



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Friday, 28th September, 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 receive the minutes of the meeting of the Corporate Governance and Audit Committee held on 4th July 2012</p>	1 - 4
7			<p>LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL LETTER</p> <p>To receive a report of the Chief Officer Customer Services which summarises the council's complaints and LGO cases for the period 1 April 2011 to 31 March 2012 and to discuss the LGO's Annual Review Letter to the council,</p>	5 - 20
8			<p>DECISION MAKING FRAMEWORK; ANNUAL ASSURANCE REPORT</p> <p>To receive a report of the Director of Resources presenting the Committee with the annual decision making framework report.</p>	21 - 32

Item No	Ward	Item Not Open		Page No
9			<p data-bbox="676 181 1362 215">INTERNAL AUDIT ANNUAL REPORT 2011/12</p> <p data-bbox="676 286 1385 394">To receive a report of the Director of Resources which brings to the attention of the Committee the basis of the internal audit assurance for 2011/12.</p>	33 - 66
10			<p data-bbox="676 611 1342 752">SHARED SERVICE PARTNERSHIP WITH CALDERDALE METROPOLITAN BOROUGH COUNCIL TO MEET ADULT SOCIAL CARE TECHNOLOGY REQUIREMENTS</p> <p data-bbox="676 792 1310 938">To receive a Report of the Director of Adult Services which provides the Committee with details of the Partnership Arrangements with Calderdale Metropolitan Borough Council.</p>	67 - 78
11			<p data-bbox="676 1010 1246 1077">REPORT TO THOSE CHARGED WITH GOVERNANCE FROM KPMG</p> <p data-bbox="676 1120 1394 1265">To receive a report of the Director of Resources to consider the release of the unaudited 2011/12 Statement of Accounts for public inspection on the 4th July 2012.</p>	79 - 114
12			<p data-bbox="676 1368 1257 1402">ANNUAL GOVERNANCE STATEMENT</p> <p data-bbox="676 1444 1358 1552">To receive a report of the Director of Resources presenting the Annual Governance Statement (AGS) to the committee for approval.</p>	115 - 128
13			<p data-bbox="676 1619 1002 1653">WORK PROGRAMME</p> <p data-bbox="676 1695 1358 1803">To receive a report of the Director of Resources notifying and inviting comment from the Committee on the work programme.</p>	129 - 132

Agenda Item 6

Corporate Governance and Audit Committee

Wednesday, 4th July, 2012

PRESENT: Councillor T Murray in the Chair
Councillors P Grahame, J Elliott, T Hanley,
C Fox, G Hussain, T Murray, R Wood,
E Taylor and J Bentley

Apologies Councillors N Taggart and J Illingworth

1 Appeals Against Refusal of Inspection of Documents

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

2 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

3 Late Items

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

4 DECLARATION OF DISCLOSABLE PECUNIARY AND OTHER INTERESTS

Councillor Fox and Councillor Hanley declared a significant interest in Agenda Item 9. The Statement of Accounts (Minute 9 refers) as Members of the West Yorkshire Pension Fund Investment Panel.

5 Apologies

Apologies for absence were received from Councillor Taggart and Councillor Illingworth.

6 Minutes of the Previous Meeting

The minutes of the meeting held on 23rd April 2012 were confirmed as a correct record.

7 Chair's Remarks

Draft minutes to be approved at the meeting
to be held on Friday, 28th September, 2012

The Chair welcomed all to the first meeting of the 2012/13 municipal year particularly new Members to the Committee and congratulated Cllr Elliot on recently being awarded an MBE in the Queen's birthday honours list.

8 KPMG - INTERIM Audit Report

Representatives of KPMG (Mike McDonagh, Steve Clark and Heather Garrett) presented a report of the Director of Resources the report identified 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.

Members discussed the report asking specific questions about how KPMG conduct their audit of the Council and the length of time needed to undertake work around the organisation's control environment. Members also sought specific assurances on the work completed on budgetary control. Members inquired about the cost of the audit by KPMG to the Council.

Members requested that KPMG identify within the Interim Audit report trends in the assessment outcomes in 2011/12 to previous years.

RESOLVED –The Committee resolved to note the positive assurances provided by KPMG on the systems and controls which underpin the Council's financial statements.

9 The Statement of Accounts 2011/12

The Principal Financial Manager introduced a report of the Director of Resources. The report presented the 2011/12 Statement of Accounts for Leeds City Council prior to them being made available for public inspection. The report provided a summary analysis of the key financial issues; an update on the future accounting issues impacting on the financial statements and an update on compliance with external audit recommendations from the audits of the 2010/11 accounts.

Members specifically considered the pension fund deficit, its impact on council finances and the actuarial assessment of the ongoing strength of the West Yorkshire Pension fund.

Members also recognised the scale and complexity of the accounting statements and as an example requested a more detailed explanation of the Housing Revenue Account at a separate seminar session for the Committee to be arranged in due course with the Principal Financial Manager.

The debt situation of the Council was also considered by Members and explanations were sought about the management of short and long term borrowing by the Councils Treasury Management Team

RESOLVED – The Committee resolved to:

- (a) note the 2011/12 Statement of Accounts as certified by the responsible financial officer; and
- (b) agree to release the accounts for public inspection.

10 Role of the People Plan in Corporate Governance

The Head of HR presented a report of the Chief Officer for Human Resources. The report outlined 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.

Members wished for the important work undertaken by the Central and Corporate Scrutiny Board to be more accurately referenced by officers as the Board's work had been fundamental to the improvements made.

Members stressed the importance of managing the work force in an effective and efficient way, in light of the reduction in staff over recent and coming years.

RESOLVED – The Committee resolved to note the existing monitoring and reporting arrangements for appraisal processes, employee engagement, workforce planning and control of the Council's workforce budget.

11 Council Housing Assurance Framework 2011-12

The Housing Policy and Monitoring Manager presented a report of the Chief Statutory Housing Officer. The report provided assurance that the management of council housing in the city is being appropriately monitored by the Housing Partnerships team based within Housing Services.

Members discussed the report asking specific questions around the rating system given by Internal Audit for the 2011/12 commissioned audits.

RESOLVED - The Committee resolved to note the assurances provided that the management of council housing in the city is being appropriately monitored by the Housing Partnerships team based within Housing Services.

12 Annual Assurance Report on Risk & Performance Management

The Principal Risk Management Officer and the Executive Officer (Performance Management) presented a report of the Director of Resources and the Assistant Chief Executive (Customer Access and Performance). The report provided the Committee with assurances on the Council's risk and performance management arrangements.

Members highlighted the importance of ensuring that risk and performance work is completed with the Council's partners to ensure arrangements in place are satisfactory and the Council is exposed to as little risk as possible.

Members were particularly keen to ensure that the arrangements in place are able to quickly take account of changing circumstances and guidance issued by Government.

By way of illustration the Chair referred to a recent report of the Office of the Children's Commissioner on improving the safety of children in residential care and sought assurances that safeguarding arrangements would be reviewed in light of the document.

RESOLVED - The Committee resolved to note the Council's risk and performance management arrangements and note the assurances given.

13 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.

