



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Wednesday, 4th July, 2012
at 2.00 pm

MEMBERSHIP

Councillors

P Grahame
N Taggart
T Hanley
G Hussain
T Murray
E Taylor
J Illingworth

J Bentley

C Fox
R Wood

J Elliott

A G E N D A

Item No	Ward	Item Not Open		Page No
1			<p>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</p> <p>To consider any appeals in accordance with Procedure Rule 25 of the Access to Information Procedure Rules (in the event of an Appeal the press and public will be excluded).</p> <p>(*In accordance with Procedure Rule 25, written notice of an appeal must be received by the Head of Governance Services at least 24 hours before the meeting)</p>	
2			<p>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</p> <p>1 To highlight reports or appendices which officers have identified as containing exempt information, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.</p> <p>2 To consider whether or not to accept the officers recommendation in respect of the above information.</p> <p>3 If so, to formally pass the following resolution:-</p> <p>RESOLVED – That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows:-</p>	

Item No	Ward	Item Not Open		Page No
3			<p>LATE ITEMS</p> <p>To identify items which have been admitted to the agenda by the Chair for consideration.</p> <p>(The special circumstances shall be specified in the minutes)</p>	
4			<p>DECLARATION OF DISCLOSABLE PECUNIARY AND OTHER INTERESTS</p> <p>To disclose or draw attention to any disclosable pecuniary interests for the purposes of Section 31 of the Localism Act 2011 and paragraphs 13-18 of the Members' Code of Conduct. Also to declare any other significant interests which the Member wishes to declare in the public interest, in accordance with paragraphs 19-20 of the Members' Code of Conduct.</p>	
5			<p>APOLOGIES</p> <p>To receive any apologies for the meeting.</p>	
6			<p>MINUTES OF THE PREVIOUS MEETING</p> <p>To confirm as a correct record the minutes of the meeting held on 23rd April 2012.</p>	1 - 6
7			<p>CHAIR'S REMARKS</p> <p>To receive any remarks which the Chair wishes to make.</p>	
8			<p>KPMG - INTERIM AUDIT REPORT</p> <p>To receive a report of the Director of Resources which identifies the findings from KPMG's interim audit work in relation to the 2011/12 financial statements and the initial work undertaken to support their 2011/12 Value for Money conclusion.</p>	7 - 34

Item No	Ward	Item Not Open		Page No
9			<p>THE STATEMENT OF ACCOUNTS 2011/12</p> <p>To receive a report of the Director of Resources presenting to the Committee the 2011/12 Statement of Accounts for Leeds City Council prior to them being made available for public inspection.</p>	35 - 44
10			<p>ROLE OF THE PEOPLE PLAN IN CORPORATE GOVERNANCE</p> <p>To receive a report of the Chief Officer (Human Resources) providing a report outlining the role of the Council's People Plan and how it aligns with the council's Code of Corporate Governance in respect of: the appraisal process; employee engagement, workforce planning and control of the Council's budget.</p>	45 - 52
11			<p>COUNCIL HOUSING ASSURANCE FRAMEWORK 2011-12</p> <p>To receive a report of the Chief Statutory Housing Services Officer providing assurance to the Committee of the outturn of the Assurance Framework for Council housing management in 2011/12, and the ALMO commissioned audits.</p>	53 - 64
12			<p>ANNUAL ASSURANCE REPORT ON RISK & PERFORMANCE MANAGEMENT</p> <p>To receive a report of the Director of Resources and Assistant Chief Executive, Customer Access & Performance providing the Committee with assurances on the strength of the Council's risk and performance management arrangements and is an important source of evidence for the Annual Governance Statement due to be approved by the Committee in September.</p>	65 - 72
13			<p>WORK PROGRAMME</p> <p>To receive a report of the Director of Resources notifying and inviting comment from the Committee on the work programme.</p>	73 - 78

Agenda Item 6

Corporate Governance and Audit Committee

Monday, 23rd April, 2012

PRESENT: Councillor G Driver in the Chair
Councillors P Grahame, C Campbell,
G Kirkland, A Lowe, W Hyde, T Hanley,
C Fox and G Hussain

Apologies Councillor J Elliot and Mr Tollefson

99 Appeals Against Refusal of Inspection of Documents

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

100 Exempt Information - Possible Exclusion of the Press and Public

There were no exemptions to exclude the public.

101 Late Items

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

102 Declaration of Interests

Councillor Driver declared a personal interest in Agenda item 8 – as a Member of the Leeds City Council Joint Plans Panel and City Centre Plans Panel (Minute No.106 refers)

Councillor Driver also declared a person interest in Agenda item 10 – as a Board Member of Belle Isle Tenant Management Organisation. (Minute No. 108 refers)

Councillor Lowe declared a personal interest in Agenda item 10 – Internal Audit Report – as a Board Member of West North West Homes.

103 Apologies For Absence

Apologies for absence were received from Councillor J Elliot and Mr G Tollefson.

104 Minutes of the Previous Meeting

The minutes of the Corporate Governance and Audit Committee meeting held on 27th March 2012 were approved as a correct record.

Draft minutes to be approved at the meeting
to be held on 4th July 2012

105 Chair's Remarks

The Chair informed the Committee that this would be his last meeting as a Member of the Committee as he was not standing for re-election at the forthcoming elections in May.

The Chair gave a detailed update of the latest position with regards to the future appointment of External Auditors. At a recent core city meeting there has been an expression of interest in creating a mutual independent audit appointment panel which would consider the appointment of External Auditors across the core cities.

The Chair invited the Chief Officer (Audit and Risk) to comment on a recently received letter from the Audit Commission which will be circulated to Members of the Committee. In summary the letter seeks consultation on the appointment of External Auditors and whether KPMG should be re-appointed for a further five years.

Concerns were raised about whether the Audit Commission would have capacity to monitor the contract over the longer term, particularly, in light of the recent government announcements. Members were informed at this point that the Audit Commission are likely to continue to exist in order to oversee any contracts let. Members also discussed the implication of external auditors remaining in position for a number of years and the impact this could have on the relationship with the Council. The Chief Officer (Audit & Risk) explained the arrangements for the rotation of lead partners within audit firms to mitigate any risk of this nature. Members also questioned whether indeed the Council had any choice in practice and what, if any, was the alternative to the reappointment of KPMG. Discussion turned to the arrangements to ensure a value added service from KPMG given the overall length of the contract. It was decided that the consultation response should reflect concerns over the Audit Commission's arrangements to quality assure the contract.

Members also discussed the likely reduction in the audit fee and the Chief Officer (Audit & Risk) explained that the Audit Commission will continue to set the fee scale for the Council and the expectation that the actual fee payable would be within this fee scale, depending on the risks associated with the audit. Members also discussed the scope of the audit and the arrangements whereby the National Audit Office would take over producing the Code of Audit Practice and therefore the definition of the scope.

It was agreed that the Chief Officer (Audit & Risk) would respond to the Audit Commission's consultation and take into account the views expressed by the Corporate Governance and Audit Committee.

(Councillor W Hyde entered the meeting at 2:30pm during the discussion of this item)

106 Assurances of the process by which planning decisions are taken by the Council

The Head of Planning Services presented a report of the Chief Planning Officer. The report responded to the request of the Committee to set out the arrangements in respect of planning decisions taken by the Council in 2011/12. The report provided assurances to the Committee as to the operation of the arrangements and processes that are in place, ensuring they are up to date, accountable, transparent, have integrity, and are effective and inclusive. The report also outlined the arrangements that are in place to underpin the decision making process within the remit of the Chief Planning Officer: which are planning decisions taken by the Plans Panels and planning decisions taken by officers under delegated authority.

Members discussed the report in detail. Consideration was given to monitoring the decisions made by officers in relation to planning and the best way of achieving assurance that decisions made were correct.

it was considered that those Members not on the Plans Panels should receive more training with regards to planning so that they can better advise on queries received from constituents.

RESOLVED – The Committee resolved to:

- (a) note the contents of the report;
- (b) receive a report on planning decisions on an annual basis; and
- (c) refer the matter of Member training to the Head of Scrutiny and Member Development for further consideration with the Chief Planning Officer.

107 Annual Statement on Community Engagement

The Chief Officer (Leeds Initiative and Partnerships) presented a report of the Assistant Chief Executive (Customer Access and Performance). The report provided assurance to the Committee on the Council's ability to support residents' involvement in decision making and the development of services. The report considered the effectiveness of governance controls currently in place for these arrangements as well as progress in 2011/12 and key improvements planned for 2012/13.

Members considered the report and expressed the view that they felt that Members needed to have greater involvement in this process, with Executive Members, Area Committees, Scrutiny Boards and individual Ward Members having a key role to play, in ensuring appropriate engagement activity is undertaken and is taken into account in the decision making process

Members also felt that following consultation of local people it was essential to act upon their views.

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

108 Internal Audit Report

The Head of Internal Audit presented a report of the Director of Resources. The report provided a summary of internal audit activity for the period to March 2012 and highlighted the incidence of any significant control failings or weaknesses.

The Head of Audit took Members through the key issues in section 2 of the Internal Audit report March 2012 attached at Appendix 1 of the report.

Members sought further clarification of audit findings relating to the procedures in ALMOs which ensure that the date of registration is consistently documented within the housing allocation process. Members felt that they would like this area exploring in greater detail in the next Internal Audit report;

Members explored issues relating to potential cheque fraud and whether this was a major problem which needed more resources to look in to it.

Members also asked questions of the Head of Internal Audit in relation to sampling techniques for audit testing and assurance levels given by the Internal Audit service.

RESOLVED – The Committee resolved to:

- (a) note the work undertaken by Internal Audit during the period covered by the report; and
- (b) that the Head of Internal Audit further explore the date of registration issues raised and report back within the next scheduled Internal Audit report to the Committee.

(Councillor Lowe left the meeting during the consideration of this item at 3:35pm)

109 Update on Changes to Accounting Practice impacting on the 2011/12 Accounts.

The Principal Finance Manager presented a report of the Director of Resources. The report outlined the major changes to legislation and accounting practice which will impact on the 2011/12 accounts.

RESOLVED – The Committee resolved to note the impact of the new accounting and legislative requirements on the Council's 2011/12 accounts.

110 Financial Procedure Rules

The Principal Audit Manager presented a report of the Director of Resources. The report informed Members of the rationale behind the current update to the Financial Procedure Rules.

RESOLVED – The Committee resolved to:

- (a) note the contents of the report; and
- (b) request a report in a years time to ensure the revised FPRs have achieved what they set out to do.

111 Corporate Governance and Audit Committee

The Governance Officer presented a report of the Director of Resources. The report presented the Committee's Annual report to Members.

The Committee explored whether the annual report might be received by Executive Board to further promote the work of the Committee.

RESOLVED – The Committee Resolved to:

- (a) note the contents of the report; and
- (b) ask the Chief Officer Audit and Risk and the Head of Governance Services to bring forward a further refined work programme for consideration at the first meeting of the municipal year in July.

112 Work Programme

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

The Committee reviewed its forthcoming work programme.

RESOLVED - The Committee resolved to note the work programme.

At the close of business, the Chair expressed his thanks for the support of Members and Officers throughout the municipal year 2011/12.

Members responded by thanking Cllr Driver for Chairing the Committee's meetings over the last two municipal years and for all his hard work in guiding the Committee. Members and Officers also wished Cllr Driver a happy retirement from public office.

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Report of the Director of Resources

Report to Corporate Governance and Audit Committee

Date: 4th July 2012

Subject: KPMG Interim Audit Report

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

Summary of main issues

KPMG have completed their interim work on the controls on the Council's systems and procedures which underpin the Council's financial statements. Overall they have concluded that they are effective.

KPMG have however identified a number of minor control weaknesses in respect of some ICT and the Council's payroll system which require strengthening. This may result in the need for some additional audit work when completing the audit of the 2011/12 accounts.

Full reliance can and has been placed on the work of Internal Audit.

An initial review of the Council's approach to new accounting requirements for 2011/12 has found no issues.

In respect of the Value For Money (VFM) conclusion, it is acknowledged that the Council has achieved its savings target for 2011/12. KPMG will be completing further work around the Medium Term Financial Plan and the 2012/13 budget before reaching their VFM conclusion in September.

Recommendations

It is recommended that Members note the positive assurances provide by KPMG on the systems and controls which underpin the Council's financial statements.

1 Purpose of this report

- 1.1 In line with the audit plan presented to this Committee in February, this report identifies the findings from KPMG's interim audit work in relation to the 2011/12 financial statements and the initial work undertaken to support their 2011/12 Value for Money conclusion. KPMG's full Interim Report is attached as **Appendix 1**.

2 Background information

- 2.1 A significant proportion of the accounts audit is completed before KPMG receive the Council's financial statements. This initial audit work is designed to gain assurances on the Council's controls and procedures in order to minimise the audit coverage required at the final audit stage. The main procedures and controls assessed at this interim audit stage are as follows:

- § review of the Authority's accounts production process, including work to address prior year audit recommendations and the risk areas identified for this year;
- § review of the Authority's general control environment, including the IT, Organisational and key financial systems;
- § review of the internal audit function to determine if they could place reliance upon their work.

- 2.2 In addition to the interim work on the audit of the final accounts, KPMG have also undertaken the initial work on the 2011/12 Value for Money conclusion.

- 2.3 This covering report highlights the main findings of this audit work with the detailed results shown in the attached KPMG report.

3.0 Main issues

- 3.1 The key findings of KPMG's interim audit are as follows:

- § The accounts process: There are no issues identified to date in respect of the progress towards identifying and valuing heritage assets. In addition, officers have enlarged the sample of property valuations in order to further justify the Council's componentisation policy. Both are subject to further testing as part of the in the main audit work in August and any findings will be reported back to members of this Committee in the External Auditors ISA 260 report in September.
- § Organisational control environment: Overall control is effective and there are no issues or areas for improvement identified.
- § IT controls: Overall the Council has effective IT controls and KPMG have identified only two low risk recommendations for 2011/12. In addition, one recommendation from 2010/11 was only partially complete in respect of access monitoring for the Council Tax, NNDR and Housing management systems. These issues and any management responses and timescales for implementation are highlighted in appendix 3 and 4 of the attached KPMG report.
- § Financial systems: For 2011/12 KPMG have identified two control weaknesses, one in respect of the payroll system and the other in respect of ordering and payments (see appendix 1 of the attached KPMG report). In addition there is one outstanding issue from the 2010/11 interim audit in respect of the overtime

payment authorisation controls. Whilst it is recognised that there are some compensating controls in place, KPMG will follow up progress on the payroll related issues in order to conclude as to whether this will impact on KPMG's approach to the year end testing of payroll as part of the final accounts audit.

3.2 Full reliance can and has been placed on the work of Internal Audit and KPMG have confirmed that Internal Audit have complied with the Code of Practice for Internal Audit in Local Government.

