors. Internal Audit is currently producing data matching reports using information provided by our credit reference agency partner in line with best practice to identify further potential fraudulent housing tenancies for investigation using cost efficient means. Housing tenancy fraud is currently unlawful rather than illegal, making	Consideration should be given to investigating and prosecuting more unlawful tenancy and fraudulent application and succession cases criminally and taking legal action to recover fraudulently gained profits from subletting and other tenancy fraud when new legislation is introduced.	Housing Partnerships team in Environment and Neighbourhoods (formerly Strategic Landlord)/ ALMO's/ Internal Audit Counter Fraud and

Ref	Recommendation made in PPP 2011 report	IA assessment of current position	Details of current arrangements upon which IA based assessment	Action needed	Responsibility & Target Date
			it difficult to prosecute a case criminally, seek recompense for any losses or recover fraudulent profits on this basis. Investigations to date have therefore been focused on recovering properties and there has been no direct recovery of funds from fraudsters to date.		Corruption Team Ongoing
			New legislation has been proposed by the government to take criminal action against those abusing the system, making it easier to evict and imprison them. A consultation document on this area is due to be issued shortly by the CLG. When this is issued further work will be undertaken regarding taking redress action to target fraudulently obtained profits.		
1.5	Councils should use the Audit Commissions single person discount (SPD) fraud predictor toolkit to assess the potential level of such fraud locally.	Substantial assurance	The Audit Commissions SPD comparator tool estimates that for one year Leeds City Council could save £1,240,320 in potentially lost revenues by taking effective action against SPD fraud. This is based on an estimated 4% of all claims being fraudulent in accordance with the findings of PPP 2009 and 2010.

The council is currently undertaking a review of SPD claims with a view to cancelling fraudulent claims. | No further action needed. | Internal Audit Counter Fraud and Corruption Team Ongoing |
| 1.6 | Councils should review their performance against the NFA's good practice on tackling housing tenancy and council tax fraud. | Substantial assurance | The 2010/11 Internal Audit report *'Tenancy Enforcement Policies and Procedures'* found new subletting procedures have already been introduced in response to using 'Tackling Unlawful Tenancy and Occupancy: Good Practice Guidance for Social Landlords'(November 2010). This document had also been reviewed to identify organisations undertaking effective schemes in relation to sub-letting. These were then contacted by the Housing Partnerships team to gather more detail about what they do in order for us to evaluate whether to implement them.

The NFA guidance on council tax fraud has not been published yet, but will be considered against our current arrangements when it is. | To undertake a review of performance against the NFA's good practice on tackling council tax fraud upon its publication. | Internal Audit Counter Fraud and Corruption Team 3 months after publication. |
| 1.7 | Councils should ensure the National Fraud Initiative (NFI) | Substantial assurance | Work on the 2010/11 National Fraud Initiative (NFI) matches is ongoing throughout the authority. Certain matches have been | No further action needed. | Internal Audit Counter Fraud |

Ref	Recommendation made in PPP 2011 report	IA assessment of current position	Details of current arrangements upon which IA based assessment	Action needed	Responsibility & Target Date
	data matches are followed up effectively, including those targeting council tax abuse (due for release in February 2012).		highlighted for further Internal Audit investigation and sanction action has already commenced regarding one employee. Data from the Electoral Roll and Council Tax system is currently being compiled for submission to the Audit Commission.		and Corruption Team June 2012
1.8	Councils should review personal budget arrangements to ensure safeguarding and whistleblowing arrangements are proportionate to the fraud risk.	Acceptable assurance	Internal Audit undertook a brief systems review of the Self Directed Support (direct payments) team and made recommendations to improve controls. The LCC Whistleblowing and Raising Concerns policies specifically states it should be used to raise concerns regarding the safeguarding of children and young people in line with the guidance given on the Ofsted Safeguarding Children hotline web pages but has not yet been amended to include whistleblowing related to direct payments for Adult Social Care.	To establish joint working arrangements between Internal Audit and the Direct Payments team for both proactive and reactive counter fraud work in this area. To amend the Whistleblowing and Raising Concerns Policies to included reference to direct payments fraud concerns.	Adult Social Care Finance Team Internal Audit June 2012
1.9	Councils should follow good practice and match the success of others.	Substantial assurance	Internal Audit attend the West and South Yorkshire Fraud Investigator Group (SW YFIG) meetings where strategic best practice is shared on a regular basis and passed on electronically throughout the group as and when it is identified to ensure it can be considered and implemented as soon as possible. Benchmarking is also to be undertaken with other SWYFIG members regarding proactive and reactive work to further identify and adopt best practice on an operational level.	No further action needed.	Internal Audit Counter Fraud and Corruption Team Ongoing
1.10	Councils should use the checklist for those charged with governance (provided as Appendix 1 to the report) to review their counter-fraud arrangements.	Substantial assurance	See Appendix 2.	As outlined in Appendix 2.	Internal Audit Counter Fraud and Corruption Team