Report of the Chief Officer, Customer Access

Report to the Corporate Governance & Audit Committee

Date: 28 September 2012

Subject: Report on the Local Government Ombudsman's Annual Review Letter 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. This report provides comment and feedback for the Corporate Governance and Audit Committee's Annual Governance Statement on the Local Government Ombudsman's (LGO) Annual review letter for Leeds, dated 22 June 2012.
2. The letter confirms the number of cases that the LGO has completed investigation during 2011/12 was 107 enquiries and complaints. For the first time in a number of years the LGO reported publicly on four cases where fault was found with the council. Of the remaining 103 cases, the LGO found no evidence of fault in 60 cases. The average number of days taken by the council to respond to an investigation is 26.5 calendar days, continuing the council's record of performing better than the 28 calendar day standard set by the LGO.
3. The LGO has written a brief letter to the council which accompanies the summary. The letter lists some future changes to the scope of the LGO to no longer investigate housing, or schools in pilot areas, and outlines recent LGO reports and case studies. It also highlights one case of a complaint where the council mishandled a tenant's rent, and missed a number of opportunities to rectify the situation.
4. Using the LGO Annual Review Letter and summary and an overview of the complaints to the council during 2011/12, this report sets out the council's arrangements for responding to complaints made by the public, the key objectives of which are to make it easy for people to complain, to try to resolve complaints at an early stage and to learn lessons from the issues raised through complaints. In

particular, the report shows the comparatively small number of complaints which are not resolved during the early stages of our complaints process, and then proceed to the LGO. The report also shows the comparatively small number and proportion of LGO investigations which find fault on the part of the council, and the low number and value of financial settlements. This provides assurance that the council's processes for handling complaints are, on the whole, working well.

Recommendations

- 1 Members are asked to consider the issues raised in the LGO's Annual Review Letter and the supporting contextual information provided in the appendices.
- 2 Members are asked to note the contents of the report and the assurance it provides as part of the council's Annual Governance Statement.

1 Purpose of this report

- 1.1 To summarise the council's complaints and LGO cases for the period 1 April 2011 to 31 March 2012.
- 1.2 To discuss the LGO's Annual Review Letter to the council, a copy of which can be found in **Appendix 2**.
- 1.3 To assess the overall effectiveness of the council's approach to complaints.

2 Background information

- 2.1 The LGO writes an individual Annual Review Letter to every council each year and has done so since 2003/04. The current letter continues the trend of recent years in that it does not contain any critical comment on the council's performance, although it draws attention to the council's handling of one housing complaint, discussed in sections 3.20 - 3.21. The letter's accompanying overview of cases also indicates that four public reports about the council were issued during 2011/12, discussed in sections 3.12 - 3.19. The LGO also issued a press release drawing local press attention to the Annual Letter for their local authority, discussed in section 3.19.
- 2.2 The council has a complaints policy and procedure which has been in place for a number of years, co-ordinated by directorate customer relations officers. The arrangements have three aims: i) to make it easy for people to complain to the council; ii) for the council to resolve complaints at the earliest stage possible; and iii) for the council to learn lessons from complaints to prevent them from recurring. The council operates a two stage complaints process. At the first stage complaints are dealt with by an officer or manager from the service complained about, who investigates the issues raised, looks to resolve them and responds to the customer within the relevant timescale.
- 2.3 Should the customer remain dissatisfied after this stage, they can take their complaint to the second stage of the complaints process. At the second stage, a more senior officer will investigate and respond to the customer's concerns. The officer will look at how the original complaint was dealt with and also respond to any further issues that the customer may have raised. Adult Social Care and

Children's Social Care have separate statutory procedures, and East North East and West North West Homes ALMOs have a third stage.

- 2.4 A customer who progresses to the final stage of our complaints policy is advised in our response of their right to take their complaint to the LGO's office should they remain dissatisfied with the outcome. The LGO advises customers to go through all stages of an authority's complaints procedure before investigating a complaint (see persistent complaints in section 3.7).
- 2.5 When investigating a complaint, if there is fault, the earlier it is identified and addressed, the more cost effective the process is. LGO cases have resource implications as we should have resolved the issue earlier, but also have financial implications as the LGO has the authority to impose financial settlements. All cases of local settlement are reported to the Customer Strategy Board to ensure that lessons are learnt across the council.

3 Main issues

- 3.1 This report covers the following issues relating to the LGO Annual Review Letter and summary:
- Overview of complaints to the council;
 - Patterns and trends of LGO enquiries and complaints;
 - Summary of the four LGO formal reports;
 - Overview of the case highlighted by the LGO; and
 - Assessment of the effectiveness of the council's overall approach to complaints.

Overview of complaints to the council

- 3.2 LGO complaints are a very small proportion of complaints which are made to the council each year, summarised in **Appendix 1**. In 2011/12 the council received 6,073 stage one complaints with 415 (6.9% of all complaints) progressed to the second stage of our complaints process. Of those, 292 people (4.9% of all complaints) complained to the LGO, of which 107 (1.7%) were investigated and four (0.1% of all complaints) found fault in a formal report.
- 3.3 In July 2012 an annual report on 2011/12 compliments, complaints and LGO cases was presented to the council's Customer Strategy Board, details of which are summarised in **Appendix 1**. As part of the annual report process, all directors are required to provide feedback on any trends in complaints identified over the year and what actions were taken to address them, with particular attention given to cases where the council has been instructed to make a payment. This process is important in delivering one of our objectives in relation to learning from complaints.

Patterns and trends of LGO enquiries and complaints

- 3.4 The summary, including an overview of other enquiries which were not investigated, is provided as **Appendix 3**. Members should note that the number

of investigations carried out during 2011/12 (140 = 19 resubmitted and 121 new) is different from the number of the decisions made (164), owing to the number of investigations which start in one council year and end in a different council year. The number of decisions also includes complaints that the LGO have not investigated because the subject is outside of the LGO's jurisdiction.

- 3.5 During 2011/12, the LGO investigated 107 enquiries and complaints, reporting on four cases where fault was found with the council, see sections 3.12 – 3.19 below. Of the remaining 103 cases, the LGO found no evidence of fault in 60 cases; the injustice was remedied during the investigation in 30 cases, and found minor injustice in 13 cases. The average number of days taken by the council to respond to an investigation is 26.5 calendar days, continuing the council's record of performing better than the 28 calendar day standard set by the LGO. The number of decisions in 2011/12 (164) changed only slightly on the previous year (165). There has however been a reduction (from 76 to 49) in the number of cases where the LGO has provided advice or clarification, but not investigated, and a fall in the number of cases where the complaint is resubmitted to the LGO.
- 3.6 The LGO received around the same number of enquiries and complaints about the council in 2011/12 (292) as it did the previous year (299). This figure includes premature complaints, which has doubled from 52 to 103. There is no apparent reason for the increase in premature complaints. The council will, together with the LGO, monitor this trend in the current financial year.
- 3.7 In relation to local settlement themes, a number of recent cases have highlighted the importance of accurate record keeping, particularly to evidence what officers consider when they make key decisions and that they have given appropriate and due regard to material considerations. This has been highlighted about several cases received during 2011/12 including Planning, Council Tax and Children's and Young People's services.
- 3.8 The LGO also asked the council this year to consider its processes about informing customers about a right of appeal. In one case the LGO advised the council of the danger of 'getting too enmeshed in the structure of a complaints procedure where resolution can only be achieved elsewhere'. In two other cases involving separate council services, the council failed to notify a customer of their appeal rights, in one case because the customer's correspondence was treated as informal correspondence. In all three cases the council accepted that the failure not to emphasise a right of appeal was its fault.
- 3.9 The nature of complaints by service area is broadly similar to previous years, with around a third (31%, the same as last year) of all complaints being about Housing, although a slightly lower proportion of these become investigations (24%, compared to 23% last year). The next highest service area is Education and Children's Services, with 21% complaints (compared to 17% last year), and 27% investigations (compared to 26% last year).
- 3.10 The number and value of LGO cases resulting in a financial local settlement has also reduced, and although not detailed in the report is summarised below:
- | | |
|------------------|---------|
| 08/09 = 65 cases | £67,867 |
| 09/10 = 44 cases | £16,575 |
| 10/11 = 47 cases | £25,481 |

11/12 = 35 cases £16,064

The reduction in financial local settlements is again another indicator of a complaints process which is working well.