3.3 In respect of the Value for Money (VFM) conclusion, KPMG interim audit work has concentrated on the 2011/12 financial position. KPMG will be completing further work around the Medium Term Financial Plan and the 2012/13 budget before reaching it's VFM conclusion in September.

4.0 Corporate Considerations

4.1 Consultation and Engagement

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

4.2 Equality and Diversity / Cohesion and Integration

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

4.3 Council policies and City Priorities

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

4.4 Resources and value for money

4.4.1 The report highlights the auditor's work towards assessing whether the Council has proper arrangements for securing value for money.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The report does not require a key decision and is therefore not subject to call-in.

4.6 Risk Management

4.6.1 The attached report from KPMG contains responses from officers on the progress towards reducing the risks identified.

5.0 Conclusions

5.1 A summary of the main issues identified by KPMG's Interim report are as follows:

- § The Council's organisational controls are effective overall and there are no weaknesses that will have an impact on KPMG's audit strategy.
- § Full reliance could be placed on the work of Internal Audit.
- § The process for completing the Council's financial statements is adequate and there are no key issues identified to date.
- § The controls over the Council's key financial systems are generally sound, although further audit work maybe required in respect of the payroll system.

5.2 In respect of the VFM conclusion, the Authority has achieved its savings target for 2011/12. KPMG will be completing further work around the Medium Term Financial Plan and the 2012/13 budget before reaching it's VFM conclusion in September.

6.0 Recommendation

6.1 It is recommended that Members note the positive assurances provide by KPMG on the systems and controls which underpin the Council's financial statements.

7.0 Background documents¹

7.1 KPMG External Audit Plan 2011/12

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.



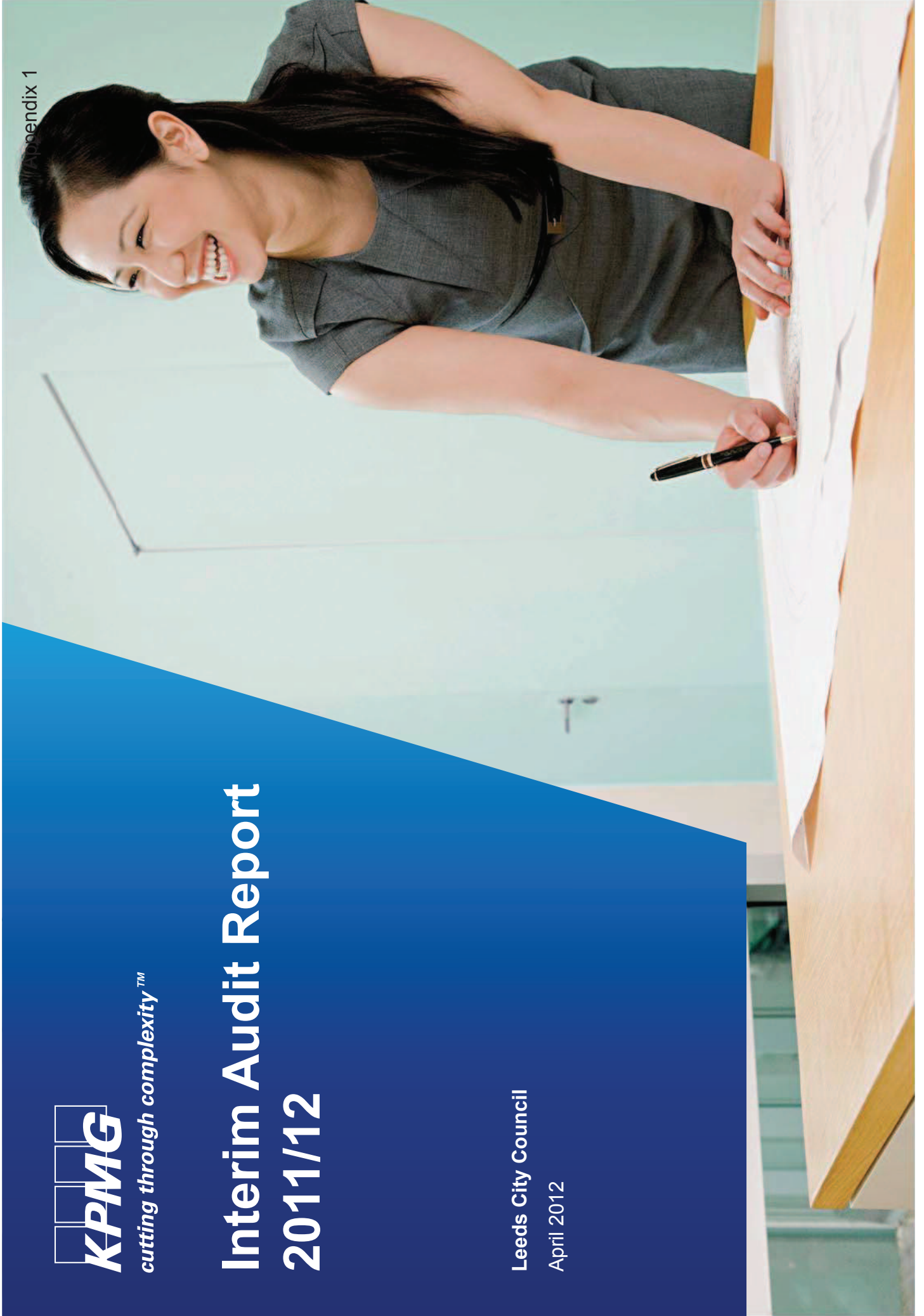
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Interim Audit Report 2011/12

Leeds City Council

April 2012

Appendix 1



The contacts at KPMG in connection with this report are:

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2. Follow-up of prior year recommendations (accounts)	18
3. Key issues and recommendations (IT)	20
4. Follow-up of prior year recommendations (IT)	21

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Mike McDonagh, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, telephone (minicom) 020 7630 0421.

This document summarises the key findings arising from our work to date in relation to both the audit of the Authority's 2011/12 financial statements and the 2011/12 VFM conclusion.

Scope of this report

This report summarises the key findings arising from:

- our interim audit work at Leeds City Council (the Authority) in relation to the 2011/12 financial statements; and
- our work to support our 2011/12 value for money (VFM) conclusion up to April 2012.

Financial statements

Our *External Audit Plan 2011/12*, presented to you in February 2012, set out the four stages of our financial statements audit process.



During March and April 2012 we completed our planning and control evaluation work. This covered our:

- review of the Authority's general control environment, including the Authority's Information Technology (IT) systems;
- testing of certain controls over the Authority's key financial systems with the help of Internal Audit;
- assessment of the Internal Audit function; and
- review of the Authority's accounts production process, including work to address the prior year audit recommendations and the specific risk areas we have identified for this year.

VFM conclusion

Our *External Audit Plan 2011/12* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have completed some early work to support our 2011/12 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas; and
- identifying what additional risk-based work we will need to complete.

Structure of this report

This report is structured as follows:

- Section two summarises the headline messages.
- Section three sets out our key findings from our interim audit work in relation to the 2011/12 financial statements.
- Section four outlines our key findings from our work on the VFM conclusion.

Matters arising from our work are included in Appendices one and three with recommendations made where appropriate. We have also reviewed your progress in implementing previous recommendations and these findings are detailed in Appendices two and four.

Acknowledgements

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

This table summarises the headline messages. The remainder of this report provides further details on each area.

<p>Organisational and IT control environment</p>	<p>Your organisational and IT control environments are effective overall.</p> <p>We have identified some minor control weaknesses in relation to physical access to server rooms and the retention of appropriate evidence for new starters who were granted access to FMS (the general ledger).</p> <p>Of the two recommendations made by us in 2010/11 in relation to the IT control environment, one has been fully implemented and one remains outstanding in relation to the review of access rights to the Council Tax and NNDR system and the housing management system.</p> <p>These are detailed further in Appendices three and four.</p>
<p>Controls over key financial systems</p>	<p>The Authority has generally sound controls over its key financial systems, however some control weaknesses were identified by Internal Audit with regards to:</p> <ul style="list-style-type: none"> ■ changes made to payroll in respect of leavers and amendments to standing data; and ■ ordering and payments. <p>In Appendix one we have explained the impact of Internal Audit's findings for our financial statements audit work.</p> <p>We have yet to finalise all of our controls work regarding fixed assets and financial reporting (due to a number of controls operating only at year-end) and budget monitoring, which Internal Audit had not yet tested.</p>
<p>Review of Internal Audit</p>	<p>We were able to place full reliance on Internal Audit's work on the key financial systems and are satisfied that they are compliant with the <i>Code of Practice for Internal Audit in Local Government</i>.</p>

<p>Accounts production and specific risk areas</p>	<p>The Authority has met key closedown milestones. We noted the following in respect of specific risk areas:</p> <p>Financial standing (savings plans) – The Authority has achieved its £90 million savings in 2011/12 and overall is £1.5 million under spent compared to the original budget at year-end, after taking account of £3.6 million strategic net savings. The provision for Early Leavers was also not fully utilised in the year due to costs being met from unplanned, in-year budget savings.</p> <p>Component accounting – The Authority continues to account for HRA assets on a non-component basis. The Authority has commissioned a larger sample of property valuations to support this policy in 2011/12 and this exercise is still ongoing. The results will be reviewed at year-end to ensure that they support the policy in place.</p> <p>Code changes – We reviewed the Authority’s process for identifying and valuing to heritage assets to gain assurance that this was reasonable. Heritage assets are likely to be material and therefore the Authority will be required to make a prior period restatement.</p>
<p>VFM work</p>	<p>Our work over the value for money conclusion is still largely ongoing. We have monitored the financial position of the Authority over the last few months in respect of financial resilience. The current year’s financial position is summarised above. Over the coming months we will complete further work around the Medium Term Financial Plan and the 2012/13 budget.</p> <p>Following discussions with management we have agreed to facilitate a workshop for the Authority regarding the transfer of Public Health services from the Primary Care Trust to the Authority. This will focus on a discussion of the key risks and how the Authority plans to mitigate those risks.</p>

Your organisational control environment is effective overall.

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

In previous years we used our work on the Use of Resources assessment to inform our findings in these areas. Due to the reduced scope of the VFM assessment we have to complete more specific work to support our financial statements opinion.

We obtain an understanding of the Authority’s overall control environment and determine if appropriate controls have been implemented.

Key findings

We found that your organisational control environment is effective overall. We did not identify any issues or areas for improvement.

Aspect	Assessment
Management’s philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Related parties	3
Risk assessment process	3
Internal communications	3
External communications	3
Monitoring process	3
Monitoring information	3

Key:

- 1 Significant gaps in the control environment.
- 2 Deficiencies in respect of individual controls.
- 3 Generally sound control environment.

Your IT control environment is effective overall.

We noted three areas for further improvement:

- Academy and Orchard user access monitoring;
- FMS access for new starters; and
- Physical access to server rooms.

Work completed

The Authority relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the IT systems and processes, we obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

The controls we review include those over access to systems and data, system changes, system development and computer operations

Key findings

We found your IT control environment is effective overall but we noted three areas for further improvement.

We have raised two low priority recommendations in relation to FMS access for new starters and physical access to server rooms. In addition one medium priority recommendation in relation to Academy and Orchard user access monitoring remains outstanding from the prior year. We have assessed this as outstanding because the evidence of review of the user access was not retained by officers.

Addressing these recommendations should help to strengthen processes in relation to management of access to the Authority's key IT systems relevant for the external audit.

Recommendations are included in Appendix three.

Aspect	Assessment
Access to systems and data	2
System changes and maintenance	3
Development of new systems and applications	3
Computer operations, incl. processing and backup and end-user computing	3

Key:

- 1 Significant gaps in the control environment.
- 2 Deficiencies in respect of individual controls.
- 3 Generally sound control environment.

The controls over all of the key financial systems are generally sound.

However, there are some weaknesses in respect of Payroll.

We will need to complete additional substantive work in these areas at year-end.

Work completed

We work with your Internal Auditors to update our understanding of the Authority's key financial processes where these are relevant to our final accounts audit. We confirm our understanding by completing walkthroughs for these systems.

We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a key system will not always be in line with the Internal Auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

The controls over all of the key financial system are generally sound but from Internal Audit's work we noted some minor weaknesses in respect of individual financial systems. The main area related to:

- Payroll processes for leavers and amendments to standing payroll data.

Internal Audit reported on the identified weaknesses and included recommendations in their reports as appropriate. Those weaknesses identified in respect of payroll are not expected to have a material impact on the financial statements. We will review the implementation of Internal Audit's recommendations in this area to identify whether or not we need to amend our audit approach. For further details on the impact on the audit of these issues, please see page 16.

We have summarised the key issues and their impact on our work in Appendix one. Generally, any weaknesses in controls result in additional substantive testing being performed during our final audit of the financial statements.

We have yet to finalise our controls work over fixed assets and financial reporting as many of these controls only operate at year-end. In addition, Internal Audit is performing a review of budget monitoring in between now and our final visit. We will seek to place reliance on this review.

System	Assessment
Housing rents income	3
Council tax income	3
Business rates income	3
Sundry income	3
Payroll expenditure	2
Non-pay expenditure	3
Benefits expenditure	3
Cash	3
Treasury management	3

Key:

- 1 Significant gaps in the control environment.
- 2 Deficiencies in respect of individual controls.
- 3 Generally sound control environment.

Internal Audit complies with the Code of Practice for Internal Audit in Local Government.

Work completed

We work with your Internal Auditors to assess the control framework for key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place full reliance on their work.

Where we intend to rely on Internal Audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the Internal Audit function and to evaluate and test aspects of their work.

We reviewed Internal Audit's work on the key financial systems and re-performed a sample of tests completed by them.

We have held meetings with Internal Audit during the year to ensure that we are made aware of any issues as they arise so that where relevant they can be incorporated into our audit planning.

Key findings

We have reviewed Internal Audit's work and are satisfied that they are fully compliant with the *Code of Practice for Internal Audit in Local Government*.

This is based on a previous self-assessment completed by Internal Audit, our assessment of their files and documents, our knowledge from liaison with the Head of Internal Audit and attendance at Audit Committee.

Internal Audit have covered all areas of work that we wished to rely upon to a good standard and we are again able to place full reliance on their work.

Aspect	Assessment
Scope of Internal Audit	3
Independence	3
Ethics for Internal Auditors	3
Audit Committee	3
Relationships with management, other auditors and other review bodies	3
Staffing, training and development	3
Audit strategy and planning	3
Undertaking audit work	3
Audit strategy and planning	3
Due professional care	3
Reporting	3

Key: 1 Non-compliance with the standard.
 2 Areas for improvement.
 3 Full compliance with the standard.

The Authority's overall process for the preparation of the financial statements is adequate.

The Authority has taken steps to implement the recommendations in our *ISA 260 Report 2010/11* relating to the financial statements.