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Completed "Checklist for those responsible for governance" and action plan

Ref	Question asked in Appendix 1 of PPP 2011 report	IA assessment of current position	Details of current arrangements upon which IA based assessment	Action needed	Responsibility & Target Date
General					
2.1	Do we have a zero-tolerance policy towards fraud?	Substantial assurance	The authority has adopted a zero-tolerance stance on fraud and corruption and promotes this in relevant communications to staff.	No further action needed.	Internal Audit Ongoing
2.2	Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with *'Fighting Fraud Locally'*?	Good assurance	A coordinated approach to countering fraud and corruption at Leeds City Council has been developed based on the guidance detailed in CIPFA's *'Managing the risk of fraud' (Red Book 2)* that includes linked policies and strategies. We are also developing an action plan based on the draft corporate strategy detailing how we intend to work proactively in line with the modern approach to continually improve the level of assurance that can be provided on the prevention, detection and investigation of fraud and corruption. We are awaiting the publication of the National Fraud Authority's *'Fighting Fraud Locally'* prior to submitting our revised strategy and policies for approval to ensure they are aligned with the guidance within it.	The revised strategy and policies are to be reviewed against the best practice detailed within the NFA's *'Fighting Fraud Locally'* prior to publication. The revised strategy and policies should be approved by senior officers and councillors and publicised across the authority.	Internal Audit Counter Fraud and Corruption Team April 2012
2.3	Do we have dedicated counter fraud staff?	Substantial assurance	We have a dedicated Counter Fraud and Corruption Team within Internal Audit on which key staff are permanently included and additional resources deployed to it when necessary. There is a separate Benefits Fraud Investigations Team that works in partnership with the Department of Work and Pensions under the One City One Team arrangements.	No further action needed.	Internal Audit Benefits Fraud Investigations Team Ongoing
2.4	Do the resources cover all activities of our organisation?	Substantial assurance	Internal Audit and the Benefits Fraud Investigation Team work closely to ensure the corporate risk of not embedding an anti-fraud culture within Leeds City Council is appropriately managed. Counter fraud initiatives are also undertaken on specific fraud risks by teams within directorates which the Internal Audit Counter Fraud and Corruption Team always seeks to provide adequate support to.	No further action needed.	Internal Audit Benefits Fraud Investigations Team Directorates Ongoing