Summary of the four LGO public reports

- 3.11 The LGO summary notes that the council received four public reports during 2011/12, the first such reports the council has received since 2007. A public report is issued when the LGO has carried out an investigation into a complaint and found sufficient maladministration causing injustice to consider that their findings should be made public. Public reports must be made available for a period of three weeks at two public access offices within the council and also on the council's website. A notice is put in two local papers to advise where the reports can be viewed.
- 3.12 The reports detail four cases where the LGO had written a report, finding the council (and in one case other agencies) at fault of maladministration causing injustice.
- 3.13 Cases 1 and 2 concerned the needs of a severely disabled child, where for a significant proportion of the school week, the council failed to provide adequate care and education. The LGO also found the council at fault for failing to assess the child's needs and those of her family, and for failing to provide adequate respite care.
- 3.14 Case 3 involved the council's duties as a corporate parent to safeguard and promote the welfare and educational attainment for the complainant's foster son, who is a looked after child. The failures continued over a long period despite the complainant making frequent and persistent representations, and as a result doing more than would be expected of a foster parent.
- 3.15 The LGO issued a public report on cases 1, 2 and 3 on 1 July 2011. The director of children's services subsequently presented a report on all 3 cases to the council's Executive Board on 7 September 2011. In presenting the report, the chair and the board conveyed their unreserved apologies for the service which the children involved and their families had received. In addition, tribute was paid to the families for their resilience and determination throughout the process. The Director of Children's Services also took the opportunity to outline the actions which had been and continued to be taken to ensure that such instances of maladministration did not occur again.
- 3.16 Case 4 involved Adult Social Care and Leeds Joint Care Management Team about actions taken regarding the complainant's mother who had been discharged into residential care. The LGO found maladministration in preventing the complainant from seeing her mother between 19 December 2008 and 02 February 2009, and for failing to review the situation after any of the nine contacts from the complainant.
- 3.17 The council received the public report for case 4 on 29 November 2011, following which the directorate submitted a report to the council's Executive Board on 4 January 2012. In presenting the report, the board and the Chief Executive conveyed their full and unreserved apologies to the family concerned for the service which they had received. In addition, the board acknowledged the swift

and positive actions taken by both the council and Leeds Community Healthcare NHS Trust following receipt of the complaint. Tributes were also paid to the invaluable work which continued to be undertaken throughout the city within the area of Adult Social Care. The board also noted that this case dated back as far as 2008 and that since then the council has provided a significant training programme to workers in the areas of safeguarding vulnerable adults and the Mental Capacity Act.

- 3.18 These cases have involved the input of the Director of Adult Social Care and the Director of Children's Services, discussion at Executive Board, and has involved a thorough lessons learned exercise to prevent future problems from happening.

Overview of the case highlighted by the LGO in the annual letter

- 3.19 The LGO's letter made reference to a specific case which the LGO wanted to draw the council's attention. The LGO did not specify why this particular case had been singled out, or that they were expecting any further action to be taken in this case. Members may recall that The Yorkshire Evening Post printed this story on Saturday 14 July 2012. New arrangements have been put in place to ensure that the council's Communications Team are appropriately briefed on receipt of the Annual Review Letter.
- 3.20 In November 2011 the LGO made enquiries of the council regarding a case where the council had mishandled a family's rent arrangements, and over several months missed many opportunities to correct the problem. The council accepted that they had failed to properly investigate the rent arrears which led to the council issuing the tenant with a notice of seeking possession. In recognition of the distress caused, the council wrote to the LGO to offer to pay the tenant £500 plus a further £95 in decoration vouchers. The LGO accepted the council's recommended remedy and closed the case on 20 February 2012.
- 3.21 A thorough lessons learned exercise has been undertaken to prevent future problems from happening and has identified a number of actions to be implemented. This includes a commitment to review internal procedures and brief staff on any changes in process. The service also recognised the importance of accurate record keeping on ICT systems and has taken steps to improve visibility across teams and services.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 As this report is providing the committee with information on past performance with regards to LGO cases, no consultation or engagement has been sought.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The LGO has not highlighted any issues regarding Equality, Diversity, Cohesion or integration in the Annual Letter for 2011/12.

4.3 Council policies and City Priorities

- 4.3.1 The LGO has not raised any issues that would impact on council priorities or city priorities.

4.4 Resources and value for money

- 4.4.1 Complaints are free feedback from our customers on what we could or should do better. Any officer in the council who has service specialist knowledge can and will be called upon to investigate and respond to customer complaints as part of their daily duties. In doing so, if they identify and implement service improvements, it will ensure that we provide a better service in the future, and as section 2.5 stated, the earlier the problem is addressed, the more cost effective is the complaints process.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 As this report is providing an update on past performance relating to LGO cases dealt with during 2011/12, it does not have any legal implications. None of the information enclosed is deemed to be sensitive or requesting decision and therefore raises no issues for access to information or call in.

4.6 Risk Management

- 4.6.1 As this report is providing an update on past performance relating to LGO cases dealt with during 2011/12, there are no significant risks identified by this report.

5 Conclusions

- 5.1 In previous years the Annual Review Letter has provided the council with valuable feedback as to the LGO's view on our performance during the previous year. The letter does not comment on our performance, but highlights one case where fault was found against the council and a local settlement agreed. The letter also states that the LGO knows that 'the council has a good process for learning from complaints to avoid problems recurring.'
- 5.2 This report has described the general arrangements in place for responding to complaints made by the public. It has also described how in practice the council seeks to make it easy for people to complain to the council, to resolve customer complaints at an early stage and to learn lessons from the issues raised through complaints.
- 5.3 The report has identified the three key objectives in relation to complaints handling are to make it easy for people to complain, to resolve complaints at an early stage and to ensure that lessons are learnt from complaints. The information detailed in this report enables the council to give assurance that the current system is fit for purpose in this respect, and this provides assurance that complaints are operating as intended.

6 Recommendations

- 6.1 Members are asked to consider the issues raised in LGO Annual Review Letter and the further contextual information provided.

6.2 Members are asked to note the contents of the report and the assurance it provides as part of the council's Annual Governance Statement.

7 Background documents

Appendix 1 Summary of complaints to Leeds City Council 2011-12

Volume of complaints

The volume of complaints has fallen to its lowest level over the past five years. The number of complaints at both stages 1 & 2 of the complaints procedure fell considerably from previous years. Stage 1 complaints fell by 23% from 7,870 to 6,073 across the council (including ALMOs). Stage 2 complaints also fell by a similar rate over the previous year, and while the number of Local Government Ombudsman (LGO) decisions remained constant at 164, the number where fault found has reduced from 47 last year to 38 this year.

Table 1 - Overview of Performance

	2007/08	2008/09	2009/10	2010/11	2011/12
Complaints - Stage 1	6,466	7,632	7,496	7,870	6,073
Complaints - Stage 2	314	523	529	534	415
LGO cases received	183	170	172	165	164
Complaints response within standard	63%	72%	79%	86%	77%

Effectiveness of complaint handling

Useful measures of the effectiveness of our complaint handling are:

- percentage of complaints that are escalated to stage 2 (7% 2011/12, the same as 2010/11);
- amount of financial settlement agreed by the LGO (£16,064 2011/12, down on £25,481 2010/11; and
- % of cases where fault found by the LGO (23% 2011/12, the same as 2010/11).