Work completed

We issued our Accounts Audit Protocol to the Principal Accountant in Control Group on 1 May 2012.

This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work.

We continued to meet with the Control Group on a regular basis to support them during the financial year end closedown and accounts preparation.

As part of our interim work we specifically reviewed the Authority's progress in addressing the recommendations in our *ISA 260 Report 2010/11*.

Key findings

We consider that the overall process for the preparation of your financial statements is adequate.

The Authority has taken steps to implement the two medium priority recommendations raised in our *ISA 260 Report 2010/11* relating to the financial statements.

The table below sets out the Authority's progress against our prior year recommendations.

Issue	Progress
<p>Component Accounting</p> <p>After review of the Authority's work on component accounting during 2010/11, we asked the Authority to consider the following points:</p> <ul style="list-style-type: none"> • Where the level of capital expenditure in a year is significant and relates to an individual component, such as a roof, then the Authority should consider whether the existing policy is still appropriate. The alternative approach is to separately account for the spend as individual components; and • 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 charge 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. 	<p>We identified this as a specific risk as part of our planning for the 2011/12 financial statements audit. We have documented our findings in relation to our work on component accounting in Section four of this report.</p>

The Authority has been taking steps to address the key risk areas we identified and has made good progress in addressing them. However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.

Work completed

In our *External Audit Plan 2011/12*, presented to you in February, we identified the key risks affecting the Authority's 2011/12 financial statements.


Our audit strategy and plan remain flexible as risks and issues change throughout the year. To date there have been no changes to the risks previously communicated to you.


We have been discussing these risks with Control Group as part of our regular meetings. In addition, we sought to review relevant workings and evidence and agree the accounting treatment as part of our interim work.


Key findings

You have taken these issues seriously and made good progress in addressing them. However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.

The table below provides a summary of the work the Authority has completed to date to address these risks.

Key audit risk	Issue	Progress
	<p>At the end of period nine, the Authority were forecasting an overspend of £0.5 million on budget, a significant improvement from the £7.2 million overspend predicted at the end of the second quarter. This is primarily due to over £8 million of unbudgeted funding from the NHS to support the work in Adult and Children's social care services which has helped to offset continuing pressures in these areas. The Authority continues to experience declining income in areas such as car parking, planning fees and section 278 agreements, however this has been offset to some extent by savings of £3.3 million on budgeted finance costs.</p> <p>The 2011/12 budget includes a savings programme totalling £90 million. The Authority reports that more than £80 million of the budgeted savings are on target to be achieved at period nine. All directorates are continuing to develop and implement action plans and the position is being closely monitored.</p>	<p>The Authority has under spent compared to its original budget by £1.5 million in 2011/12. Despite experiencing continued pressures, both Adult Social Care's and Children's Services' out-turn position was under budget at year-end. This is largely due to the Authority securing an additional £6 million funding from the NHS to support the Authority in these areas.</p> <p>Both City Development and Environment and Neighbourhoods did not achieve budget at year-end. This is partly due to declining income in these areas.</p> <p>Overall, the directorates were £2.1 million over spent at year-end, however this was offset by £3.6 million strategic net savings, resulting in a £1.5 million under spend.</p> <p>The main reasons for the £3.6 million strategic savings are as follows: The Authority has benefited from lower debt interest costs, which were £3.5 million lower than budget.</p>

Key audit risk	Issue	Progress
	<p>The Authority currently estimates that another £47 million in savings will need to be achieved during 2012/13 to address the further reductions to local authority funding. Against a backdrop of continued demand pressures in Adult Social Care and Children's Services it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability.</p> <p>The Authority has plans to further reduce its staff costs by implementing another round of its Early Leavers' Initiative (ELI) in 2011/12. Staff were expected to leave before 31st December 2011 which would enable the Authority to save three months of costs in the current financial year. Over 1,000 staff members put themselves forward for this programme although it is unlikely that all such requests will be accommodated due to the need to balance service delivery with cost savings. It is anticipated that a further round will be implemented in 2012/13.</p> <p>The Authority will need to continue to monitor the reasonableness and appropriateness of its componentisation policy in line with any guidance released by the Audit Commission or CIPFA. This is particularly important given the move to HRA self-financing from 2012/13 as depreciation becomes a charge to the HRA that will not be reversed. Where the depreciation charge without componentisation differs materially from that which would be charged if component accounting had been implemented, this will have a direct impact on the surplus/deficit reported.</p>	<p>Moreover, £1.6 million of interest costs have been capitalised in respect of assets under construction. The Authority also received an additional £5.3 million as part of the New Homes Bonus scheme. These savings were partly offset by a shortfall in Section 278 income of almost £2.7 million, the need to fund £1.3 million of PFI liabilities from the revenue budget due to a shortfall in budgeted capital receipts and the creation of a £1.2 million earmarked reserve in respect of MMI liabilities.</p> <p>The reserve set aside for the Early Leavers Initiative was not fully utilised in year as some costs could be met from unplanned savings on budgets. The remaining reserve will be carried forward for use in future rounds of the initiative.</p> <p>We will undertake further work around the Authority's immediate and longer-term financial plans over the coming months.</p>
		<p>The Authority continues to apply the same approach to component accounting of HRA assets as in 2010/11, whereby only the land and building elements are recognised separately.</p> <p>The Authority has commissioned a larger and more representative sample of property valuations to support this policy in 2011/12 and this exercise is still ongoing. We have reviewed the initial sample selected to gain assurance that the results will provide a materially accurate representation of the HRA asset base. We now need to review the full outcome of the survey before we can conclude on this matter.</p>

Key audit risk	Issue	Progress
	<p>In 2010/11 the Authority elected not to apply component accounting to its HRA assets as it would not have had a material impact on the financial statements. We need to gain assurance that this policy continues to be appropriate in 2011/12 and in light of any new guidance.</p> <p>The 2011/12 Code includes a number of accounting changes, including a new requirement to carry 'heritage assets' at valuation. Heritage assets include historical buildings, museum and gallery collections and works of art.</p> <p>The Authority needs to review and appropriately address these changes in its 2011/12 financial statements.</p>	<p>The results of the valuation exercise will be reviewed at year-end to ensure that they corroborate the policy in place. We will also expect the Authority to demonstrate that there is no material impact on the depreciation charge as a result of choosing not to componentise other than as land and buildings.</p> <p>We reviewed the Authority's process for identifying and valuing to heritage assets to gain assurance that this was reasonable.</p> <p>From our review of work conducted to date, heritage assets will be a material balance in the financial statements and therefore the Authority will be required to make a prior period restatement.</p> <p>Detailed testing on the assets and the restatements will be undertaken at year-end as part of our work on fixed assets.</p>

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.

Our External Audit Plan 2011/12 describes in more detail how the VFM audit approach operates.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

Our VFM audit draws heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit. We then assess if more detailed audit work is required in specific areas. The Audit Commission has developed a range of audit tools and review guides which we can draw upon where relevant.

Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



We have identified two specific VFM risks.

At present we are currently gathering evidence to gain assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Our work is focussed on the following areas:

- Financial standing – savings plans
- Public Health

Work completed

In line with the risk-based approach set out on the previous page, we have

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and

Key findings


Below we set out our preliminary findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion. We will report our final conclusions in our *ISA 260 Report 2011/12*.

- considered the results of relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas; and
- concluded to what extent we need to carry out additional risk-based work.

Key VFM risk	Risk description and link to VFM conclusion	Preliminary assessment/focus of work
	<p>The Authority needed to deliver significant savings during 2011/12 to achieve its balanced budget. Government funding in 2011/12 has been reduced by £50 million and the Authority forecasts that there will be a real terms reduction in grants available of £179 million by 2014/15.</p> <p>The Authority estimates that another £47 million in savings will need to be achieved during 2012/13 to address the further reductions to funding. Against a backdrop of continued demand pressures in Adult Social Care and Children's Services it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability.</p> <p>The Authority has plans to deliver another round of its 'Early Leavers' Initiative in 2012/13 which will enable it to deliver some of the required savings. However, with continuing cuts to staff numbers, the Authority needs to ensure that it carefully balances service delivery with cost savings.</p> <p>The Authority will need to establish and manage its savings plans so as to secure longer term financial and operational sustainability.</p>	<p>As noted in the previous section, the Authority achieved its planned £90 million savings in 2011/12 and was under spent on its revenue budget by £1.5 million.</p> <p>The Authority needs to continue to closely monitor its Medium Term Financial Plan and manage its financial pressures as the 2011/12 under spend is largely due to unbudgeted income of £6 million from the Department of Health and unbudgeted savings on debt costs which collectively had a +£11.1 million impact overall.</p> <p>The next steps of our work will involve critically assessing the controls the Authority has in place to ensure a sound financial standing, specifically that its Medium Term Financial Plan has duly taken into consideration the potential further funding reductions. It should be sufficiently robust to ensure that the Authority can continue to provide services effectively. We will also review what impact, if any, the ELI has had on service quality.</p>

Section four – VFM conclusion

Specific VFM risks

Key VFM risk	Risk description and link to VFM conclusion	Preliminary assessment
	<p>Leeds City Council are acquiring the responsibility for public health services from Leeds Primary Care Trust.</p> <p>This transfer brings about several risks that will need to be managed carefully by the Authority, including:</p> <ul style="list-style-type: none"> • financial risks from the delivery of a new, less familiar service; • how the service fits strategically and operationally within the Authority; • ensuring that clinical governance requirements are met. <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>We have held initial discussions with the Authority's management and KPMG's health specialists around what the key risks of the transfer are and how the Authority plans to deal with this.</p> <p>The Authority is currently in the process of establishing the appropriate structures to support the delivery of public health services and has a joint appointment with the Primary Care Trust for the Director of the service who is overseeing the transition.</p> <p>We have agreed to facilitate a workshop to aid the discussions around the key risks of the transfer and associated actions. The workshop is likely to involve the Executive management of the Authority and other key stakeholders determined by the joint Director of Public Health.</p>

Impact of controls findings on the financial statements audit

During the course of the year Internal Audit have raised recommendations. Some of Internal Audit's findings will have a direct impact on our year end substantive testing.

Details of the impact of Internal Audit's findings are contained in this Appendix.

No.	Issue identified and recommendation made by Internal Audit	Impact on our audit
1	<p>Payroll issues</p> <p>Internal Audit identified several issues with regards to controls over leavers and changes to the standing data on the payroll system, as follows:</p> <p>For three out of 25 leavers, a payroll simulation report had not been run meaning that there was a risk that the leaver's final payment had been calculated incorrectly. In both cases, Internal Audit verified that no over- or underpayment had been made.</p> <p>For one out of 25 leavers, the employee was found to have four days of annual leave outstanding at the date of termination and there was no evidence that a payment for the leave owed had been paid. This issue is currently under investigation by Internal Audit.</p> <p>For two out of 50 changes to payroll standing data tested, the change request had not been appropriately authorised. The changes in question related to the payment of wages to casual workers on the basis of Casual Employee Claim forms. These two items will now be investigated in more detail to assess whether the payments were appropriate.</p> <p>For one out of 50 amendments, a change to bank details was requested via a form attached to an email from a non-Leeds City Council email account and was actioned by payroll. Internal Audit expect that an erroneous change to bank details would be picked up by the employee affected. No issues have been raised by the employee to date.</p>	<p>We will perform more detailed testing on balances relating to payroll at year-end to gain assurance over the completeness, existence and accuracy of staff costs.</p> <p>Since erroneous changes to bank details are expected to be identified by the individuals affected, we do not consider these particular issues to have a significant impact on our audit approach.</p> <p>We will follow up Internal Audit's ongoing investigations into the issues raised and consider whether the conclusions have a further impact on our audit approach before we commence our year-end testing of payroll.</p>

Impact of controls findings on the financial statements audit (continued)

No.	Issue identified and recommendation made by Internal Audit	Impact on our audit
2	<p>Ordering and payments</p> <p>Internal Audit tested 25 items of expenditure and found the following control weaknesses which have an impact on our reliance on controls over expenditure and creditors:</p> <ul style="list-style-type: none"> For five out of 25 items tested, orders were raised after receiving the invoice. There could be a risk that unauthorised and/or unessential goods are being purchased on behalf of the Authority. For three out of 25 items tested, the same person who authorised the order, receipted the goods. This is not in line with current procedures at the Authority. For one out of 25 items tested, the goods were not receipted on the system, despite the order value being over the threshold for doing so. Where goods are not marked as receipted, there is a risk that the Authority pays for goods/services not actually received. 	<p>These control weaknesses would, if corrected, strengthen the Authority's controls over ordering and payments.</p> <p>The main risks relating to these issues relate to value for money matters as the Authority may order goods or services which are not required or essential to service delivery. In addition, it may be paying for goods or services which were not delivered and/or were not of a sufficient quality.</p> <p>However, the issues raised do not have a direct impact on the external audit because in all cases segregation of duties was maintained in the ordering and payments process which mitigates the risk that unauthorised and/or fraudulent transactions were made. As such, these weaknesses do not have a direct impact on our audit approach to purchases and creditors.</p>

Follow-up of prior year recommendations

The Authority has not implemented all of the recommendations in our *Interim Audit Report 2010/11*.