Completed "Checklist for those responsible for governance" and action plan

Ref	Question asked in Appendix 1 of PPP 2011 report	IA assessment of current position	Details of current arrangements upon which IA based assessment	Action needed	Responsibility & Target Date
2.5	Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	Substantial assurance	Information on the ongoing caseload and outcomes of proactive and reactive work of the Counter Fraud and Corruption Team are included in the bi monthly and annual Internal Audit reports to the Corporate Governance and Audit Committee (CGAC). Quarterly reporting on action taken to mitigate the corporate risk of Fraud and Corruption (LCC29) has taken place and this risk has now been downgraded to a directorate risk due to the work done on this area. Progress on investigations referred by whistleblowers and throughput statistics for such referrals have been provided to the Chief Executive and are to be provided to the Director of Resources on a quarterly basis. Ad hoc reports, such as that on our response to the introduction of the Bribery Act 2010 and 'Protecting the Public Purse 2010' are also produced and reported to the CGAC when appropriate.	No further action needed.	Internal Audit Counter Fraud and Corruption Team Ongoing
2.6	Have we assessed our management of counter-fraud work against good practice?	Substantial assurance	We reviewed our arrangements against CIPFA's *'Managing the risk of fraud'* *(Red Book 2)* and Protecting the Public Purse 2010. Any action needed identified from these reviews have subsequently been considered when developing our strategy and plans. We continually assess our arrangements against all key guidance issued and intend to carry out a detailed analysis of how we manage our counter-fraud work against *'Fighting Fraud Locally'* when it is published.	No further action needed.	Internal Audit Counter Fraud and Corruption Team Ongoing
2.7	Do we raise awareness of fraud risks: • With new staff (including agency staff); • With existing staff; • With elected	Good assurance	The Whistleblowing Policy is included in the first month checklist for all new staff. The Fraud and Corruption Policy and Whistleblowing Policies are both on the intranet and are publicised in relevant presentations and other staff communications, Presentations and workshops have been provided to key staff groups on Fraud Awareness and the Bribery Act and it has been suggested that such training is provided to members in addition to that they receive on the Code of Conduct. More regular reporting on fraud risks is now made to members on the Corporate Governance and Audit Committee (as detailed above in 2.6)	The Fraud and Corruption Policy/ Strategy, Whistleblowing and Raising Concerns Policies should be publicised in accordance with a risk based Communications Strategy upon approval by senior officers and members.	Internal Audit Counter Fraud and Corruption Team April 2012

Completed "Checklist for those responsible for governance" and action plan

Ref	Question asked in Appendix 1 of PPP 2011 report	IA assessment of current position	Details of current arrangements upon which IA based assessment	Action needed	Responsibility & Target Date
	members; and • With our contractors?		The organisations zero tolerance stance on bribery is currently being communicated to all contractors by the Corporate Procurement Unit. Consideration is also being given by the CPU to requiring all potential contractors being asked to submit a method statement on their approach to countering bribery at the tender stage to ensure we have 'adequate procedures' in place in line with the Bribery Act 2010.		
2.8	Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	Substantial assurance	We are members of the West and South Yorkshire Fraud Investigators Group, the national PriceWaterhouse Coopers Fraud Academy and Core Cities groups. We also receive bulletins from the National Fraud Authority (NFA), Walker Morris Solicitors and TIS On-line (CIPFA) to ensure we are aware of current fraud risks and issues.	No further action needed.	Internal Audit Counter Fraud and Corruption Team Ongoing
2.9	Do we work well with other organisations to ensure we effectively sharing of knowledge and data about fraud and fraudsters?	Good assurance	We are a member the West and South Yorkshire Fraud Investigator Group (SWYFIG) who share knowledge and data about fraud and fraudsters as much as possible after accounting for Data Protection legislation. We are developing our partnership links with the Department of Work and Pensions and the Police and currently share information on specific investigations with them via Data Protection Act requests and joint working arrangements.	Partnership working protocols should be developed and agreed with relevant external bodies that include details of data sharing arrangements for both investigative and proactive work.	Internal Audit Counter Fraud and Corruption Team December 2012
2.10	Do we identify where our internal controls may not be performing as well as intended? How quickly do we then take action?	Substantial assurance	Both general Internal Audit work and specific proactive counter fraud and corruption exercises, supported by appropriate whistleblowing arrangements and sound management across the authority to embed an anti-fraud culture should identify any significant systems weaknesses. Where weaknesses are identified recommendations are made to prevent future opportunities for fraud and/ or enable us to detect attempts at fraud more easily in conjunction with the responsible directorate staff. If significant recommendations are not accepted by management issues are reported to the Corporate Leadership Team (CLT) and Corporate Governance and Audit Committee (CGAC).	No further action needed.	Directorates Internal Audit Counter Fraud and Corruption Team Ongoing

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Completed "Checklist for those responsible for governance" and action plan