These indicators point to how effectively we handle complaints at the earliest opportunity, particularly where we do not need to have the LGO intervene. While the proportion of complaints escalated to stage 2 has remained constant, the overall volume has reduced, and the LGO has found fault in 23% of cases received.

This continues to reflect an improvement as the number of cases investigated fell, as did the number of LGO cases where fault found, from 47 in 2010/11 to 38 in 2011/12.

Responsiveness to customers

Overall, the % responses within standard has fallen to 77% against a target of 95%. This is somewhat disappointing, and possibly reflects a tightening of resources. The ALMOs and Customer Access & Performance have performed very well and met the target of 15 working days to respond to customer complaints at stage 1. Other areas are close (within 10%) to meeting the corporate target: Belle Isle TMO, Children's Services, City Development, and Resources.

However, significant performance improvements are needed in the following areas:

- Adult Social Care (79%)
- Children's Social care (55%)
- Former Corporate Governance services (77%)
- Environment & Neighbourhoods (53%)

Responses to the LGO remain within the agreed timescales.

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22 June 2012

Mr T Riordan
Chief Executive
Leeds City Council
Ground Floor West Gate
6 Grace Street
LEEDS LS1 2RP

Dear Mr Riordan

Annual Review Letter

I am writing with our annual summary of statistics on the complaints made to me about your authority for the year ended 31 March 2012. I hope the information set out in the enclosed tables will be useful to you.

The statistics include the number of enquiries and complaints received by our Advice Team, the number forwarded by the Advice Team to my office, and decisions made on complaints about your authority. The decision descriptions have been changed to more closely follow the wording in our legislation and to give greater precision. Our guidance on statistics provides further explanation ([see our website](#)).

The statistics also show the time taken by your authority to respond to written enquiries.

I want to draw the Council's attention to one particular case. The Council offered a house to a woman with a disabled husband and three children. She accepted the offer and gave notice to her private landlord expecting to move into the new property by Christmas 2010.

There were various delays caused by events outside the Council's control. It arranged to do work that was needed at the end of March 2011. It finally removed the steel shutters and gave the woman the keys on 14 April. She moved in on 21 April.

Even before she moved in the Council wrote saying she was in arrears with rent for the property. It said she owed rent from 21 March to 13 April (she paid the rent from 14 April) and continued to demand payment for the next six months, ignoring letters from her and her Outreach Support worker. This was particularly worrying for the woman as she had an introductory tenancy and feared that she would lose her home because of the claimed arrears.

On 4 November the Council issued a notice seeking possession but cancelled the court hearing when my investigation began. It then agreed to amend the rent account to remove the claimed arrears and told the woman on 17 January.

/....

Officers accepted that the Council had been wrong to claim the rent was in arrears and had missed many chances to put things right. They agreed to pay the woman £500 in recognition of her time, trouble and distress in pursuing the complaint and another about repairs.

I know the Council has a good process for learning from complaints to avoid problems recurring. I hope it has been applied to this complaint.

Changes to our role

I am also pleased to have this opportunity to update you on changes to our role. Since April 2010 we have been exercising jurisdiction over the internal management of schools on a pilot basis in 14 local authority areas. This was repealed in the Education Act 2011 and the power restored to the Secretary of State for Education. During the short period of the pilot we believe we have had a positive impact on the way in which schools handle complaints. This was endorsed by independent research commissioned by the Department for Education which is available [on their website](#).

Our jurisdiction will end in July 2012 and all complaints about internal school matters will be completed by 31 January 2013.

From April 2013, as a result of the Localism Act 2011, local authority tenants will take complaints about their landlord to the Independent Housing Ombudsman (IHO). We are working with the IHO to ensure a smooth transition that will include information for local authority officers and members.

Supporting good local public administration

We launched a new series of Focus reports during 2011/12 to develop our role in supporting good local public administration and service improvement. They draw on the learning arising from our casework in specific service areas. Subjects have included school admissions, children out of school, homelessness and use of bankruptcy powers. The reports describe good practice and highlight what can go wrong and the injustice caused. They also make recommendations on priority areas for improvement.

We were pleased that a survey of local government revenue officers provided positive feedback on the bankruptcy focus report. Some 85% said they found it useful.

In July 2011, we also published a report with the Centre for Public Scrutiny about how complaints can feed into local authority scrutiny and business planning arrangements.

We support local complaint resolution as the most speedy route to remedy. Our training programme on effective complaint handling is an important part of our work in this area. In 2011/12 we delivered 76 courses to councils, reaching 1,230 individual learners.

We have developed our course evaluation to measure the impact of our training more effectively. It has shown that 87% of learners gained new skills and knowledge to help them improve complaint-handling practice, 83% made changes to complaint-handling practice after training, and 73% said the improvements they made resulted in greater efficiency.

Further details of publications and training opportunities are on [our website](#).

Publishing decisions

Following consultation with councils, we are planning to launch an open publication scheme during the next year where we will be publishing on our website the final decision statements on all complaints. Making more information publicly available will increase our openness and transparency, and enhance our accountability.

Our aim is to provide a comprehensive picture of complaint decisions and reasons for councils and the public. This will help inform citizens about local services and create a new source of information on maladministration, service failure and injustice.

We will publish a copy of this annual review with those of all other English local authorities on our website on 12 July 2012. This will be the same day as publication of our Annual Report 2011/12 where you will find further information about our work.

We always welcome feedback from councils and would be pleased to receive your views. If it would be helpful, I should be pleased to arrange a meeting for myself or a senior manager to discuss our work in more detail.

Yours sincerely



Anne Seex
Local Government Ombudsman

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LGO advice team

Enquiries and complaints received	Adult Care Services	Benefits & Tax	Corporate & Other Services	Education & Childrens Services	Environmental Services & Public Protection & Regulation	Highways & Transport	Housing	Planning & Development	Total
Advice given	5	2	4	12	3	3	19	1	49
Premature complaints	8	12	1	11	22	2	37	10	103
Forwarded to Investigative team (resubmitted)	0	2	0	1	6	0	8	2	19
Forwarded to Investigative team (New)	7	7	4	37	15	7	26	18	121
Total	20	23	9	61	46	12	90	31	292

Investigative team - Decisions

No power to investigate	Not investigated		Investigated		Report	Total
	No reason to use exceptional power to investigate	Investigation not justified & Other	Not enough evidence of fault	No or minor injustice & Other		
7	5	45	60	13	4	164

Response times to first enquiries	No of first enquiries	Avg no of days to respond
	35	26.5

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Report of Director of Resources

Report to Corporate Governance and Audit Committee

Date: 28th September 2012

Subject: Decision Making Framework; Annual Assurance 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

1. This is the annual report to the committee concerning the Council's decision making arrangements, the report does not cover Planning matters as these have been the subject of a previous report to the committee from the Chief Planning Officer, nor does it consider the arrangements for Licensing decisions taken by officers..
2. From the review, assessment and ongoing monitoring carried out and supported by the work undertaken by Internal Audit, the Head of Governance Services has reached the opinion that, overall, decision making systems are operating soundly and that there are no fundamental control weaknesses or, where shortfalls in compliances have been identified, the Head of Governance Services has been assured by Directors that robust action plans are in place for these to be rectified
3. The report also provides details of amendments made to the decision making framework at the Annual Council Meeting on 21st May 2012, steps taken to embed these changes, and additional changes to the Council's decision making arrangements arising from the Local Authorities (Executive Arrangements) (England) Regulations 2012 .