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

This appendix summarises the progress made to implement the recommendations identified in our Interim Audit Report 2010/11 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	2
Implemented in year or superseded	1
Remain outstanding (re-iterated below)	1

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April
1	2	<p>Overtime payment authorisation</p> <p>Internal Audit identified that there were 10 instances out of a sample of 30 where amendments to payroll data had not been appropriately authorised. All 10 of these instances related to overtime payments.</p> <p>Internal Audit have undertaken further testing on this to ascertain:</p> <p>a) If this was a wider issue for the Authority; and</p> <p>b) If these payments were correct despite the controls operating ineffectively.</p> <p>The result of this testing found that the 10 instances mentioned above had been paid correctly.</p> <p>Further testing of an additional 25 instances found 1/25 where an overpayment was identified, this is now being reclaimed.</p> <p>The total amount of overtime paid in 2010-11 was less than our audit materiality</p>	<p>Whilst the processes for authorising overtime payments are generally sound, the following improvements are to be implemented in order to strengthen the arrangements:</p> <p>Business Support Centre to update and maintain authorisation lists prior to the introduction of the Self service facility.</p> <p>Authorising officers to be reminded that relevant documentation to support overtime payments should be retained in line with the Authority's Financial Procedure Rules.</p> <p>Specific services to implement improvements to overtime authorisation and checking processes.</p> <p>In addition Internal Audit are to undertake periodic sample checks within areas of high spend and overtime will continue to be an area scrutinised under budget monitoring arrangements.</p> <p>Responsible officers: Chief Officer financial management Due date: Oct 2011</p>	<p>Outstanding</p> <p>Internal Audit identified that two out of the four payments to casual claimants tested had not been authorised appropriately during 2011/12.</p> <p>Internal Audit are due to perform a more detailed audit of overtime payments later in the year.</p>

Follow-up of prior year recommendations (continued)

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2012
2	②	<p>Benefits Overpayments Reconciliation – Council Tenants</p> <p>This reconciliation takes place to ensure that the debtor figure in the Authority's accounts in respect of overpayments to benefits claimants is correct. Beneath this there is a further calculation which apportions the overpayments between different headings/benefit types.</p> <p>We re-performed the Benefits Overpayments reconciliation for quarter one and found:</p> <p>The figure for total benefit overpayments for Council Tenants on the reconciliation was £3,867,813.67. We found however, that this did not agree to the underlying Academy report. The total benefit overpayments for Council Tenants was £851,650.26. The figures for these overpayments had not been entered correctly into the reconciliation.</p> <p>These reconciliations work on a cumulative basis. This means that at quarter two and each of the following quarters, the reconciliation is performed again. As such any previous errors would be eradicated.</p> <p>We recommend that, in line with current procedures, the Authority thoroughly review this reconciliation at the year end to ensure the figures used are accurate and fully agree to the source systems.</p> <p>If the Authority feel it is inappropriate to verify benefit overpayments by type on a quarterly basis, consideration should be given to re-designing the control to undertake this detailed review at year end only.</p>	<p>This reconciliation has no impact on the Authority's subsidy claim. The reconciliation forms part of the process for apportioning the benefit overpayment debtor over a number of classifications. Currently only the final published apportionment of the debtor, completed at the year end, is subject to a full and detailed calculation and review. Officers have now introduced a quarterly review of this apportionment to ensure accuracy throughout the year.</p> <p>Responsible officer: Senior Financial Manager (Central & Corporate)</p> <p>Due date: July 2011.</p>	<p>Implemented</p> <p>This reconciliation was tested again in 2011/12 and the issue was found to have been fully resolved.</p>

Key issues and recommendations (IT)

No	Risk	Issue and recommendation	Management response/ responsible officer/ due date
1	●	<p>FMS Starter's Process</p> <p>Appropriate evidence was not retained for new starters who were granted access to FMS. We noted that out of our sample of 15 users, appropriate evidence was not retained for four of them.</p> <p>Weak controls around the starter's process increases the risk of unauthorised access to the system which could impact on the integrity of financial data.</p> <p>We recognise that management is looking to implement a standardised process of providing new user access on FMS and recommend this should be put into practice as soon as possible</p>	<p>The role of system controllers is now being centralised in order to ensure better compliance with authorisation controls. It should however be noted that the four cases identified relate to officers given low level access rights and therefore represented little risk to the integrity of the financial ledger.</p> <p>Responsible officer: Principal Accountant, Corporate Financial Management.</p> <p>Due date: September 2012.</p>
2	●	<p>Physical access to server rooms</p> <p>Physical access to server rooms should be restricted to a reasonable number of personnel.</p> <p>We noted that 134 staff has access to the server rooms . We further noted that apart from members of the ICT and security team, there were staff from other teams (e.g. City Services, Registrars, Libraries, Education Leeds, Legal, Licensing & Registration) with access to the server room.</p> <p>Inappropriate access to the server rooms can compromise the availability of the server which could impact the Authority's operations.</p> <p>We recommend that the list of personnel who has access to the server room should be reviewed and the access should be restricted to those personnel who require access.</p>	<p>ICT are conducting a review of physical access to server rooms as part of the planned works to introduce new governance rules for the Data Centres. This will include restricting access to designated individuals. It will also include a log (potentially electronic via the card key system) of who has accessed the rooms and for what purpose.</p> <p>Responsible officer: Support Service Manager, ICT services.</p> <p>Due date: September 2012.</p>

Follow-up of prior year recommendations (IT)

No	Risk	Issue and recommendation	Status as at April 2012
1	●	<p>FMS and Orchard Leavers' Access Revocation</p> <p>When staff leave the Authority, their access to any of the IT systems should be removed in a timely manner to avoid such accounts being subsequently used by unauthorised individuals to view, alter or delete business critical data.</p> <p>However, we identified 30 active FMS user accounts and 14 active Orchard user accounts previously assigned to staff that have now left the Authority. These accounts had not been deactivated in line with the defined procedures.</p> <p>Where such accounts are left active, the risk is increased that they could be used incorrectly and this could lead to errors in financial reporting or incorrect management information being produced by the systems.</p> <p>We recommend that management should ensure that the established leavers process is consistently followed to ensure that all leavers' access to the systems is revoked in a timely manner.</p> <p>Adequate arrangements should be put in place for the notification of all leavers to the officers responsible for managing access to the systems so that the process can be effectively managed.</p>	<p>Complete</p> <p>Our 2010-11 fieldwork has confirmed that this issue has now been remediated.</p>

Follow-up of prior year recommendations (IT)

No	Risk	Issue and recommendation	Status as at April 2012
2	●	<p>Academy and Orchard User Access Monitoring</p> <p>Permissions granted to users, to access and change data within the IT applications, should be periodically reviewed to ensure that they are still valid and required for their job roles.</p> <p>There are currently no formal periodic reviews performed to validate that user access rights within the Orchard and Academy applications are appropriate. Also, no activities are performed to investigate unused accounts to determine whether they are still required.</p> <p>Where periodic access reviews are not performed, there is a risk that instances of inappropriate or unnecessary access rights for users on the systems are not identified and resolved. This could lead to users being able to access or make changes to data which they should not based on their current job roles.</p> <p>We recommend that periodic reviews of user access rights should be instituted for the Orchard and Academy applications, especially for users that can perform highly privileged system functions. These should involve the relevant authorising managers verifying that the list of active users within their teams and their corresponding access permissions granted are appropriate.</p> <p>In addition, the system administrators should periodically review the access details for users to identify accounts that have not been used for long periods. Such accounts should be investigated and deactivated if no longer required.</p>	<p>Partially complete</p> <p>We found that a periodic review of user access rights was not being performed for the Academy system.</p> <p>Although a periodic review of user access rights was performed for the Orchard application, no evidence was retained so we were not able to verify it.</p> <p>We also found weaknesses in respect of the investigation of unused accounts to determine whether the accounts are still required.</p> <p>A review of unused accounts was performed in February 2012 for Academy, however there remains a risk that inactive users were on the system between April 2011 and January 2012. Generally we would expect such reviews to take place on a quarterly basis.</p> <p>Although there is a review system in place for Orchard, 37 inactive users were identified during our testing and subsequently deactivated. These users ought to have been picked up as part of the Authority's review process.</p> <p>Management response</p> <p>Response from management to be provided.</p>



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Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 4th July 2012

Subject: The Statement of Accounts 2011/12

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

Summary of main issues

1. The Responsible Financial Officer has certified that the 2011/12 accounts for Leeds City Council are a true and fair view of the Council's financial position. The accounts are fully compliant with proper accounting practice as required by the Accounts & Audit regulations 2011.
2. Overall the Council's net worth has decreased by £474m, primarily due to the following factors:
 - § A £400m increase in net pension liabilities mainly due the poor performance of the stock market and the impact of the low bond rates on the discount factor applied to pension liabilities.
 - § A £124m (3.7%) reduction in the value of the Council's property, plant and equipment as recognised on the balance sheet. Mainly reflecting the transfer of school assets to Academies and Trusts.
3. Whilst financial reporting under International Financial Reporting Standards provides an overview of all the factors impacting on the financial health of the Council, the amounts actually chargeable to a local authority's council tax and its General Fund reserves are controlled by legislation. In respect of those transactions directly impacting on taxpayers in 2011/12 the Council under spent against the approved budget by £1.5m, resulting in a balance on the General Fund Reserve of £25.4m as at 31st March 2012.

Recommendations

4. Members are asked to:
 - § note the 2011/12 Statement of Accounts as certified by the Responsible Financial Officer.
 - § Agree to release the accounts for public inspection.

1.0 Purpose of the Report

- 1.1 The purpose of this report is to present to the Committee the 2011/12 Statement of Accounts for Leeds City Council prior to them being made available for public inspection. The Statement of Accounts is included with the agenda as a separate booklet for members of the Committee and is published on the Council's intranet site. Anyone else wishing to obtain a copy of the Statement of Accounts should contact the committee clerk named on the front of the agenda.
- 1.2 This report provides a summary analysis of the key financial issues in the accounts; an update on the future accounting issues impacting on the financial statements and an up date on compliance with External Audit recommendations from the audit of the 2010/11 accounts.

2.0 Background Information

- 2.1 In line with the requirements of the Accounts and Audit Regulations 2011, the Council's annual accounts are certified by the responsible financial officer as a true and fair view of the Council's financial position. Whilst it is no longer a legal requirement for members to formally approve these unaudited accounts before the 30th June, members of this Committee requested that they receive the accounts prior to them being made available for public inspection.
- 2.2 Subject to Committee's approval, the Council's accounts are to be made available for public inspection for 20 working days commencing 9th July 2012. The final audited accounts and the accompanying external audit report will be presented to Committee for final approval on the 28th September.

3.0 Overall Financial Performance during 2011/12

3.1 Financial Performance of the General Fund

- 3.1.1 The overall reported outturn to Executive Board on the 20th June 2012, recognised an underspend of £1.5m against an approved budget of £582.2m. The 2011/12 budget represented a major financial challenge for the Council, and the loss of Government Grant plus pressures on spending resulted in the Council needing to identify around £90m of savings. The budget included some difficult and challenging decisions and whilst not all planned savings have been fully achieved, other savings have been identified and additional income secured. Full details of the major variations to the budget are available in the provisional and final outturn reports made to Executive Board on the 16th May and 20th June 2012 respectively.
- 3.1.2 This reported financial position is governed by statute and represents the amount chargeable to a local authority's council tax and the General Fund reserve. The Council agreed to a budgeted usage of the General Fund reserve of £5.6m. This £1.5m underspend has reduced that required usage to £4.1m, leaving the Council's General Fund Reserve at £25.4m as at the 31st March 2012.
- 3.1.3 However the published statutory accounts as governed by International Financial Reporting standards takes a much broader view of our financial position and rather than just reflect our performance against the in year budget it also takes into consideration other factors impacting on the Council's long term financial standing.

This is reflected in the Comprehensive Income and Expenditure Statement (CI&E a/c) which recognises both the £1.5m in year underspend and an assessment of any other longer term gains or losses impacting on the Council's assets and liabilities. For 2011/12 the CI&E a/c shows a £474m reduction in the Council's assets and liabilities (£122m reduction in 2010/11). The impact of this reduction is reflected in the Council's balance sheet which shows that the Council's net worth (assets less liabilities) and has fallen from £755m to £281m.

3.1.4 There are a number of reasons for this fall in net worth and the implications of these changes needs to be understood in order to help stakeholders interpret the Council's financial position. An explanation of the main reasons for this £474m reduction, along with the implications, are as follows:

i) A £400m increase in net pension liabilities resulting in a £1,141m shortfall of assets over liabilities in the Council's pension funding. The main reasons for these increased deficit are:

§ The growth in assets was less than predicted;

§ A fall in the discount rate applied to the fund liabilities;

A full explanation as to the reasons behind this deterioration in the pensions funding arrangements can be found at Appendix 1.

Whilst recognising that this deterioration is an important indicator as to the estimated financial standing of the Council's net pension liabilities. It needs to be recognised that these pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Accounting standards require the accounts to recognise all measurable potential liabilities but not account for any potential growth in assets. As such, whilst not a worst case scenario, this accounting presentation of the pension deficit does represent a relatively pessimistic view of the fund. Consequently, in order to properly assess the impact of this financial position consideration needs to be given as to the extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities. The Council receives such an assessment from it's actuaries in their review of the Pension Fund. The 2010 full actuarial review concluded that the Pension fund was 93% funded, which equates to a predicted deficit for the whole West Yorkshire Pension Fund of £590m Based on this triennial review, the Council has determined an appropriate level for employer contribution rates with which to move the fund towards a fully funded position over a 22 year recovery period. Actuaries consider a range of long term assumptions when determining the level to which the scheme is funded. Assumptions such as potential asset growth; mortality rates and discount rates are adjusted over a period of time as circumstances change but their affect is "smoothed" over the life of the pension liabilities. The accounts however are an indication of the fund at the 31st March each year and as such are subject to the particular circumstances prevalent at the time. For example stock market "bubbles" and crashes.

It should be noted that this position excludes any potential impact of the recent Government pension proposals.

ii) A £124m (3.7%) reduction in the value of the Council's property, plant and equipment as recognised on the balance sheet. There are three main areas which impact on the carrying value of the Council fixed assets, deterioration in an asset (measured as a depreciation or impairment charge); revaluation of an asset and the sale / disposal of an asset.

In 2011/12, the amount the Council's assets were deemed to have deteriorated through use was largely offset by an increase in asset valuations. The fall in the value of the Council's fixed asset was therefore mainly due to £146m of school buildings and land transferred to Academies and Trusts.

As a result of these changes the value of the Council's property, plant and equipment now stands at £3,351m. Property, plant and equipment represent the main assets of the Council and are the main factor in generating the Council's positive net worth. As with the pensions accounting above, it is important to note that accounting practice is very prescriptive. In the case of the Council's asset base accounting practice requires assets to be valued based on their operational use or historic cost and as such does not reflect the true market value achievable if the Council's assets were sold. So whilst we have seen a drop in the operational value of the Council's long term assets, the overall market value of the Council's assets is considerably higher. In particular it is worth noting that the market value of our Housing stock is around £4.4bn (current social value £1.4bn) and our infrastructure assets are currently only recognised at depreciated historic cost (£570m) when their market value would run into billions of pounds.

- iii) A £87m fall in the Council's overall debt. As at 31st March 2012 the Council's overall debt stood at £1,954m. Made up of £172m borrowing repayable on demand or within one year, £1,260m long term borrowing and £522m deferred liabilities (mainly credit arrangements under Private Finance Initiatives and finance leases). The main reason for this reduction in debt is that as part of the new Governments arrangements for ending the current housing subsidy regime, the Government has written off £112m of Housing debt. However this means that in the future the Housing Revenue Account will no longer receive housing subsidy and will be required to fund remaining debt from its own income.

3.2 Financial Performance of Statutory Ring Fenced Accounts:

3.2.1 Housing Revenue Account (HRA)

3.2.1.1 The overall reported outturn to Executive Board on the 20th June 2012 recognised, after movements to and from earmarked reserves, an underspend against the approved budget of £1.4m. Full details of the major variations to the budget are available in the provisional outturn report made to Executive Board on the 16th May.