Ref	Question asked in Appendix 1 of PPP 2011 report	IA assessment of current position	Details of current arrangements upon which IA based assessment	Action needed	Responsibility & Target Date
2.11	Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on the matches investigated?	Acceptable assurance	This is currently reported to the Corporate Governance and Audit Committee by exception as part of the standard Internal Audit reporting arrangements.	To specifically report to the Corporate Governance and Audit Committee on NFI outcomes when work is completed.	Internal Audit Counter Fraud and Corruption Team Ongoing
2.12	Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	Substantial assurance	The Head of Internal Audit is the designated Money Laundering Reporting Officer (MLRO). A Money Laundering Policy and Guidance Notes are available for the majority of staff to access on the intranet.	Updates to the Anti-Money Laundering Policy and reporting arrangements should be publicised in accordance with a risk based Communications Strategy.	Internal Audit Ongoing
2.13	Do we have effective whistleblowing arrangements?	Substantial assurance	A whistleblowing hotline and a 'Concerns' e-mail address are in place that are checked on a daily basis. All whistle-blowing calls are logged and risk assessed to determine further action and the most appropriate investigator (Internal Audit or the directorate). The Whistleblowing and Raising Concerns Policies are to be reviewed against *'Fighting Fraud Locally'*.	Updates to the Whistleblowing and Raising Concerns Policies should be publicised in accordance with a risk based Communications Strategy. To undertake a review of the Whistleblowing and Raising Concerns Policies against *'Fighting Fraud Locally'* upon its publication.	Internal Audit Counter Fraud and Corruption Team Ongoing
2.14	Do we have effective fidelity insurance arrangements?	Substantial assurance	The Insurance Manager has advised Internal Audit that LCC has in force "Crime" insurance which provides a wider form of cover than the traditional "Fidelity Guarantee" policy wording. The policy covers losses up to £10m and LCC self insures the first £1m. This	No further action needed.	Insurance section Annual review

Completed "Checklist for those responsible for governance" and action plan

Ref	Question asked in Appendix 1 of PPP 2011 report	IA assessment of current position	Details of current arrangements upon which IA based assessment	Action needed	Responsibility & Target Date
			follows the principle by which large organisations achieve savings in insurance premium expenditure by insuring 'catastrophe' losses only and providing for attritional losses within revenue budgets.		
Fighting fraud with reduced resources					
2.15	Have we re-assessed our fraud risks since the change in the financial climate?	Substantial assurance	We continually assess our fraud risks and report on them on a quarterly basis as part of the risk management process. A specific fraud risk register is in place developed from our data on referrals, issues and trends identified from government, professional bodies and the press that is considered on a regular basis to ensure we are responsive to the latest trends and risks.	Continue to update the fraud risk register on a regular basis.	Internal Audit Counter Fraud and Corruption Team Ongoing
2.16	Have we amended our counter-fraud action plan as a result?	Substantial assurance	Our fraud and corruption team workplan is reviewed and amended on a weekly basis to ensure we are responsive to emerging risks, A formal proactive work plan detailing how we are to achieve our strategic aims is to be updated on a regular basis to ensure action is taken on all areas of counter fraud and corruption work.	Continue to update the proactive workplan on a regular basis to demonstrate achievement of longer term strategic aims.	Internal Audit Counter Fraud and Corruption Team Ongoing
2.17	Have we reallocated staff as a result?	Substantial assurance	The Counter Fraud and Corruption Team has commenced proactive work on data matching in conjunction with a leading credit reference agency and additional staff have been added as a result. The adequacy of the allocation of staff to counter fraud and corruption is considered within the wider Internal Audit workplan which is flexed in order to meet requirements as far as overall resources allow.	No further action needed.	Chief Officer Audit and Risk As needed
Current risks and issues					
Housing Tenancy					
2.18	Do we take proper action to ensure that social housing is allocated only to those who are	Good assurance	The Housing Partnership team in Environment and Neighbourhoods introduced an ALMO/ BITMO Assurance Framework in 2010/11 to provide assurance that all risks transferred through the delegation of functions to the ALMO / BITMO are being appropriately managed and monitored. As part of Internal Audit work on this framework undertaken on a cyclical basis,	No further action needed.	Housing Partnership team in Environment and Neighbourhoods (formerly Strategic Landlord)/ ALMO's/