Recommendations

4. Members are requested to consider and note the positive assurances provided in this report.

1 Purpose of this report

- 1.1 This is the annual report to the committee concerning the Council's Decision Making Arrangements, the report does not cover Planning matters as these have been the subject of a previous report to the committee from the Chief Planning Officer, nor does it consider the arrangements for Licensing decisions taken by officers.
- 1.2 The report also provides details of amendments made to the decision making framework at the Annual Council Meeting on 21st May 2012, steps taken to embed these changes, and additional changes to the Council's decision making arrangements arising from the Local Authorities (Executive Arrangements) (England) Regulations 2012.
- 1.3 This report provides one of the sources of assurance which the Committee is able to take into account when considering the approval of the Annual Governance Statement.

2 Background information

Decision Making Framework

- 2.1 The Council's decision making framework comprises of the systems and processes through which decision making is directed and controlled. Whilst a number of these systems and processes are put in place in direct response to primary and secondary legislation, others reflect the implementation of locally adopted definitions and choices made to ensure maximum transparency and accountability within Council practice and procedure.
- 2.2 The principal systems and processes are set out in the Council's Constitution as follows;
- Part 2 - Articles of the Constitution
- 2.2.1 **Article 1** (describing the powers and purpose of the Council and the purpose of the constitution), **Article 3** describing the rights of Citizens (for example rights to attend meetings, rights in respect of the forward plan, access to information regarding decisions), **Article 4** – the budget and policy framework of the Authority, **Article 6** the role of function of Scrutiny Boards, **Article 7** the role, form and composition of the Executive, **Articles 8-10** describing the role, function and membership requirements of committees and **Article 13** (which describes requirements relating to decision making);
- Part 3 - Responsibility for Functions
- 2.2.2 The responsibility for Council, Local Choice and Executive functions and how these have been delegated to committees and officers. (Each Director documents how these functions are discharged within their directorate by making and maintaining a sub delegation scheme.)

Part 4 – Procedure Rules

2.2.3 Rules in relation to the decision making processes, amongst others, and include those relating to;

- Full Council
- The Executive
- Scrutiny
- Area Committees
- Access to Information
- Budget and Policy Framework

Part 5 - Codes and Protocols

2.2.4 Codes of conduct for members and officers (specifically arrangements for members and officers to register and declare relevant interests) and protocols describing the respective roles of members and officers in decision making.

2.3 In addition to these documented processes there are a number of Statutory Officers appointed to ensure that the Council acts within its powers and budgets. Of particular relevance to decision making are:-

The Head of Paid Service

2.3.1 In Leeds the Chief Executive, responsible for ensuring that the Council appoints and directs a staff compliment sufficient to ensure that it can fulfil its functions.

The Monitoring Officer

2.3.2 In Leeds the City Solicitor, responsible for ensuring that the Council acts at all times within its legal authority.

The Chief Finance Officer

2.3.3 Also known as the Section 151 Officer, in Leeds the Deputy Chief Executive and Director of Resources, responsible for ensuring that the Council acts at all times within its financial capacity.

Monitoring

2.4 A number of systems are in place to monitor compliance with and to assess the effectiveness of the decision making framework.

2.4.1 In particular the Head of Governance Services monitors arrangements in respect of:-

- Delegation and sub delegation arrangements;
- Forward Plan;
- The use of Special Urgency Provisions;
- Call In; and
- Publication of agendas, delegated decisions and committee minutes.

3 Main issues

- 3.1 The Head of Governance Services has responsibility to ensure that the Council's decision making arrangements are up to date, fit for purpose, effectively communicated, routinely complied with and monitored.
- 3.2 This report provides assurance to the committee on the decision making framework set out and summarised in section two above.

Amendments to the Decision Making Framework

- 3.3 During the course of any municipal year it is necessary to review and amend the Constitution in order to implement changing legislation and to ensure that it remains an accurate reflection of practice and procedure within the Council. These changes take place in accordance with Article 15 of the Constitution. Any amendments made by the Monitoring Officer in the 2011/12 Municipal Year were recorded as Significant Operational Decisions and published on the Council's web site, amendments made by the Leader of Council or Executive Board were reported to the next available meeting of the Council, and decisions to be taken by Full Council were first considered by the General Purposes Committee in order that recommendations could be made.
- 3.4 In addition an annual review of the Constitution takes place in order to ensure that the Constitution is up to date and fit for purpose. The review which took place in the 2011/12 Municipal Year, was supported by an intention by the Director of Resources to reduce unnecessary bureaucracy within the authority. Amendments were proposed, and Members consulted extensively, which sought to ensure greater opportunity for Members to engage with the decision making process, to speed the implementation of decisions made by Members in Area Committee, and to simplify the processes around decision making for officers.

Categories of Decisions

- 3.5 The Council is required by law to determine thresholds; in relation to the financial implications and in relation to impact upon the communities living and working in its area, above which a decision will be classified as a Key Decision. These thresholds have been amended to incorporate the existing £250,000 financial threshold, and to widen the impact threshold to include decisions which have a significant effect upon communities living and working in an area including one ward.
- 3.6 Having reduced the impact threshold for Key Decisions, Council approved the removal of the 'Major' category of decisions from the decision making framework, as those with a significant community impact are now included in the definition of a Key Decision.
- 3.7 The statutory position is that all other decisions are administrative. However there remains a view in Leeds that there are some decisions which have to be exempted from the definition of a Key decision for practical reasons but which nevertheless should be subject to a requirement to record, and similarly that there are decisions which need to be recorded to increase transparency and confidence in the Council's decision making. In Leeds these decisions are defined as Significant Operation Decisions.

New Regulations

- 3.8 The Local Authorities (Executive Arrangements) (England) Regulations 2012 were made on 10th August 2012 and came into effect on 10th September 2012. These regulations will necessitate a number of amendments to the Council's existing decision making framework.
- 3.9 The regulations alter the existing decision making framework by requiring the extension of some existing provisions either in terms of the length of notice given, or in terms of the categories of decisions to which provisions apply. However, they also remove some existing requirements.
- 3.10 As a result of the new regulations the Council will no longer be required to maintain a Forward Plan. However, following consultation with General Purposes Committee, it is considered that the Forward Plan provides a helpful mechanism by which to gather together details of all proposed Key decisions and it is therefore intended that the plan will continue to be published.
- 3.11 The new regulations require that 28 days notice of any Key decision is given prior to that decision being made. It is this notice which will now provide the content for the Forward Plan. As the regulations no longer prescribe a date by which the Forward Plan will be published each month it will be possible to amend it as and when necessary to ensure that all Key Decisions are included. Whilst it is intended that the Forward Plan will still be published on a rolling basis with each plan to cover a four month period, it will now be possible to amend each plan in 'real time'.
- 3.12 The Head of Governance Services is of the view that this will minimise the risk of any Key decision having to be taken which is not on the Forward Plan other than in cases of genuine urgency, when the General Exception and Special Urgency provisions will still apply.
- 3.13 There is a new requirement to give notice of the reasons for using either the General Exception or Special Urgency provisions. Whilst this has been part of the adopted practices in Leeds for some time, the Council has not previously made provision for such notice in relation to Key decisions to be taken by Executive Board. This requirement will be met by ensuring that each relevant report contains the reasons for making the decision without the required period of notice.
- 3.14 The Senior Governance Officer responsible for clerking Executive Board will take the lead on implementing these new arrangements and will also highlight on the agenda for each Executive Board meeting which, if any, of the decisions to be made are subject to the General Exception or Special Urgency provisions.
- 3.15 In place of the requirement upon the Leader to submit quarterly reports to the authority in relation to decisions taken under the Special Urgency provisions, is a requirement that the Leader should submit at least one such report annually. It is considered that this Annual Report to Corporate Governance and Audit Committee is an appropriate mechanism for that information to be reported on the Leader of Council's behalf¹.