3.2.1.2 However, like with the Council's Comprehensive Income and expenditure account, the HRA Income and Expenditure account (HRA I&E a/c) reflects a much broader view of the HRA's financial position. The HRA I&E a/c shows a £58m contribution to the Council's overall net worth. Other than the £1.4m underspend against the approved budget, the main reasons for this surplus are:

- § The £112m repayment of long term debt under the governments arrangements for ending the current housing subsidy regime;
- § A £67m fall in the value of Council Houses reflecting the current condition of the housing market.

3.2.1.3 Overall the HRA reserves stand at £25.3m as at 31st March 2012 (£20.1m in 2011). £5.9m of this sum represents the HRA general reserve; this is deemed to be a prudent level based on the Council's risk based reserves strategy. Of the £19.4m earmarked HRA reserves, £12.5m is being held to fund the future costs of the Swarcliffe PFI scheme. Full details of the all the HRA reserves are shown in the Statement of Accounts.

3.2.2 Collection Fund

3.2.2.1 The Collection Fund for 2011/12 generated a deficit of £0.1m (£0.8m deficit 2010/11). This leaves the collection fund with negative reserves (£1.0m) as at 31st March 2012. There is no requirement to hold a balance on the Collection Fund reserve but any positive or negative balance must be taken into account when calculating the council tax for the following year.

3.3 A Statement of Financial Resilience as at 31st March 2012

3.3.1 Taking into account the explanation as to the changes in the Council's net worth as explained in para 3.4 above, the following is a summary of the Council's overall financial resilience:

i) Whilst the net pensions deficit has risen to £1,141m it should be recognised that there is a regular independent process of review to ensure that the long term funding of the fund remains viable. Over the last few years there have been a number of significant increases and decreases to the pension deficit, many of which have reflected the particular short term state of the stock or bond markets. However it has been recognised that there are a number of long term factors such as mortality rates and long term predicted growth on investments which have significantly impacted on the ongoing cost of the fund. These have been partly offset by recent changes to the pension scheme and will be further affected by the proposed changes to the scheme benefits.

The fund will continue to be closely monitored and appropriate actions taken based on each triennial actuarial review. Any such actions are fully incorporated into the Council's Medium Term Financial Plan.

ii) The ratio of the Council's debt to long term fixed assets currently stands at 56% (57% in 2010/11). The Council considers this as a sustainable level of debt and in proportion to its significant fixed asset base. The Council has an approved Treasury management policy (as agreed by the Executive Board on the 10th February 2012) which follows CIPFA's Treasury Management Code of Practice and sets acceptable levels of borrowing, interest rate risk exposure and investment limits in order to minimise risk and ensure the Council's debt finance costs are affordable.

iii) Despite the significant pressures on Local Government Finances the Council has been able to underspend its in year budget by £1.5m. The Council maintains a financial risk register detailing the main risk and any potential consequences. The risk register considers any existing controls to mitigate against the risk, the value in monetary terms of the risk, review dates and progress towards managing the risk within existing resources. The register is prepared before the start of each financial year and is monitored on a regular basis.

iv) The Council maintains a minimum level of general reserves, as determined by a risk based reserves strategy, with which to meet any short term financial issues. The current level of the General Reserve stands at £25.4m and in addition the Council also has a further £31.5m of non ring fenced earmarked reserves set aside to fund specific future costs.

v) The Council's accounts reflect any potential losses which are deemed sufficiently certain to be accrued. However there are a number of potential liabilities which cannot be estimated or are considered sufficiently uncertain which have therefore been excluded from the accounts. Such potential liabilities are disclosed as a note to the accounts so stakeholders can consider their potential impact if they became due.

3.4 Group

3.4.1 Arms Length Management Organisations (ALMOs)

3.4.1.1 Collectively the three ALMOs showed a combined provisional deficit of £17.3m for 2011/12. Compared to a surplus of £37.8m in 2010/11. The final figures for each ALMO will be available for Committee along with the associated Group accounts.

3.4.2 Other Group entities

3.4.2.1 The definition of group entities changed in 2010/11, leading to an expansion in the number of entities now accounted for under the Council's Group accounts. Along with the ALMOs, the following entities are now included and their results consolidated into the group accounts:

Leeds Grand Theatre, Belle Isle Tenant Management Organisation, Leeds groundwork trust, Marketing Leeds Ltd, Green Leeds Ltd, Craft Centre and Design Gallery Limited and all material bequests and trusts managed by the Council.

In addition the Group Accounts also includes the residual company for Education Leeds which is in the process of being wound up.

Of the above entities the only financial results which materially impact on the Council's accounts are:

§ £1.8m deficit in respect of Education Leeds reflecting the transfer of the companies reserves to the Council. The corresponding income was recognised in the Council's Income & Expenditure Account and therefore has a neutral impact on the Council's Group accounts.

§ A £1.5m bequest made to the Leeds City Art Gallery to "purchase an object of beauty such as a period piece of solid silver".

3.4.3 Impact of the Group entities on the overall financial position

3.4.3.1 Whilst it should be recognised that the Group entities do not represent a major part of the Council's activities, the Group Accounts do show that they hold a significant level of reserves (£34m). The majority of these reserves are held by the ALMOs and are still provisional at this stage

3.4.3.2 It should be noted that whilst the Group Accounts do show the full scale of the Council's financial activities, those that are the most financially significant are in fact limited companies and as such the Council would only be required to contribute a nominal sum if any of them are wound up.

4.0 Accounting Issues Impacting on the Financial Statements

4.1 The only significant change to accounting practice for 2011/12 is a requirement for heritage assets to be valued and recognised on a separate line in the council's balance sheet. Whilst the Council owns a large number of heritage assets only those deemed to have a significant value have been disclosed on the balance sheet. The Council also has a number of heritage assets which it uses in the provision of services. These assets therefore remain disclosed as operational assets. The requirement to account for heritage assets has increased the value of the Council's balance sheet by £42m.

5.0 External Audit Issues

5.1 In September 2011, KPMG reported back to this Committee its main audit findings in respect of the 2010/11 accounts and any recommendations or risks for the

following years accounts. For 2011/12 KPMG identified no key risks or recommendations.

5.2 As stated in paragraph 2.2 above, any relevant matters arising from the audit of the 2011/12 accounts are reported back to this Committee in September.

6.0 Corporate Considerations

6.1 Consultation and Engagement

6.1.1 This is a factual report Director of Resources on the financial accounts of the Council for 2011/12 and consequently no public, Ward Member or Councillor consultation or engagement has been sought.

6.2 Equality and Diversity / Cohesion and Integration

6.2.1 This report does not highlight any issue regarding equality, diversity, cohesion and integration.

6.3 Council Policies and City Priorities

6.3.1 The Statement of Accounts is an audited publication which provides all stakeholders with the confidence that public money has been properly accounted for and that the financial standing of the Council is on a secure basis.

6.3.2 As required by the Accounts and Audit Regulations 2011, the accounts are to be made available for public inspection for twenty working days. Local electors and taxpayers have the right to look through the accounts and supporting documentation. They also have the right to object to the accounts and question the auditors.

6.4 Resources and Value for Money

6.4.1 This is a factual report of the Director of Resources on the financial accounts of the Council for 2011/12. There are no additional financial or value for money implications..

6.5 Legal Implications, Access to Information and Call In

6.5.1 The Accounts are required to be certified as a true and fair view of the Council's financial position by the Responsible Financial Officer before the end of June. This report does not require a key decision and is therefore not subject to call-in.

6.6 Risk Management

6.6.1 The Council's external auditors provide a risk assessment on the accounts process as part of their interim audit as reported to this Committee. Processes officers have put in place to mitigate these risks are included within the audit report.

7.0 Conclusions

7.1 The Council continues to face significant financial pressures due to the current economic climate. However through good governance and effective financial management the Council remains in a strong financial position. For 2011/12 the Council has achieved the challenging savings target whilst maintaining appropriate levels of reserves..

7.2 Whilst the Council's net worth has fallen this is primarily down to the impact of the recession on the pension fund deficit and takes no account of future growth on pension assets nor the impact of the agreed proposals on changes to the scheme.

The pensions deficit is subject to regular reviews by external experts who advise the Council on the required actions to maintain the financial viability of the scheme over an appropriate 22 year recovery period.

- 7.3 The Council's debt is subject to strong governance arrangements based on CIPFA's Treasury Management Code of Practice. Current debt levels remain sustainable and the related risks are subject to stringent controls as agreed within the Council's Treasury Management Policy. The affordability of the Council's debt is a key consideration in the Council's medium term financial planning arrangements.

8.0 Recommendations

- 8.1 Members are asked to note the 2011/12 Statement of Accounts as certified by the responsible financial officer.
- 8.2 Agree to release the accounts for public inspection.

9.0 Background documents¹

2011/12 Statement of Accounts.

KPMG ISA 260 Report 2010/11

The Code of Practice on Local Authority Accounting in the United Kingdom 2011

Executive Board report (20th June 2012): Financial Performance - Outturn Financial year ended 31st March 2012

Executive Board report (16th May 2012): Provisional Outturn Financial year ended 31st March 2012

Corporate Governance and Audit Committee report: Treasury management Governance Framework (23rd January 2012)

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.

Appendix 1.

Factors impacting on the Pension deficit in 2011/12

For 2011/12 one of the most significant areas which has impacted on the Council's balance sheet has been in respect of pension liabilities. As at the 31st March 2012 the net pensions liability under IAS 19 stood at £1,141m, an increase in the net liability of £400m from last year. The main factors which have contributed to this decrease are:

- § The future pension liabilities held on the balance sheet are discounted back to current prices. Every year these pension liabilities become one year closer to being paid and the accounts therefore reflect the unravelling of one more year of this discount. Consequently the level of pension liabilities rises each year and for 2011/12 this increase amounted to £149m.
- § For 2011/12 there have been a number of changes to the actuarial assumptions, one of the biggest of these has been the discount rate used to adjust future pension liabilities to current costs is based on the AA Corporate Bond rate. The volatility of the financial markets over the last few years has produced significant variations in this rate. The current financial markets have seen a fall in the bond rate (5.4% to 4.8%) so reducing the discount applied to future liabilities. This and other minor changes to assumptions has lead to a £220m increase in the expected liabilities of the fund.
- § The value of the council's pension fund assets has risen by only £36m mainly due to the poor performance of the stock markets over the last year.
- § The Council now recognises the £31m net pension liabilities transferred from Education Leeds.

The main differences between the pensions deficit as calculated in the accounts and that calculated in the actuarial review.

Under the accounting standard (IAS 19) the Council must determine the future cost of the pension liability earned to date by it's employees. In order to do this, the Council's actuaries estimate the how long they expect the officers in the scheme are expected to live and their anticipated rise in salary (pay awards, increments etc.). The level of future pensions is then inflated (now based on CPI) to calculate the likely future liabilities the Council faces under the scheme. This is broadly the same approach as followed in the actuarial review. The only real difference will be slight changes to some of the assumptions used due to the timing of the assessments.

In order to include this projected future pensions liability in the accounts it needs to be discounted back to current prices. The discount rate used is determined by the accounting standard. This is currently the yield on corporate and government bonds as at the reporting year end. In theory this discount rate is expected to be stable over the long term and represents the time value of money. Due to the exceptional economic situation over the last few years there has been some fluctuations in this discount rate but it is expected to be relatively stable over the long term. The actuarial review also discounts future pension liabilities but for this calculation the actuaries are not restricted to the yield on bond rates but instead choose a rate which they believe is more applicable for bodies in the West Yorkshire Pension Scheme. They therefore apply a higher discount rate based on expected returns on the pension fund's assets and the long term financial standing of the Councils in the scheme. Accordingly, the actuarial review produces a lower level of future pension liabilities (at current prices) than that used in the accounts.

In respect of the fund's assets to pay for these liabilities, accounting practice only allows the Council's accounts to include them at their current value. Any expected future growth in these assets remains uncertain and the prudent approach in accounting practice is that organisations can only include gains on investments when the gains are certain. Consequently the accounts are always likely to show the pension fund in deficit as the viability of a scheme will always depend on asset growth. In comparison the actuarial review assesses the long term viability of the fund and therefore assumes that the assets will grow in order to meet future liabilities. Consequently the value of the fund's assets in the actuarial review are much greater than those in the accounts. It is therefore the actuarial review which helps determine the employer contribution rates required to meet any projected deficit.

Report of Chief Officer – Human Resources

Report to Corporate Governance and Audit Committee

Date: 4 July 2012

Subject: Role of the People Plan in Corporate Governance

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

Summary of main issues

1. Reporting is in place to ensure that all 12,600 full time equivalent employees have annual appraisals, six-monthly reviews and personal development plans, which develops their capacity and capability.
2. Engagement is measured quarterly for overall staff engagement levels, the extent to which the Council delivers what employees need to feel engaged and engagement survey response rates.
3. The size and cost of the Council’s workforce is measured monthly by reporting on staff and agency expenditure.
4. The People Plan is used to provide accountability, ensure adequate scrutiny and measure performance in the above key areas by reporting to the Leader of the Council, Executive Members, Corporate Leadership Team, Corporate and Central Services Scrutiny, Corporate Joint Consultative Committee and Directorate Leadership Teams on a monthly and quarterly basis.

Recommendations

1. To note the existing monitoring, reporting and scrutiny arrangements for appraisal processes, employee engagement, workforce planning and control of the Council’s workforce budget.

1 Purpose of this report

- 1.1 To provide a report outlining the role of the Council's People Plan and how it aligns with the Council's Code of Corporate Governance in respect of: the appraisal process; employee engagement, workforce planning and control of the Council's budget.

2 Background information

- 2.1 The People Plan sets out the Council's priorities for all 12,600 full time equivalent employees and is a plan for the organisation, not just the HR Service. The People Plan was launched during 2011 and performance measures for the five themes of the People Plan (Flexible, Healthy, Enabled, Engaged and Performing) have been reported monthly at Council-wide, directorate and service levels using performance scorecards since November 2011.
- 2.2 Scorecards are produced on 20th of each month and they go to the Leader of the Council, Executive Members, Corporate Leadership Team, Corporate and Central Services Scrutiny, Corporate Joint Consultative Committee and Directorate Leadership Teams.
- 2.3 The People Plan and scorecards have been updated for 2012/13 to update the targets, incorporate amended Council priorities and to be fully aligned with Outcome-Based Accountability. The revised People Plan is attached as Appendix 1 to this report and the revised scorecard has been included as Appendix 2.