Ref	Question asked in Appendix 1 of PPP 2011 report	IA assessment of current position	Details of current arrangements upon which IA based assessment	Action needed	Responsibility & Target Date
	eligible?		it has been confirmed that there are policies and procedures are in place to ensure only eligible people are allocated properties. The application processing system requires Housing Officers to assess eligibility when a new application is processed, and again prior to the tenant being signed up for the property. This includes specifying the documentation required to confirm this.		Internal Audit Ongoing
2.19	Do we ensure that social housing is occupied by those to whom it is allocated?	Substantial assurance	The Housing Partnerships team uses NFI matches to identify potential fraud cases and is to use their remaining CLG funding on data matching reports generated by Internal Audit and our credit reference agency partner to identify further fraudulent housing tenancies.	No further action needed.	Housing Partnerships team (as above)/ ALMO's/ Internal Audit Ongoing
Procurement					
2.20	In the context of fraud are we satisfied our procurement controls are working as intended?	Acceptable assurance	Procurement fraud is included as a key risk in the Fraud Risk Register. Internal Audit undertakes detailed compliance work on the register of interests and procurement processes and reviews of major LCC and ALMO contracts to provide assurances on the processes in place. These reviews have found that our procurement controls are in need of improvement and to address this a Procurement Transformation Board (PTB) has been established to monitor progress against recommendations made. The Corporate Procurement Unit has recently updated the authority's standard contract terms and conditions to account for the introduction of the Bribery Act 2010 by including fraud as a 'prohibited act' that can result in the termination of a contract. Abuse of the expenditure and creditor information that local authorities are now required to publish under the CLG transparency code has also been identified in PPP 2012 as an emerging risk area. Testing on our controls on changes to creditor bank details is included in the scope of the annual fundamental audit on the Creditors system to obtain assurance we are not subject to this type of fraud.	Joint proactive fraud work should be undertaken by the Corporate Procurement Unit and Internal Audit to ensure we adopt a holistic approach to tackling procurement fraud.	Internal Audit Corporate Procurement Unit Creditor Payments Team (BSC) Ongoing

Completed "Checklist for those responsible for governance" and action plan

Ref	Question asked in Appendix 1 of PPP 2011 report	IA assessment of current position	Details of current arrangements upon which IA based assessment	Action needed	Responsibility & Target Date
2.21	Have we reviewed our contract letting procedures since the investigations by the OFT into cartels and compared them with best practice?	Acceptable assurance	The latest version of the contract procedure rules were issued in July 2011. This review considered the OFT findings and referred to the latest best practice.	No further action needed.	Corporate Procurement Unit
Recruitment					
2.22	Are we satisfied our recruitment procedures achieve the following? • Do they prevent us employing people working under false identities? • Do they confirm employment references effectively? • Do they ensure applicants are eligible to work in the UK? • Do they require agencies supplying us with staff undertake the checks that we require?	Acceptable assurance	Internal Audit has been advised that staff on the BSC Recruitment Administration team check identification and ask that recruiting managers verify the documentation to certify that it is a true likeness; and check work permits and if there is any uncertainty regarding an individuals right to work in the UK contact the Home Office for additional verification. However, unless it a safer recruitment post employment references are accepted on face value. If they are safeguarding posts the referees are contacted to verify their details by the recruiting managers. The bi- annual NFI includes various matches to identify any staff who are working under false identities or who are not eligible to work in the UK should initial recruitment checks not flag up any issues. The Comensura contract which covers the engagement of the majority of agency staff used by LCC states that all recruitment agencies are required to hold standard documentation for all temporary workers supplied by them.	To undertake an audit of the recruitment procedures in place to protect us from fraud. To obtain assurance that audit checks are being undertaken on agency staff working for us in line with our contractual agreements for their supply.	Internal Audit April 2012