¹ For 2011/12 this is contained within paragraph 3.38 of this report

- 3.16 The regulations appear to require the formal recording and publication of all Executive Decisions. This would include those decisions currently categorised as Administrative and not subject to any formal control. The Head of Governance Services is seeking clarification from DCLG in this regard, as the resource implications to publish all administrative decisions would be considerable.

Embedding the Decision Making Framework

- 3.17 Following the amendments to the decision making framework, made at the Annual Council Meeting on 21st May 2012, the Head of Governance Services arranged a news item on the Council's portal. This information (which linked to the details of the new arrangements) was therefore available to all officers with computer access across the authority for a period in excess of 1 month.
- 3.18 In addition to this the Head of Governance Services arranged to brief Directorate Management Teams across the Council. A briefing on the changes was presented at individual DMT meetings during the month of June.
- 3.19 The Head of Governance Services also offers a training package in relation to the decision making framework through the Council's corporate learning offer, the most recent version of which has been attended by approximately 400 officers, many of which have been prioritised for training due to their significant role in the Council's decision making and wider governance arrangements.
- 3.20 Directors are encouraged to identify, through the appraisal and induction processes any officer in need of the training and to support their application to attend.
- 3.21 Given the changes to the decision making framework which came into effect in May 2012, training has been supplemented over the summer months with an update briefing for those officers who have previously attended the full training seminar or who are working in this area.
- 3.22 The Head of Governance Services intends to provide a full briefing note to each Directorate to be made available to all Officers involved in the decision making process in order to advise them of changes consequential upon the new regulations.
- 3.23 In addition to this the Head of Governance Services is seeking to provide a full day training package which will incorporate aspects of decision making together with finance and procurement, thus enabling officers to explore the processes and procedures in place in the context of decisions that are made on a regular basis across the authority. Directors and their colleagues have also indicated that such provision will be useful to them in furthering their knowledge and their ability to embed the various requirements into their decision making practice.
- 3.24 Governance Services Staff continue to provide support in relation to the decision making framework through the recording and publication of decisions, the monitoring of decisions (including use of provisions such as General Exception and Special Urgency), and advice on exempt and confidential information and guidance to Members on declaration and registration of interests.

Performance Monitoring

- 3.25 To provide a test of the extent to which the council's arrangements are routinely complied with a suite of performance indicators have been established. These are explored further below. In order to ensure continuity of reporting to the Committee these statistics cover the period from June 2011 to August 2012.

Publication of Agendas

- 3.26 The Council is required to publish agendas and reports for committees five clear working days in advance of a meeting. This requirement is contained within Section 100B of the Local Government Act 1972 for Council Committees and in the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012 for Executive committees. Both pieces of legislation also contain exception provisions for meetings to be called at short notice.
- 3.27 The Head of Governance Service has established a target for 99% of agendas to be issued and published within the five day statutory deadline²; this being a reasonable measure of timely transparency and an indication of the extent to which exception provisions are utilised to call meetings at short notice.
- 3.28 Of 384 meetings which took place within the reporting period covered by this report, 13 agendas were not issued within the 5 clear day deadline. 2 of these were meetings which were called at short notice, and their agendas were issued in compliance with the relevant rules. Of the remainder 5 agendas were issued on time and statutory notice was therefore given, but, for a variety of reasons, electronic publication to the Council's website was delayed. In such circumstances the Head of Governance Services took steps to ensure the publication took place as soon as possible thereafter
- 3.29 Overall this gives a performance of 97% of agendas published within the required notice period. This is slight improvement on the 3 previous years which show performance indicators as follows:-

2009	96%
2010	95%
2011	96%
2012	97%

Publication of Minutes

- 3.30 There is no statutory framework stipulating the time period for the publication of committee minutes. To enable the decisions of the Council to be accessible and transparent the Head of Governance Service has established a local target; this being for 100% of draft minutes to be published on the Council's internet site within ten working days.
- 3.31 In addition, to enable speed of implementation and facilitate Call In, all Executive Board minutes are published within 48 hours of the Executive Board meeting.

² Licensing Sub Committee's are not bound by these statutory requirements but, for completeness, are included in the monitoring information.

3.32 Of 384 committee meetings which have taken place within the period covered by this report, 15 sets of draft minutes were published outside the deadline. This gives a performance indicator of 96% draft minutes published within the required period.

3.33 This continues the standard set in the 3 previous years which show performance indicators as follows:-

2009	83%
2010	96%
2011	96%
2012	96%

Key Decisions on the Forward Plan

3.34 As previously outlined in this report Regulations exist which set out the statutory framework for how Key decisions are taken. A significant element of this are requirements concerning the pre-notification of an intention to take a Key decision. - the purpose being to seek to ensure transparency and allow representations from stakeholders etc.

3.35 To measure effectiveness the Council Business Plan contains a target for 89% of Key decisions to have appeared in the Forward Plan.

3.36 During the period covered by this report of 269 Key decisions taken 18 were not on the Forward Plan. This gives a performance indicator of 93% Key decisions on the Forward Plan. Of these, 17 were decisions taken by Officers and 1 a decision of the Executive Board.

3.37 This is an improvement on the 3 previous years which show performance indicators as follows:-

2009	84 %
2010	89%
2011	84%
2012	93%

3.38 Each of these 18 decisions was taken in accordance with the general exception provisions contained in Regulations. The Head of Governance Services is able to confirm that the Special Urgency Provisions, enabling an Executive Decision to be taken at less than 5 days notice, have not been used during this period.

3.39 During the year Internal Audit identified two particular issues :-

- Some decisions were included on the Forward plan but not taken on the date expected. Failure to 'slip' these decisions onto the next Forward Plan resulted in their not being on the Forward Plan for the period in which the decision was eventually taken. New systems and procedures have now been introduced which ensure that all decisions not yet taken are automatically slipped to the next Forward Plan period.

- There continue to be some decisions which fall within the definition of a Key Decision but which are not placed on the Forward Plan at any stage. Internal Audit has recommended to Directors that budget holders identify any one off spends or aggregate spends which might trigger a requirement for a decision or group of decisions to be treated as Key.

Eligible Decisions Open for Call In

- 3.40 The Council has established arrangements for significant Executive decisions³ to be available for Call In. This allows for Overview and Scrutiny Committees to request a decision, that has been taken, but not yet implemented, to be considered by the relevant Scrutiny Committee. This mechanism is an important element of democratic accountability arrangements in place at Leeds. Crucial to this is ensuring that the vast majority of these eligible decisions are available for Call In and are not exempted by the decision maker⁴. The target established in the Council Business Plan is that 95% of eligible decisions should be open for Call In.
- 3.41 Of 718 eligible decisions taken only 28 were not open for call in. This gives a performance of 96% Key decisions being available for Call In.
- 3.42 This is a decline on the 3 previous years which show performance indicators as follows:-
- | | |
|------|-----|
| 2009 | 98% |
| 2010 | 99% |
| 2011 | 98% |
| 2012 | 96% |
- 3.43 Of the decisions which were not open for call in 19 were made by officers and 9 by Executive Board. In the reporting period all those decisions exempted from Call In were exempted on the grounds of urgency.