3 Main issues

- 3.1 The Council's target is for all employees to have an annual appraisal and the People Plan supports this by monitoring the percentage of completed appraisals down to Chief Officer level, and to Service level where appropriate. The People Plan also measures the percentage of six-monthly reviews completed and if each employee has a personal development plan (linked to the Council's purpose), which is an indication of a good quality appraisal.
- 3.2 The Performance and Learning System has been developed and rolled out to facilitate the recording and implementation of all three appraisal-related measures. This will help the Council achieve its targets of 'quality appraisals' for all employees it and developing the capacity and capability of officers to be effective whilst ensuring that officers play their part in making the Council the best City Council in the UK.
- 3.3 One of the five People Plan themes is dedicated to staff engagement to ensure that everybody is respected, involved, heard, well led and valued. Staff engagement has been embedded as a key management accountability and it is measured quarterly. A key People Plan target is to increase the percentage of staff who feel engaged, which aligns with the sixth Code of Corporate Governance principle of engagement, albeit internally.
- 3.4 Staff engagement is now measured quarterly, instead of biennially, by sampling a proportion of employees. The People Plan also measures the extent to which the

Council delivers what employees need to feel engaged and engagement survey response rates. Quarterly reporting performance in these areas ensures that services are constantly aware of, and able to react to, staff engagement levels.

- 3.5 The primary outcome of the 'Flexible' theme in the People Plan is that the Council has the right people with the right skills in the right place at the right time. This involves effective workforce planning linked to Council and directorate priorities whilst managing a reduction in the headcount as outlined in the Council's Business Plan and budget.
- 3.6 This is measured within the People Plan by monthly and quarterly monitoring of staffing budget expenditure, the number of full time equivalent (FTE) employees and the use of agency workers in terms of FTE and cost. All these measures are included in monthly performance scorecards.
- 3.7 People Plan progress, including appraisal, staff engagement and workforce planning, is reported to key decision-making bodies either monthly or quarterly. This includes the Leader of the Council, Executive Members, Corporate Leadership Team, Corporate and Central Services Scrutiny, Corporate Joint Consultative Committee and Directorate Leadership Teams. The scorecards are produced within 20 days of the end of each month and quarter to provide information that is accurate and up to date.
- 3.8 This regular and timely performance reporting demonstrates adherence to the Code of Corporate Governance principles of accountability and effective scrutiny. It also means that the Council's leaders are constantly updated on progress in these three critical areas throughout the life of the People Plan. This allows the Council's leaders to take prompt action if any areas of concern are highlighted through the People Plan reporting mechanism. For instance, the Corporate Leadership Team recently asked for a further in-depth report on the use of agency workers based upon information contained in the performance scorecards.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 All the key stakeholders referred to in 3.7 were consulted in the development of the People Plan and the scorecards. Consultation has also taken place with employee groups, Equality Team, Performance Teams, Financial Management, Business Support Centre and Human Resources. The scorecards are published monthly and communicated widely as shown in 3.7.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The People Plan aims to increase the diversity of the workforce and make it representative of the City of Leeds by monitoring the percentage of women, people with disabilities and people from black and minority ethnic groups at senior levels.

4.3 Council policies and City Priorities

4.3.1 The Council's Business Plan sets out the Council's ambition to be 'the best City Council in the UK'. The vision for the HR Service is to enable the Council to achieve its ambition through its people. The People Plan sets out the Council's priorities for its people across the five themes. Underpinning the People Plan are the Council values, our commitment to joint working with trade unions and our commitment to partnership working with the public, private and voluntary sectors.

4.4 Resources and value for money

4.4.1 The People Plan and scorecards are monitoring and reporting tools to help the Council leaders and services to monitor the use of their resources.

4.5 Legal Implications, Access to Information and Call In

4.5.1 Not applicable.

4.6 Risk Management

4.6.1 Separate corporate and directorate risks are already established for appropriate areas covered by the People Plan.

5 Conclusions

5.1 The People Plan and performance scorecards provide a robust tool for monitoring and reporting on the key areas of appraisal processes, employee engagement, workforce planning and control of the Council's budget.

6 Recommendations

6.1 To note the existing monitoring and reporting arrangements for appraisal processes, employee engagement, workforce planning and control of the Council's workforce budget.

7 Background documents¹

7.1 People Plan 2012-15 and Performance scorecard.

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.

The Council's **Business Plan** sets out the Council's ambition 'to be the best City Council in the UK.' The vision for the HR Service is to 'enable the Council to achieve its ambition through its people.' The People Plan 2012-2015 sets out the Council's priorities for its people across five themes. Underpinning the People Plan are the **Council values**, our commitment to joint working with the **Trade Unions** and our commitment to **partnership working** with the public, private and voluntary sectors.

People Plan themes - we want our people to be...	Flexible	Healthy	Enabled	Engaged	Performing
Outcome...	<ul style="list-style-type: none"> We have the right people with the right skills in the right place at the right time We've successfully enabled 1320 staff to leave under ELL on a voluntary basis to deliver budget efficiencies (2010/12) 	<ul style="list-style-type: none"> We provide a safe place to work, where wellbeing matters and attendance is consistently high We estimate we have saved £1.6 million by reducing sickness absence from 10.1 to 9.3 days per person 	<ul style="list-style-type: none"> We are a forward thinking organisation which allows people to fulfil their potential We achieved JIP re-accreditation making big improvements in a range of areas 	<ul style="list-style-type: none"> Everybody is respected, involved, heard, well led and valued We've embedded staff engagement as a key management accountability, measured quarterly. Council wide we've achieved an engagement measure of 71% 	<ul style="list-style-type: none"> Everybody plays their part in making the Council the best City Council in the UK We achieved 92% of appraisals by the end of the year.
Successes from 2011/12 to build on...	<ul style="list-style-type: none"> Workforce Planning effectively linked to Council/directorate priorities Effectively manage reduction in staffing budget of £5.4m in 2012/13 100% of 250 opportunities filled by people from priority groups Increased % of BME staff, disabled staff and women at senior levels 	<ul style="list-style-type: none"> Improved attendance saves £1.6m in 2012/13 by delivering 8.5 days lost to sickness absence per employee Reduce the number of employee accidents and incidents by 3% in 2012/13 Create a healthy workforce contributing to the health of the City 	<ul style="list-style-type: none"> Workforce development planning effectively linked to Council/directorate priorities £2.5m workforce development budget effectively delivered in 2012/13 Open engaging and ambitious staff behaviours embedded Equality issues considered in 100% of structural changes 	<ul style="list-style-type: none"> Increased percentage of staff who feel engaged Employee Relations Framework agreed with Trade Unions and reviewed 	<ul style="list-style-type: none"> 100% performance appraisals completed by end July 2012 100% 6 month reviews completed end of December 2012 Each member of staff to have a personal development plan
Here's our headline targets...	<ul style="list-style-type: none"> Staffing budget Headcount Agency spend Talent Pool Effectiveness Workforce diversity profile 	<ul style="list-style-type: none"> Attendance Accident rates 	<ul style="list-style-type: none"> % spend of workforce development budget Performance and Learning System roll out Impact of mentoring for senior leaders 	<ul style="list-style-type: none"> Extent to which the Council delivers what employees need to feel engaged Engagement survey response rates Effectiveness of Employee Relations Framework 	<ul style="list-style-type: none"> % of performance appraisals completed % of 6 month reviews completed Service performance against their People Plan priorities Number of grievances, disciplinary and performance cases
Here's what we'll measure...	<ul style="list-style-type: none"> We are going to maintain controls on workforce numbers to support the Council's budget Make sure our workforce reflects the diverse profile of Leeds Develop the Talent Pool and re-skill staff Promote 250 opportunities programme and work experience placements Ensure effective safeguarding assurances are in place Run development centres for high performing, high potential people particularly from underrepresented groups 	<ul style="list-style-type: none"> Improve safety, wellbeing and attendance Promote wellbeing and healthy activities for staff Promote a practical and sensible approach to health and safety Make sure everyone understands their health and safety responsibilities Retain our status as a 'Mindful employer' Successfully transfer Public Health responsibilities into the Council Make Health everyone's business 	<ul style="list-style-type: none"> Design and deliver quality and value for money services Roll out the Performance and Learning System and support the web and intranet replacement and Self Service Support change and new ways of working to increase effectiveness Improve succession planning and career pathways Develop a coaching culture. Strengthen the learning culture and deliver our learning agreement Investors in People, Carer Friendly Charter and Equality Standard maintained 	<ul style="list-style-type: none"> Respond to issues raised by staff in the quarterly engagement surveys. Work in partnership with the Trade Unions at all levels Involve staff in improving services Value and recognise the contribution of all staff Make the Council an even better place to work 	<ul style="list-style-type: none"> Link appraisals to service plans so everybody understands their role in delivering the business plan Manage performance and develop teams Develop Managers to confidently use people skills and employment policies to resolve issues We will challenge unnecessary bureaucracy to make the Council more agile
Here's what we're going to do...					

Working as a team for Leeds

Being open, honest and trusted






Working with communities

Treating people fairly

Spending money wisely

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Council Wide Scorecard

People Plan theme	Measure	Jan	Feb	Mar	April	2012/13 Target	11/12 outturn
 Flexible	# Full time equivalent (FTE)					n/a	12617.22
	£000s Staffing budget variation					0	£530,000
	Agency FTE (average)					n/a	536
	Agency Spend (total)					n/a	£16.15million
	# staff in Talent Pool					n/a	130
	Average length of time in Talent Pool					6 months	7.5
	% Black Minority Ethnic employees at Joint Negotiating Council (JNC)					tbc	9%
	% disabled employees at JNC					tbc	4%
	% female employees at JNC					tbc	42%
 Healthy	# projected absence per FTE					8.5	9.29
	# employee accidents / incidents per 1000 employees					3% reduction	174
	# employee incidents reportable under RIDDOR[1] to Health and Safety Executive					3% reduction	197
 Enabled	% of workforce development budget spent/committed					100%	75%
	How well employees recognise the values in their colleagues work					10	7.3
 Engaged	The extent to which the Council delivers what employees need to feel engaged					73%	71%
	Engagement survey response rate					100%	39%
 Performing	% of performance appraisals completed					100%	92%
	% of 6 month reviews completed					100%	80%
	# new grievances					n/a	97
	# new disciplinaries					n/a	148
	# new improving performance cases					n/a	10

[1] RIDDOR - Reportable Injuries, Diseases, Dangerous Occurrences Regulations

Key points HRBPs to highlight key issues from scorecard to be raised within Directorate at appropriate level

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Report author: Simeon Perry
Tel: x50503

Report of Chief Statutory Housing Services Officer

Report to: Corporate and Governance Committee

Date: 4 July 2012

Subject: Council Housing Assurance Framework 2011-12

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

Summary of main issues

1. Housing Services has commissioned an audit programme from Internal Audit, known as the Assurance Framework since 2010/11. The development of the Assurance Framework arose from an audit undertaken on the Housing Services monitoring arrangements of the ALMOs and BITMO in 2008. The Assurance Framework sets out the key objectives for the council in its delegation of housing management functions to the ALMOs and BITMO through governance, asset management, lettings and tenancy enforcement, customer satisfaction, partnerships and service improvement plans. . The Assurance framework is a partnership audit programme that is developed in collaboration with the ALMOs and BITMO. The audits are selected based on an assessment of services listed in the ALMO/ BITMO and Housing Services risk plans as well as corporate priorities, areas of poor performance, and where limited audits have been previously received.

2. In addition to the Assurance Framework, ALMOs commission their own audits from Internal Audit where they are not covered in the Assurance Framework, or for consultancy purposes. The audit opinions are listed in this report for 2011/12.

3. The Council, though its performance management framework, can provide assurance that the ALMOs and BITMO are appropriately managing the risks derived from delegating the housing management functions to them. The Audit reports demonstrate that for the services inspected, assurance is generally of an acceptable or good standard.

Recommendations

4. That Corporate Audit and Governance Committee receive assurance that the management of council housing in the city is being appropriately monitored by the Housing Partnerships team based within Housing Services.

1 Purpose of this report

- 1.1 This report provides the assurance through informing Corporate Governance and Audit Committee of the:
 - 1.1.1 outturn of the Assurance Framework for Council housing management in 2011/12, and the ALMO commissioned audits.
 - 1.1.2 The planned audit areas for 2012/13 commissioned through the Assurance Framework, and by ALMOs.

2 Background information

- 2.1 In September 2010, Corporate Governance and Audit Committee requested annual assurance that the delegated housing management services to the ALMOs and BITMO are appropriately managed. This has been undertaken annually to date, with reports to Corporate Governance and Audit Committee.
- 2.2 The Council's relationship with the three Arms Length Management Organisations (ALMOs) and Belle Isle Management Organisation (BITMO) is one of partnership in the delivery of excellent housing management services for tenants of the council.
- 2.3 The spirit of the Framework is co-regulation. The Framework provides assurance that the ALMOs and BITMO have mitigated the risk areas through their own policy and procedures. These will be objectively assessed by Internal Audit resulting in the development of the annual Assurance Framework audit programme.
- 2.4 All audits are reported to each ALMO/ BITMO Board through its Audit Committee. These audit committees monitor the implementation of the recommendations. Furthermore, ALMOs/ BITMO will provide the audits to customers as evidence of improvement in service delivery. This is usually in the form of newsletter articles.
- 2.5 The greater the level of assurance that the ALMOs and BITMO provide through the annual assurance report, the smaller the audit plan for the subsequent year. In 2010/11 many audits were undertaken to ascertain an assurance baseline based on areas of risk to the council through the delegation of housing management services.
- 2.6 The Audit protocol is that all audits that receive a Limited Assurance have an audit undertaken at least 6 months after the issue of the previous report.

3 Main issues

- 3.1 Housing Partnerships team commissioned Internal Audit to undertake audits to provide objective assurance. Internal Audit undertook audits in 9 services and

one follow up audit. This included 21 Audits in ALMOs/ BITMO and 3 in Housing Services. In addition, the ALMOs/ BITMO commissioned 15 audits themselves.

- 3.2 In 2011/12 a reduced number of audits were undertaken focussing on the areas of high risk, as determined by the ALMO/ TMO and Environment and Neighbourhoods' risk management plans. Furthermore, in order to maximise resources, reduce duplication and deliver value for money it was decided that in some areas an audit would be undertaken in one ALMO only. Once approved by that ALMO's Audit committee, the report and recommendations would be shared with the other ALMOs/ TMO, who would then adopt the recommendations relevant to them. This process was undertaken for 4 Audits listed in table 1. Due to the timing of the audits published in 2011/12, and the dates of the Audit committees, these audits will be shared with the other ALMOs in Q1 and Q2 in 2012/13.
- 3.3 Audits undertaken on the ALMOs/ BITMO commissioned through the Assurance Framework
- 3.4 Appendix 1 provides the opinions on these audits
- 3.5 The audits were on:
- 3.5.3 Corporate Governance – an audit of the corporate governance arrangements in each ALMO/ BITMO.
- 3.5.4 Procurement - a review by Internal Audit on the ALMO self assessment for each ALMO/ TMO.
- 3.5.5 Fire safety - an audit undertaken for each ALMO/ TMO, looking at both the controls and compliance that exist.
- 3.5.6 Lettings Enforcement and Date of Registration Quota: An audit undertaken on compliance of the new aspects of the recent Lettings policy change to enable lettings based on date of registration.
- 3.5.7 Tenancy Enforcement (Tenancy fraud) – an audit on how West North West homes prevented fraud in council tenancies. This was one of the shared Audits. The recommendations of this audit will be shared with the other ALMOs/ TMO for them to implement.
- 3.5.8 Neighbourhood management – an audit in Aire Valley homes to assess the effectiveness of services to estates. This was one of the shared Audits. The recommendations of this audit will be shared with the other ALMOs/ TMO for them to implement.
- 3.5.9 Key Policies: Business Continuity – an audit of Belle Isle TMO to assess its preparation for business continuity. This was one of the shared Audits. The recommendations of this audit will be shared with the other ALMOs/ TMO for them to implement.