Completed "Checklist for those responsible for governance" and action plan

Ref	Question asked in Appendix 1 of PPP 2011 report	IA assessment of current position	Details of current arrangements upon which IA based assessment	Action needed	Responsibility & Target Date
Personal budgets					
2.23	Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding arrangements proportionate to risk and in line with recommended good practice?	Acceptable assurance	Internal Audit undertook a brief systems review of the Self Directed Support (direct payments) team and made recommendations to improve controls. The Senior Finance Officer on the Direct Payments (Audit) team has advised Internal Audit that the Direct Payments are audited at the three month stage and thereafter after 12 months unless a customer is thought to need additional support in order to safeguard their interests, in which case their expenditure is audited every three months. Where concerns are held regarding how the monies have been spent the relevant ASC team is informed and they decide whether to replace the direct payment with an alternative service. Customers are informed of this audit process at the initial agreement stage and the agreement is currently being rewritten to be more specific about what the monies can be used for.	To establish joint working arrangements between Internal Audit and the Direct Payments team for both proactive and reactive counter fraud work in this area.	Adult Social Care Finance Team Internal Audit June 2012
2.24	Have we updated our whistleblowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?	Good assurance	The published LCC Whistleblowing and Raising Concerns policies already state they should be used to raise any concerns held regarding unlawful activity or improper conduct. However these need to be updated to make specific reference to the safeguarding of children and young people (in line with the guidance given on the Ofsted Safeguarding Children hotline web pages) and regarding concerns held about direct payments abuses.	To amend the draft Whistleblowing and Raising Concerns Policies to specifically included reference to direct payments fraud concerns and promote whistleblowing arrangements further to staff and members of the public.	Adult Social Care Internal Audit April 2012
Council Tax					
2.25	Are we effectively controlling the discounts and allowances we give to council taxpayers?	Substantial assurance	Action is already being taken to address the risk of single person discount (SPD) fraud through the data matching work of Internal Audit with a leading credit reference agency which commenced in September 2011. It is also intended to use data matching to identify potentially fraudulent empty property discounts. Current procedure is to cancel invalid claims identified, and attempt to reclaim any lost revenue rather than record and prosecute them as fraud.	The adequacy of the checking process for each kind of Council Tax discount should be reviewed as part of the 2011/12 fundamental audit in this area.	Internal Audit Counter Fraud and Corruption Team Head of Revenues and Benefits/ Council Tax

Completed "Checklist for those responsible for governance" and action plan

Ref	Question asked in Appendix 1 of PPP 2011 report	IA assessment of current position	Details of current arrangements upon which IA based assessment	Action needed	Responsibility & Target Date
			The Council Tax section has various controls in place to check the eligibility of householders claiming other Council Tax discounts, such as those for students and the disabled. A sample of accounts with such discounts are then checked for adequacy on a cyclical basis by Internal Audit.	Consideration should be given to undertaking proactive fraud work on student exemption fraud on a similar basis to that used by other core cities.	Manager April 2012
Housing and council tax benefits					
2.25	In tackling housing and council tax benefit fraud do we make full use of the following? • National Fraud Initiative (NFI); • Department for Work and Pensions Housing Benefit matching service? • Internal data matching? • Private sector data matching?	Substantial assurance Substantial assurance Substantial assurance Good assurance	The Housing Benefit Fraud Investigations Team (One City One Team) data matches using both the NFI (which includes internal data matching) and DWP HBMS to identify potential cases for investigation. They also undertake internal data matching work to the benefits claims on Academy on an ad hoc basis. The team is also currently in the early stages of data matching with selected private sector data employers payroll systems to proactively identify potentially fraudulent claims for investigation,	No further action needed.	Benefits Fraud Investigation Team Ongoing

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Report author: P Garnett

Tel: (0113) 395 1632

Report of Director of Resources

Report to Corporate Governance and Audit Committee

Date: 23rd January 2012

Subject: Work Programme

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

Summary of main issues

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

2. The draft work programme is attached at Appendix 1.

Recommendations

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

1 Purpose of this report

1.1 The Purpose of this report is to notify Members of the Committee of the draft work programme. The draft work programme is attached at Appendix 1.

2 Background information

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

3 Main issues

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

3.2   The draft work programme is attached at Appendix 1.

4   Corporate Considerations

4.1   Consultation and Engagement

4.1.1   This report consults Members on the content of the work programme of the Committee.

4.2   Equality and Diversity / Cohesion and Integration

4.2.1   No significant issues.

4.3   Council Policies and City Priorities

4.3.1   This report helps support the implementation of the Code of Corporate Governance.

4.4   Resources and Value for Money

4.4.1   It is in the best interests of the Council to have sound control arrangements in place to ensure effective use of resources, these should be regularly reviewed and monitored as such the work programme directly contributes to this.