Delegation of Functions

- 3.44 The Constitution documents the delegation of Council and Executive functions to Officers. In turn a framework has been established whereby those functions are sub delegated (normally by Directors) to other officers of the Council. Delegated decisions are cross checked by Governance Services to ensure that decision takers have the necessary sub delegation to make those decisions. These arrangements provide for transparency in terms of officer accountabilities. In summary for 2012;-
- 3.44.1 The practice of concurrent delegation of functions within the Constitution has ceased. In contrast to 14 officers in the 2011/12 municipal year, there are now only 9 officers⁵ who receive delegations directly through the Constitution.

³ All decisions of Executive Board, all executive decisions of Area Committees (until 21st May 2012) and all Key and Major decisions of officers are eligible for Call In.

⁴ Decisions can be exempted on the grounds of urgency (i.e. that any delay would seriously prejudice the Council's or the public's interests) or where the decision has been the subject of a previous Call In.

⁵ The Chief Executive, Assistant Chief Executive (Customer Access and Performance), Director of Adult Social Care, Director of Children's Services, Director of City Development, Chief Planning Officer (those functions which would conflict

- 3.44.2 Each of the 9 officers who have functions delegated to them through the Constitution is required to make a new sub delegation scheme each municipal year to reflect the Executive Arrangements determined by the Leader (and those determined by Full Council concerning Council Functions).
- 3.44.3 The Head of Governance Services has maintained a record of sub delegation schemes as they are made and amended by Directors and can confirm that each Director (or Chief Officer) with functions delegated to them through the Constitution made and reviewed their own sub delegation scheme in the 11/12 Municipal Year. In addition each of the 9 officers with delegations under the 12/13 constitution had made a new sub delegation scheme by the end of May 2012.
- 3.44.4 The Director of Environment and Neighbourhoods and the Director of City Development have, in July, amended their schemes to reflect amendments made to their Delegations in year. The City Solicitor has made amendments to her scheme to reflect custom and practice within her service.
- 3.44.5 These amendments, which are publicised as Significant Operational Decisions, reflect the requirement that each scheme should contain an accurate representation of the way in which functions are carried out and the officers with authority to make decisions under the scheme. In this way they ensure transparency of decision making within the Council in relation to both Council and Executive functions.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.6 The Council's Performance Management Team monitor performance indicators in respect of consultation and engagement.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The Council's Performance Management Team monitor performance indicators in respect of equalities.

4.3 Council policies and City Priorities

- 4.3.1 The monitoring of City Priorities in relation to consultation and equalities are monitored and reported by the Council's Performance Management Team.

4.4 Resources and value for money

- 4.4.1 Given the assurances made by the Head of Governance Services as a result of the implementation and monitoring of the Council's decision making framework it is considered that the systems and processes in place represent an appropriate use of resources and good value for money.

with the Director of City Development's asset management functions only), Director of Environment and Neighbourhoods, Director of Resources and City Solicitor.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The introduction of the Local Authorities (Executive Arrangements) (England) Regulations 2012 alters the legal requirements in relation to access to information and decision making. The Head of Governance Services has responded to these new regulations by introducing amended processes which meet the requirements that the Regulations set out.

4.6 Risk Management

- 4.6.1 The Head of Governance Services gives assurance that the systems and processes that form part of the Council's decision making framework are functioning well and that there are no risks identified by this report.
- 4.6.2 The Head of Governance Services will seek to ensure that new systems and processes introduced to meet the requirements of the new regulations are the subject of substantial guidance to officers, thus minimising any risk inherent in introducing amendments to familiar processes.

5 Conclusions

- 5.1 From the review, assessment and ongoing monitoring carried out and supported by the work undertaken by Internal Audit the Head of Governance Services has reached the opinion that, overall, decision making systems are operating soundly and that there are no fundamental control weaknesses.
- 5.2 Where shortfalls in compliances have been identified, the Head of Governance Services has received assurance from Directors that robust action plans are in place for these to be rectified.

6 Recommendations

- 6.1 Members are requested to consider and note the positive assurances provided in this report.

7 Background documents⁶

- 7.1 None

⁶ 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 the Director of Resources and Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 28th September 2012

Subject: Internal Audit Annual Report 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. On behalf of the Corporate Governance and Audit Committee ('the Committee') and the Director of Resources and Deputy Chief Executive, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
2. The terms of reference of the Committee require that it considers the Council's arrangements relating to internal audit. This specifically includes considering the annual report and the opinion on the control environment contained in that report and monitoring the performance of internal audit.
3. The overall conclusion is that Leeds City Council has a sound Corporate Governance framework from which those charged with Governance can gain assurance. Internal Audit has made a number of recommendations to further improve the systems of control but at the time of writing this report there are no outstanding significant issues arising from the work undertaken by Internal Audit. Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that these controls continue to work well in practice.

4. The proposed Internal Audit Operational Plan for 2012/13 is also included as part of this report.

Recommendations

5. The Corporate Governance and Audit Committee is asked to receive the Internal Audit Annual Report 2011/2012 report and note the assurances given.
6. The Corporate Governance and Audit Committee is asked to note the Internal Audit Operational Plan for 2012/13.

1 Purpose of this report

- 1.1 This report brings to the attention of the Committee the basis of the internal audit assurance for 2011/12.
- 1.2 The proposed Internal Audit Operational Plan for 2012/13 is also included as part of this report and has been challenged and agreed by the Director of Resources and Deputy Chief Executive.
- 1.3 By reviewing, challenging and monitoring such reports the Committee itself is demonstrating sound governance arrangements and enabling it to take appropriate action if needed. It should be noted that Internal Audit will also issue interim reports to the Committee if any significant matters arise which would warrant immediate attention.

2 Background information

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

3 Main issues

- 3.1 The Code of Practice for Internal Audit in Local Government in the UK 2006 states that the Head of Audit must provide a written report to those charged with governance timed to support the Statement on Internal Control (now the Annual Governance Statement). This report must include an opinion on the overall adequacy and effectiveness of the organisation's control environment, presenting a summary of how that opinion is derived including reliance placed on work by other assurance bodies. For 2011/12, the opinion is:

The internal control environment, including the key financial systems, is well established and continues to operate well in practice.

At the time of writing this report there are no outstanding significant issues arising from the work undertaken by Internal Audit.

However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- 3.2 The annual opinion is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year. The report therefore contains a summary of completed jobs along with their individual opinions.
- 3.3 There are no issues identified by Internal Audit in the Annual Report 2011/12 that would necessitate direct intervention by the Corporate Governance & Audit Committee.

- 3.4 KPMG reviewed internal audit's work on key financial systems in 2011/12 and confirmed that it fully met their requirements in terms of timeliness, quality and supporting evidence. KPMG reported that:

“Internal Audit has 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.”