- 3.5.10 Scheme of Delegation – an audit on the Scheme in East North East homes. This was one of the shared Audits. The recommendations of this audit will be shared with the other ALMOs/ TMO for them to implement.
- 3.5.11 Gas Servicing: This was a follow up audit on East North East Homes as they received Limited Assurance in 2010/11.
- 3.5.12 It was envisaged that number of financial audits would be undertaken. However, as the ALMO finance teams were restructured as part of the ALMO Business Centre Leeds development, it was decided between Partnerships team, the ALMOs and Internal Audit to defer these audits to 2012/3.
- 3.5.13 The shared audits were:

Table 1 Shared Audits

Audit Service area	Lead ALMO where Audit undertaken
Key Policies: Scheme of delegation	East North East homes
Key Policies: Business continuity	Belle Isle TMO
Tenancy Enforcement (Housing Fraud)	West North West homes
Neighbourhood management	Aire Valley homes

3.6 Audits undertaken on Housing Services:

- 3.6.1 Prevention of tenancy fraud – an audit on compliance with the council policy to prevent fraud in council tenancies.
- 3.6.2 Lettings – an audit on the policy controls
- 3.6.3 Lettings - an audit on the compliance of the application process for customers.
- 3.6.4 Strategic Landlord Central controls – 2010/11. This audit was a backwards looking audit on how Housing Services monitored the ALMOs through its Performance Management Agreement for 2010/11. The audit has yet to be finalised.

3.7 Audits undertaken by Housing Services

- 3.7.5 Housing Services commissioned Leeds Tenants Federation (LTF) to undertake an audit on the development in the city of Tenant Scrutiny. In 2010/11, the then Tenants Services Authority set out new Housing Management Standards for Local Authorities. Government policy was to reduce national regulation, and enable customer regulations. As a result, local authorities and their ALMOs were

expected to develop structures to enable tenants formally to challenge the services offered so they could drive service improvements. The conclusions for the LTF inquiry were that the 3 ALMOs have created Tenant Scrutiny panels and the early enquiries are beginning to see service changes. However, a number of recommendations have been made, such as improved tenant training and greater learning from each other. BITMO will consider developing a Tenants Scrutiny panel in 2012/13.

3.8 Overall the majority of audits received a good or acceptable opinion. The Opinions are stated in Appendix 1. The recommendations from the audits are being monitored by each ALMO/ BITMO Audit Committee. Furthermore, Housing Services receive the reports for these committees and both officers from Internal Audit and Housing Services attend the Audit Committees when invited.

3.9 ALMO commissioned Audits

3.9.1 In addition to the Assurance Framework, the ALMO commission their own audits. These audits are commissioned from Internal Audit if that particular ALMO considers that it requires additional audit coverage to the audits and / or audit consultancy available through the Housing Services commissioned audits. Most ALMOs have a 3 year audit programme, which is reviewed annually. The ALMO commissioned audits and their opinions are listed in table 2.

Table 2: ALMO commissioned audits 2011/ 12

	Opinion	
	Control Assurance	Compliance Assurance
East North East		
Construction Services - Subcontractors	Acceptable	Limited
Health & Safety	Acceptable	Acceptable
Responsive Repairs Gainshare Calculation Mears	Consultancy review - advice given	
Construction Services - Process Review	Good	Acceptable
Construction Services - Managed Stores	Good	Acceptable
Construction Services – Sub contractor Work Allocation process	Consultancy review- advice given	
VFM Efficiencies - Annual Efficiency Statement	Good	Good

Aire Valley		
Social Housing Equality Framework (SHEF)	This was a consultancy audit but the opinion was that AV will obtain the status of 'achieving' the SHEF quality mark.	
West North West		
Planned Capital	Good	Limited
WNW Gas contractor	No assurance	Limited
BITMO		
Responsive day to day repairs – Blackie Ltd (April to October)	Good	Good
Responsive day to day repairs contractor – (October to December)	Good	Too early to consider
Bank Reconciliation and Treasury Management	Substantial	Substantial
Budgetary Control and Performance	Substantial	Substantial
Payroll and Personnel	Substantial	Substantial

Proposed Audit Programme for 2012/13

3.10 The Council and the ALMOs have agreed the Assurance Framework audit programme for 2012/13. All ALMOs were consulted at the Strategic Governance Board in March 2012, and it was approved by the Director of Environments and Neighbourhoods Decision Panel in April 2012.

3.11 The proposed audits are stated in Table 3 and 4:

Table 3 – Assurance Framework Audits to be completed by Internal Audit

Area	Scope of Audit
Contract Management Arrangements	To review the overarching processes around contract management and procurement. To review the contract management arrangements in place within the ALMOs for major contracts, such as Responsive Repairs and Gas Servicing.
Self Assessment Support	To provide support in the development of the self assessments by the ALMOs/ BITMO.
Fraud Prevention and Detection	To review the strategies in place at the ALMOs/BITMO to reduce the risk of tenancy fraud. This will be done with a self assessment to be completed by the organisation, and for Internal Audit to undertake validation testing as appropriate.

Self Assessment Implementation	To review the process in place within the Strategic Landlord with regard to the self assessments completed by the ALMOs/ BITMO. This will provide assurance that the self assessment process is working as intended.
Corporate Governance Arrangements	To review key risk areas within Corporate Governance to be determined by the ALMOs / BITMO and Strategic Landlord based on a risk assessment of individual corporate Governance Areas. It is intended that for 2012/13 this will include Information Governance.

ABCL	
<ul style="list-style-type: none"> Bank Reconciliation & Treasury Management 	A review of Treasury Management arrangements and the processes in place for carrying out the bank reconciliations.
<ul style="list-style-type: none"> Creditors 	A review of the processes in place for raising orders, receipting goods, authorising invoices and producing and monitoring management information
<ul style="list-style-type: none"> Budgetary Control 	A review of the processes in place for setting the budget and carrying out budget monitoring throughout the year.
<ul style="list-style-type: none"> Payroll 	A review of the processes in place for new starters, leavers, variations to pay, reconciling the payroll system to the general ledger and producing and monitoring management information.

Table 3 – Assurance Framework Self Assessments to be completed by ALMO / BITMO

Area	Scope of Self Assessment
Repairs Health and Safety Audit	To provide assurance that effective health and safety provisions are in place.
Lettings	To provide assurance that the lettings policy is adhered to.
Sheltered Housing	To provide assurance that the sheltered housing service is of high quality.

Area	Scope of Self Assessment
Environmental Management	To provide assurance of effective environmental management.

3.12 For ALMO commissioned audits Housing Services and the ALMOs have agreed that, to avoid duplication, the Assurance Framework audit programme would be initially agreed, and then each ALMO would procure its own audit programme to complement the Assurance Framework audits.

3.13 ALMOs/ BITMO have not yet finalised their own commissioned audit plan for 2012/13. These will be finalised in preparation for the first ALMO Audit committees of 2012/13, to be held in late June/ early July.

Table 5 ALMO commissioned Audits 2012/13

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.6 The Assurance Framework provides the council with assurance that the key risks to the council through delegating housing services are managed, but also assurance to ALMO boards and council tenants that their housing management services are being adequately managed.

4.1.7 As a result each ALMO/ TMO reports the outcome of audits undertaken on its services to its Audit committee or Board. Furthermore, these committees then monitor the ALMO / TMO to ensure that the recommendations are adequately implemented.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 The audits commissioned through the Assurance framework or by individual ALMOs provide assurance that the Housing Services ensures that due regard to equality is provided through its service provision. An Equality Impact Assessment has been undertaken for the approval of the commissioning of the Assurance Framework, and by each ALMO when commissioning their audit programs.

4.2.2 Equality and diversity matters are considered where appropriate in the controls and compliance of all audits. A specific example of an audit that has focussed on equality and diversity is the Aire Valley audit on the delivery of the Social housing Framework, a national social housing quality assessment on equality and diversity, which resulted in an audit opinion that Aire Valley are expected to achieve this standard.

4.3 Council policies and City Priorities

4.3.1 The audit framework meets the councils priorities to ensure that Leeds is the best city in the UK through ensuring that money is spent 'wisely'.

4.4 Resources and value for money

4.4.1 There is sufficient budget allocation made available for the Assurance Framework in 2012/13 and for the ALMO/ BITMO commissioned Audits.

4.5 Legal Implications, Access to Information and Call In

4.5.1 There is not a legal requirement to commission audits, however the commissioning of Audits is good practice to provide assurance that money is appropriately spent and that governance matters and processes are effective.

4.5.2 This report does not have any Access to Information implications.

4.5.3 Call in is not applicable to this report as this report is not a key decision.

4.6 Risk Management

4.6.1 One of the main drivers to have an audit programme is to mitigate any risks using a process that investigates particular service areas in depth. This is undertaken by a trained team of specialist auditors. There is considerable evidence that the audits undertaken in 2011/12 have mitigated a number of risks.

4.6.2 The development of the 2012/13 Assurance Framework programme has been derived from:

- an assessment of the ALMO and Environments and Neighbourhoods directorate risk management plans,
- services that have had a previous limited audit opinion, or where key weaknesses have been identified .
- Services where there has been a recent configuration of the service, or it is a new service which is important to the customer delivery.
- Services where it is known that performance is poor.
- Services that are key corporate prioritise for the authority.

4.6.3 From these drivers, both the Assurance Framework and the ALMO commissioned audits are then selected and briefs then developed in consultation with all stakeholders.

5 Conclusions

5.7 The Council, through its performance management framework, can provide assurance that the ALMOs and BITMO are appropriately managing the risks derived from delegating the housing management functions to them.

5.1 The audits and reviews undertaken in 2010/11 provide the Council with assurance against the risks of delegating housing management to the ALMOs and BITMO.

5.2 The Audit reports demonstrate that for the services inspected, assurance is generally of an acceptable or good standard. Where Limited assurance has been found, then follow up audits have been undertaken.

5.3 All audit reports are reviewed by the Audit committees of each ALMO Board which meet quarterly. They review implementation of each recommendation made, focussing on the high risk recommendations.

6 Recommendations

6.1 That Corporate Audit and Governance Committee receive assurance that the management of council housing in the city is being appropriately monitored by the Housing Partnerships team based within Housing Services.

7 Background documents¹

7.1 Council Housing Assurance Framework, Corporate Governance and Audit Committee, 18 July 2011.

7.2 Council Assurance Framework for ALMOs/ BITMO , Corporate Governance and Audit Committee 29 September 2010.

7.3 The development of performance indicators and targets, assurance framework audits and satisfaction surveys for the Leeds ALMOs and BITMO, Environment and Neighbourhoods Decision Panel, 11 April 2012.

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.

Strategic Landlord Assurance Framework/ Appendix 1 – Assurance Levels for Individual Reviews

Audit	Assurance Level	Strategic Landlord	AVH	ENEHL	WNWHL	BITMO
Corporate Governance	Control		Good	Acceptable	Good	Good
	Compliance					
	Impact		Minor	Minor	Minor	Minor
Procurement	Control		Good	Good	1	Good
	Compliance		Good	Limited	1	
	Impact		Minor	Minor	1	Minor
Fire Safety	Control		Limited	Limited	Acceptable	Good
	Compliance		Limited	Acceptable	Acceptable	Good
	Impact		Major	Moderate	Moderate	Minor
Gas Servicing Follow Up	Control			Good		
	Compliance			Good		
	Impact			Minor		
Lettings Enforcement – Policy Review	Control	Good				
	Compliance					
	Impact	Minor				
Lettings Enforcement – Compliance Testing Housing Options	Control					
	Compliance	Limited ²				
	Impact	Moderate ²				

Strategic Landlord Assurance Framework/ Appendix 1 – Assurance Levels for Individual Reviews

Audit	Assurance Level	Strategic Landlord	AVH	ENEHL	WNWHL	BITMO
Lettings Enforcement – Date of Registration Quota	Control					
	Compliance		Acceptable	Acceptable	Limited	Limited
	Impact		Minor	Minor	Moderate	Minor
Neighbourhood Management	Control		Good			
	Compliance					
	Impact		Minor			
Tenancy Enforcement (Tenancy Fraud)	Control	Good			1	
	Compliance				1	
	Impact	Minor			1	
Key Policies: Business Continuity	Control					Acceptable
	Compliance					
	Impact					Minor
Key Policies: Scheme of Delegation	Control			Acceptable		
	Compliance			Limited		
	Impact			Moderate		

Key

¹ These reports are still to be issued.

² This is a review of the Housing Options service which focused on the arrangements in place to ensure that the correct application process has been followed for the applicant(s)



Report authors: Coral Main & Heather Pinches
Tel: 51572 & 274638

Report of the Director of Resources and Assistant Chief Executive, Customer Access & Performance

Report to the Corporate Governance & Audit Committee

Date: 4 July 2012

Subject: Annual Assurance Report on Risk & Performance Management

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

Summary of main issues

1. This annual report provides Corporate Governance and Audit Committee with assurances on the strength of the Council's risk and performance management arrangements and is an important source of evidence for the Annual Governance Statement due to be approved by the Committee in September.
2. The arrangements have been further developed, improved and updated during 2011/12. Of particular note is the introduction of joint risk and performance reports which has enabled better use of the two sets of data and provided a more rounded view for senior officers and members. The risk and performance information is also being used much more directly to inform and provide challenge within appraisals for senior officers.
3. Compliance with the risk management policy and performance management framework is good although further work is planned in 2012/13 to continue to develop and improve the supporting arrangements.
4. We can never be complacent, some risks lie outside our control, and there are cultural and behavioural elements to the successful adoption of these arrangements. However, this report provides the Committee with a high level of assurance on the strength of the risk and performance management arrangements currently in place across the authority.

Recommendations

5. Corporate Governance & Audit Committee is asked to receive the annual report on the Council's risk and performance management arrangements and note the assurances given.

1. Purpose of this report

- 1.1. This annual report provides Corporate Governance and Audit Committee with assurances on the strength of the Council's risk and performance management arrangements and is an important source of evidence for the Annual Governance Statement due to be approved by the Committee in September. It also enables the Committee to fulfil its role under the Council's Risk Management Policy and the Committee's own Terms of Reference for reviewing the 'adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management)'.