4.5   Legal Implications, Access to Information and Call In

4.5.1   This report is not an executive function and is not subject to call in.

4.6   Risk Management

4.6.1   By the Committee being assured that effective controls are in place throughout the Council the work programme promotes the management of risk at the Council.

4.6.2   The work programme adopts a risk based approach to the significant governance arrangements of the Council.

5   Conclusions

5.1   The work programme of the Committee should be reviewed regularly and be updated appropriately in line with the risks currently facing the Council.

6   Recommendations

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

CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
February 27th - 2012		
Value For Money Arrangements	To receive a report providing assurance that effective arrangements are in place to buy goods and services that give value for money	Chief Officer (Audit and Risk) Tim Pouncey
Effectiveness of Financial Management Arrangements	To receive a report providing assurance and the systems and procedures in place to ensure that the Council delivers sound financial planning and management ensuring maintenance of adequate reserves	Chief Officer (Financial Management) Doug Meeson
KPMG Financial Statements Audit Plan and VFM Audit plan including 2012 Audit Fee	To receive a report detailing the financial statements audit plan. Value for Money Audit Plan and Financial Statement Audit Plan.	Chief Officer (Financial Management) Doug Meeson
KPMG Certification of Grants and Returns	To receive a report summarising the outcome of KPMG's certification work on the Authority's 2009/10 grants and returns	Chief Officer (Financial Management) Doug Meeson
Procurement Policies and Procedure.	To receive a report providing assurance that the procurement policies and procedures in place at the Council are fit for purpose and help achieve value for money.	Director of Resources Alan Gay
March 28th - 2012		
Information Security Annual Report	To receive a report on the Council's Information Security arrangements.	Chief Officer (Intelligence and Improvement) Lee Hemsworth
Effectiveness of the Corporate Governance and Audit Committee	To receive a report providing assurance on the effectiveness of the Corporate Governance and audit Committee	Chief Officer (Audit and Risk) Tim Pouncey/ Head of Governance Services Andy Hodson
Business Continuity Arrangements	To receive a report providing assurance on the adequacy of policies and practices surrounding Business Continuity arrangements	Chief Officer (Audit and Risk) Tim Pouncey

CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
April 23rd - 2012		
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
Decision Making Framework; Annual Assurance Report	To receive a report presenting the outcome of the monitoring process relating to Key and Major decisions.	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. (This report is part of the committee's annual work programme)	Strategic Landlord Liz Cook
Annual Report on Planning Framework	To receive the Annual report on the Planning Framework and the assurance that is provides	Chief Planning Officer Phil Crabtree
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
June 2012 (date to be confirmed)		
Annual Report on Risk Management	To receive a report regarding the Council's risk management arrangements. (Part of the Committee's annual work programme)	Chief Officer (Audit and Risk) Tim Pouncey

CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
KPMG – Interim Audit report	To receive a report summarising the results from the preliminary stages of KPMG's audit, including testing of financial and other controls	Chief Officer (Financial Management) Doug Meeson
July 2012 (date to be confirmed)		
No items Currently Scheduled		
September 2012 (date to be confirmed)		
KPMG – Report to those charged with governance	To receive a report summarising the results of the 2011/12 audit including key issues and recommendations raised as a result of our observations	Chief Officer (Financial Management) Doug Meeson
November 2012 (date to be confirmed		
KPMG – Annual Audit Letter	To receive a report providing a summary of the results of the audit for 2011/12	
Un-scheduled items for 2011/12		
Future Development in Accounting Standards	To receive a report detailing the effect of Future developments in Accounting Standards that will effect the Council	Chief Officer (Financial Management) Doug Meeson
Review of the Code of Corporate Governance	To receive a report reviewing the code of corporate governance	Head of Governance Services Andy Hodson
Leeds City Region – Local Enterprise Partnership Governance	To receive a report updating the Committee on the Governance arrangements surrounding the Leeds City Region	Chief Officer (Localities and Partnerships)
Localism Bill	To receive a report updating the committee on the latest developments affecting Standards Committee in the Localism Bill	Head of Governance Services Andy Hodson
Local Public Audit	To receive a report updating the Committee on the latest developments from the department for Communities and Local Government with regards to Local Public Audit	Chief Officer (Audit and Risk) Tim Pouncey

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