2. Background information

- 2.1. In 2011, in line with the move towards integrated strategic risk and performance reporting, Corporate Governance & Audit Committee agreed that the annual risk assurance report would be replaced with a new combined annual risk and performance assurance report. This is the first joint report.
- 2.2. The 'main issues' section of the report provides assurances on the Council's Risk Management Policy and Performance Management Framework, discusses the key changes around our risk and performance arrangements in the last year and outlines future plans to further improve them.

3. Main issues

- 3.1. The strength of our risk and performance management arrangements stem from the authority's Risk Management Policy and Performance Management Framework. The tables below give high-level assurance with respect to ensuring these are adequate, complied with and up to date.

Risk Management	
Name of Policy	Risk Management Policy
Is it up to date?	Yes: revised in 2011
Is it fit for purpose?	Yes: following extensive benchmarking and reviews against British and International Standards on Risk Management and other good practice guides, the Policy was updated last year, approved by the Corporate Risk Management Group and this Committee and endorsed by the Chief Executive and the Council Leader. It was also reviewed by the Corporate Communications team to ensure it complied with 'Plain English' requirements.
How is it communicated?	When first launched, the 2011 version was publicised on the front page of the web Portal and 'In Brief' communications which are available to all Council staff with PC access. It is also published on the Intranet on the Risk Management 'Interest Area' page. Focused discussions on the Policy were held with the members of the Corporate Risk Management Group prior to the document being finalised. Specific risk management awareness sessions are provided by the Risk Management Unit to Corporate Governance & Audit Committee members and Executive members in line with their roles under the Policy and to council staff upon request.
Is it routinely complied with?	Yes: members of the Corporate Risk Management Group are responsible for ensuring compliance with the Policy within their directorates. Formal statements have been provided by each directorate setting out how their arrangements link to, and support, this.
How is it monitored?	The policy will be reviewed annually by the corporate Risk Management Unit or as appropriate and in response to changes in legislation, Council policy and risk management standards. Changes will be consulted upon.

Performance Management	
Name	Performance Management Framework
Is it up to date?	Yes: the performance management arrangements were substantially overhauled in 2011 to take account of the new strategic plans approved in July 2011. The framework has been further revised during the year to build on the learning in implementing the arrangements. Most recent revision was in Mar 2012.
Is it fit for purpose?	Yes: the framework builds on the principles of good performance management as defined in a range of documents including the use of resources inspection criteria that were previously used to judge the council's performance arrangements. Most recently it has been updated to adopt the principles of Outcomes Based Accountability which the council and partnership agreed to adopt in July 2011 alongside the new plans. Performance management arrangements are benchmarked from time to time with Core cities and West Yorkshire colleagues – most recently in early 2012.
How is it communicated?	The framework was co-produced by the corporate performance team in conjunction with performance leads across the directorates and key partners (through the Performance Board) with sign off in Sept 2011. This means that the colleagues across the council and partnership who implement the framework have been able to influence these arrangements, have agreed them and clearly understand them. Key elements of the framework were consulted on, and communicated to, a range of boards during development and approval process including Strategic Planning and Policy Board, the Corporate Leadership Team (CLT) and the Leeds Initiative (LI) Board. The first performance reports to Scrutiny Boards using these new arrangements were also used as an opportunity to communicate the arrangements to them; as well as to seek feedback which has been used to further develop and refine the framework. Performance Board has an ongoing role in implementing the framework and through this, and the other LI lead partnership meetings, communication has been ongoing throughout the year. More recently the Corporate Governance and Audit Committee also reviewed the framework in January 2012.
Is it routinely complied with?	Yes: members of the Performance Board are responsible for ensuring compliance with the framework within their directorates. Formal statements have been provided by each directorate setting out how their arrangements link to, and support, this.
How is it monitored?	The framework has remained in draft during 2011-12 to provide an opportunity to keep the arrangements under review during their first year of operation. A number of minor changes have been implemented as a result of feedback and discussion at Performance Board. Once the final performance reporting cycle for the year has been concluded the framework will be reviewed and finalised. Further review will occur on an annual basis or as the need arises.

Combining Risk & Performance Management

- 3.2. The main improvement in the arrangements during 2011/12 has been less around the two processes and more how the two sets of data have been used more smartly and efficiently. A joint analysis is undertaken by the Council's corporate risk management and performance management teams on a quarterly basis. This is taken into a joint meeting of the Corporate Risk Management Group and Corporate Performance Board where it is reviewed and challenged. This makes the most of the more forward looking risk assessment and the backward looking performance information and provides a more rounded picture for discussion with officers and members.
- 3.3. In a similar vein both sets of information have been used to directly inform the Chief Executive's and Directors' appraisals. The recent changes to the appraisals

process will further develop and embed this as a greater performance focus is brought into appraisals.

Risk Management

- 3.4. A range of risk registers are in place across the Council at directorate, service, budget, programme and project levels. Specific assurances are given to this Committee and other member groups on financial risk management and on various projects upon request. In the last year, a single report template has been established for all reports to a Committee (excluding Plans Panel or Licensing Committee), Executive Board and if a key or other delegated decision is required. This includes a section on 'risk management' in which officers must detail the key risks to that decision/policy/project etc.
- 3.5. The most significant risks from these registers and reports are escalated as required, ultimately up to the corporate risk register. The corporate risk register is a live document with risks moving up and down over the year, thereby evidencing the maturity of our review and challenge processes. In January of this year, the corporate risk register was revised to ensure that the risks remained accurate, up to date and also that the risk descriptions made clear what the tangible risks to the authority and/or the city are.
- 3.6. The review resulted in 6 'standing' corporate risks that will always remain on the corporate risk register and for which annual assurance reports will be provided. These risks relate to Safeguarding Children, Safeguarding Adults, Financial Management, City Resilience (i.e. emergency planning), Council Resilience (i.e. business continuity management) and Health & Safety.
- 3.7. The corporate risk register was last reviewed in May and currently contains 23 risks of which 7 have been given the highest 'red' rating. This rating is a combination of the probability of the risk materialising and its potential impact if it did and so some risks score highly as a consequence of their impact score. Detailed reports on the 10 most significant corporate risks will be provided to the Executive Board on 18th July.
- 3.8. Executive portfolio holders see the corporate risk register each quarter and the RMU engages with other Executive members and this Committee to review the corporate risk register as part of a risk management briefing each November/December. Along with the RMU's own horizon scanning exercises (for example, through media monitoring, review of reports to members and external assessment reports and benchmarking our risk register against those of other organisations, including those of the Core City local authorities), these processes should provide the Committee with a significant source of assurance on the rigour of the Council's corporate risk register and that it accurately reflects both members' and officers' concerns.

Performance Management

- 3.9. The corporate performance management processes focus on the strategic priorities and ensure that a high level update on each of these is provided to key officers and Members including Corporate Leadership Team, Executive Board and Scrutiny. These provide a comprehensive but succinct update which acts as a 'can opener' to enable further discussion, investigation, reports and action to explore any performance issues and to drive improvement.

- 3.10. The corporate performance management arrangements are supported by a range of other processes and arrangements that further strengthen, challenge and support the performance management framework, most notably:
- (a) Performance Snapshot – the corporate performance team continues to produce a quarterly snapshot as previously reported to the Committee. This brings together a broader range of information, which includes all of the risk and performance information as well as HR, Internal Audit reports, external inspections etc. This information is broken down by Director and Chief Officer and is provided as a tool to support the Chief Executive to inform his appraisals with Directors.
 - (b) State of the City Report – the corporate performance management arrangements are deliberately focused on the small number of strategic priorities. The risk of surprises 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 produced in autumn 2011 and 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 as well as providing some evidence to support or challenge whether the city and council priorities are still the right ones.
 - (c) An annual Equality and Diversity Position Statement was published in December 2011. It supports the vision and city wide plans and provides an evidence base that will ensure that appropriate consideration takes place across the council and our strategic partnerships to address issues of inequality and poverty. In addition it also helps the council to meet our specific legal obligations outlined within the Equality Act 2010.
 - (d) Appraisals – Appraisals are a cross council priority and a significant amount of work is underway to develop and improve these. This includes new 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 which will in turn support the development of a performance culture across the organisation.

Future improvements for both risk and performance management

- 3.11. Work is ongoing with Partnership Boards to assist them in developing more of a performance culture to build upon the performance reporting arrangements in the framework. Good relationships and trust are crucial building blocks to effective performance management. This cultural element of strong support and challenge between partners needs to be carefully supported and developed, especially for Boards which are new or substantially revised (e.g. the Health and Wellbeing Board).
- 3.12. As referenced above, work will be continuing in 2012-13 with HR colleagues to further embed performance as a key element of appraisals including making best use of the performance data to support these discussions.
- 3.13. The rollout of the corporate risk management system has been delayed. However the planned rollout in 2012/13 should further help streamline the recording and reporting processes.

4. Corporate Considerations

4.1. Consultation and Engagement

4.1.1. As already identified above, the risk and performance arrangements were both revised during the last year with consultation and engagement of key stakeholders (officers and members) underpinning and informing the changes. These new arrangements were discussed and agreed at a range of boards and forums including this Committee. The reports have continued to be revised and amended during the year in response to feedback from the key audiences for the information.

4.2. Equality and Diversity / Cohesion and Integration

4.2.1. This is an assurance report and not a decision so due regard is not directly relevant.

4.3. Council policies and City Priorities

4.3.1. Under Principle 4 of the Council's Code of Corporate Governance, the authority should take, 'informed and transparent decisions which are subject to effective scrutiny and risk management'. The risk management framework we have in place in the authority supports this.

4.3.2. Using a structured and consistent risk management approach to focus discussion, prioritise resources and enable justifiable risk-taking will help the successful delivery of the Council and City priorities. The performance arrangements described in this report ensure that progress is monitored in their delivery.

4.4. Resources and value for money

4.4.1. These arrangements are resourced through existing teams across the council and the changes implemented during 2011/12 have no specific resource implications as they replace similar processes. The new arrangements make both the risk and performance processes more effective through more joined up analysis and are more efficient, particularly for senior officers and members with a single joint risk and performance report.

4.5. Legal Implications, Access to Information and Call In

4.5.1. Without robust risk management arrangements, the Council could be in breach of the Accounts and Audit Regulations 2011 which require us to have 'a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.' (Section 4.1)

4.5.2. There is no specific statutory duty to have performance management arrangements but, alongside risk management, it is a core principle of good governance and as such assurance is required on them in order for this Committee to approve the authority's Annual Governance Statement. All performance information is published on the council and Leeds Initiative websites.

4.5.3. This is an assurance report and not a decision so is not subject to call in.

4.6. Risk Management

4.6.1. Without effective risk and performance management arrangements, there is a danger that the most significant risks and issues that could impact upon the Council and Leeds are not properly identified and managed.

5. Conclusions

- 5.1. The council's risk and performance management arrangements have been further developed, improved and updated during 2011/12. Of particular note is the introduction of joint risk and performance reports which has enabled better use of the two sets of data and provided a more rounded view for senior officers and Executive portfolio holders. The risk and performance information is also being used much more directly to inform and provide challenge within appraisals for senior officers.
- 5.2. Compliance with the risk management policy and performance management framework is good although further work is planned in 2012/13 to continue to develop and improve the supporting arrangements.
- 5.3. While we can never be complacent, and some risks lie outside our control, this report provides the Committee with a high level of assurance on the strength of the risk and performance management arrangements currently in place across the authority.

6. Recommendations

- 6.1. Corporate Governance & Audit Committee is asked to receive the annual report on the Council's risk and performance management arrangements and note the assurances given.

7. Background documents¹

- Risk Management Policy (2011) and Report of the Director of Resources to Corporate Governance & Audit Committee, '*Risk Management Policy Revision*' (30/9/11)
- Performance Management Framework (Mar 2012) and Report of the Chief Officer (Intelligence & Improvement) to Corporate Governance & Audit Committee, '*Performance Management Update*' (23/1/12)
- City Priority Plan 2011-15 and Council Business Plan 2011-15
- Accounts and Audit (England) Regulations 2011

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.

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Report of Director of Resources

Report to Corporate Governance and Audit Committee

Date: 4th July 2012

Subject: Work Programme

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

Summary of main issues

1. 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
28th September 2012		
Annual Report: Corporate Decision Making Framework.	To receive a report presenting a commentary on compliance with Statutory and Constitutional requirements for decision making (including aspects relating to the Forward Plan, Call In, Access to Information, evidencing equality and consultation considerations).	Principle Corporate Governance Officer Kate Sadler
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
Annual Internal Audit Report	To receive the Annual Internal Audit Report	Chief Officer (Audit and Risk) Tim Pouncey
Local Government Ombudsman's Annual Letter	To receive the annual letter from the Local Government Ombudsman. (This report is on the agenda as part of the Committee's Annual work programme)	Chief Officer Customer Services Paul Broughton
Capital Programme Approvals	To receive a report updating the Committee with regards to the implementation of the new capital programme approvals framework (report added to the work programme on 23 rd January 2012)	Chief Officer (Financial Development) Maureen Taylor
Annual Governance Statement	To receive the Annual Governance Statement	Head of Governance Services Andy Hodson

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Fighting Fraud Locally	To receive a report concerning the Council's approach to achieving the objectives of 'Fighting Fraud Locally'	Chief Officer (Audit and Risk) Tim Pouncey
9th November 2012		
KPMG – Annual Audit Letter	To receive a report providing a summary of the results of the audit for 2011/12	Chief Officer (Financial Management) Doug Meeson
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
21st January 2013		
Transformation of Procurement	To receive report updating the Committee on the transformation of procurement	Chief Officer Public Private Partnership Unit and Procurement Dave Outram
KPMG – Audit Plan	To receive a report seeking Approval of the Audit Plan	Chief Officer (Financial Management) Doug Meeson
Internal Audit quarterly report	To receive the Internal Audit quarterly report	Chief Officer (Audit and Risk) Tim Pouncey
27th March 2013		

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
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)
Annual Financial Management Report	To receive the annual report reviewing the Financial Planning and Management Arrangements at the Council	Chief Officer (Financial Management) Doug Meeson
KPMG Certification of Grants and Returns	To receive a report certifying grants and returns	Chief Officer (Financial Management) Doug Meeson
22nd April 2013		
Annual Report of the Committee	To receive the draft Annual Report	Chief Officer (Audit and Risk) Tim Pouncey
Internal Audit quarterly report	To receive the Internal Audit quarterly report	Chief Officer (Audit and Risk) Tim Pouncey
Un-scheduled items for 2012/13		
Financial Procedure Rules	To receive a report reviewing the success of the revised FPRs.	Chief Officer (Audit and Risk) Tim Pouncey
Assurances of the process by Which Planning Decisions Are Taken	To receive the Annual report providing Assurance of the process by Which Planning Decisions Are Taken	Phil Crabtree (Chief Planning Officer)

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