- 3.5 The report also includes the 2012/13 Audit Plan. The Plan reflects the environment in which public sector audit operates, recognising that this has changed considerably over the past few years with more focus on assurance and, more recently, business analysis and spending money wisely. The current level of resources available with existing staff levels for productive audit work is 7733 days. This figure assumed that it would be possible to recruit 5 trainee professional auditors to start in quarter 2 and also achieve the challenging income target set in the budget for both business analysis work by the Business Process Re-engineering Team and Internal Audit services. The level of resources required to be seconded or otherwise recharged to directorates for Business Analysis work is 1626 days and the number of days Internal Audit will require to deliver the Experian data matching project and achieve its income target is a further 1240 days. Therefore the estimated level of resources that are available to specifically provide the Head of Audit with the evidence for his opinion on the control environment is 4867 days.
- 3.6 The team has consulted with each directorate asking representatives where they would like internal audit to contribute. This covered areas such as fraud awareness, compliance, system review and spending money wisely ideas. Incorporating the results of this consultation process, key areas of the Plan have been expanded – in the areas of Risk Based Audits, Spending Money Wisely, Compliance and Procurement Contract monitoring. It is proposed that internal audit continues to prepare 3 monthly plans to ensure it is as current and relevant as possible throughout the year.
- 3.7 Progress against the plan will be monitored throughout the year and key issues reported to the Director of Resources and Deputy Chief Executive, the Chief Officer (Financial Management) and the Chief Officer (Audit & Risk.) The Head of Audit will report key issues arising from this work to the Committee in the Quarterly Internal Audit reports.
- 3.8 Internal Audit will continue to undertake a follow up audit on audit reports with limited or no assurance opinions or where the impact has been determined as either 'Major' or 'Moderate' to ensure the revised controls are operating well in practice.

4 Corporate Considerations

4.1 Consultation and Engagement

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

4.2 Equality and Diversity / Cohesion and Integration

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

4.3 Council Policies and City Priorities

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

4.4 Resources and Value for Money

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

4.5 Legal Implications, Access to Information and Call In

4.5.1 None.

4.6 Risk Management

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

5 Conclusions

5.1 There are no issues identified by Internal Audit in the Annual Report 2011/12 that would necessitate direct intervention by the Corporate Governance & Audit Committee.

6 Recommendations

6.1 The Corporate Governance and Audit Committee is asked to receive the Internal Audit Annual Report 2011/2012 report and note the assurances given.

6.2 The Corporate Governance and Audit Committee is asked to note the Internal Audit Operational Plan for 2012/13.

7 Background documents

7.1 None.

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LEEDS CITY COUNCIL

INTERNAL AUDIT ANNUAL REPORT AND OPINION

2011/12

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Section 1

INTRODUCTION

1.1 The Annual Reporting Process

Management is responsible for the system of internal control and must set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Corporate Governance & Audit Committee (CG&AC) and the Director of Resources, Internal Audit acts as an assurance function providing an independent and objective opinion on the organisation's entire control environment by evaluating its effectiveness in achieving objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year and outlines the proposed risk based Internal Audit Plan for 2012/13.

1.2 Requirement for Internal Audit

The organisation has a duty to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. This role is complemented by initiatives aimed at promoting effective corporate governance.

In 2006, CIPFA published a revised Code of Practice for Internal Audit in Local Government in the UK. The guidance accompanying the Accounts and Audit Regulations 2003 referred to this code as representing "proper internal audit practices". The Code defines the way in which the internal audit service should be established and undertaken, encompassing organisational and structural aspects.

The Accounts and Audit (England) Regulations 2011 that came into force on the 31st March 2011 and revoked the Accounts and Audit Regulations (England) 2003 maintain the requirement for relevant bodies to have a sound system of internal control and conduct a review at least once a year of the effectiveness of the system of internal control.

The 2011 regulations require bodies to conduct, at least once a year, a review of the effectiveness of their internal audit to consider this as part of the consideration of the system of internal control by a committee of the body, or by the body as a whole.

Section 2

REVIEW OF INTERNAL CONTROL AND OPINION

2.1 Opinion 2011/2012

The Code of Practice for Internal Audit in Local Government in the UK 2006 states that the Head of Audit must provide a written report to those charged with governance timed to support the Statement on Internal Control (now the Annual Governance Statement). This report must include an opinion on the overall adequacy and effectiveness of the organisation's control environment, presenting a summary of how that opinion is derived including reliance placed on work by other assurance bodies.

The internal control environment, including the key financial systems, is well established and continues to operate well in practice.

At the time of writing this report there are no outstanding significant issues arising from the work undertaken by Internal Audit.

However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

2.2 How Internal Control is reviewed

Internal Audit continues to embrace the risk assessment approach to audit. During the course of the year, the risk map of the Authority has been continually challenged and used to form the basis of Internal Audit's operational plan for the coming year. The review process draws on key indicators of risks to the organisation and attempts to ensure that suitable audit time and resources are devoted to review the more significant areas. The Corporate Risk Register is used as a key source of information during this process. The audit plan contains a contingency provision that is utilised during the year in response to unforeseen work demands. This risk based approach to audit planning results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the control environment.

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

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

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

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

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

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

Organisational impact is reported as either Major, Moderate or Minor. Any reports with major organisational impacts are reported to Corporate Leadership Team along with the appropriate directorate's agreed action plan and then to CG&AC as part of the regular update report.

Organisational Impact		
	Level	Definitions
1	MAJOR	The weaknesses identified during the review have left the council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.

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

2.3 Basis of Assurance

The annual opinion on the adequacy and effectiveness of the control environment for 2011/12 is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year. For each area of assurance, there have been instances where the control environment was not strong enough or complied with sufficiently to prevent risks to the organisation. In these cases, Internal Audit has made recommendations to further improve the systems of control and compliance. Although significant to the control environment in place for the individual system areas that have been audited these weaknesses are not material enough to have a significant impact on the overall opinion on the adequacy of the Council’s control environment at the year end. Further reviews in each area where limited assurance has been given are scheduled to be completed to ensure that the recommendations have been adopted and the suggested controls are working well in practice.

2.3.1 Key Financial Systems

An annual review of each of the authority’s key financial systems is undertaken to provide evidence supporting the internal audit opinion on the adequacy of the organisation’s control environment.

As previously, the key financial systems subject to audit were agreed in advance with the authority’s external auditors KPMG as they review this work and use this as a key source of assurance on the organisation. KPMG have reviewed internal audit’s work on key financial systems in 2011/12 and have confirmed that it fully meets their requirements in terms of timeliness, quality and supporting evidence. KPMG reported that:

“Internal Audit has 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.”

Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that, in the main, these controls continue to work well in practice although there are some areas where improvements are necessary. The level of assurance provided for the all key financial systems reviews was acceptable or higher and in all cases an action plan has been agreed with the appropriate officers that, if implemented, will give substantial control environment assurance.

2.3.2 Cross Cutting Assurances

Internal audit has reviewed a number of key corporate functions, which give cross cutting assurances in their own right. These are areas such as procurement, performance management, and financial management. These reviews included assessing the arrangements to ensure that their policies and procedures are up to date, fit for purpose, effectively communicated, routinely complied with across the organisation and monitored. These reviews provide evidence based assurance on the key policies and procedures that underpin the control environment. Where weaknesses were identified, action plans were agreed with the appropriate officers to improve the level of assurance provided. There were no significant issues highlighted in these areas.

2.3.3 Schools

Each school should have appropriate organisational and financial controls in place that Governors can place rely upon in their responsibility for the financial management of schools. Assurance is required for the Authority that the arrangements in individual schools are adequate and operating effectively.

A sample of visits has been undertaken based on a risk assessment and provide assurance that schools are operating financial procedures, which are in line with current guidelines as set out in Schools' Financial Regulations, Contract Procedure Rules, Audit Commission and OFSTED reports and best practice.

2.3.4 Unannounced visits

A sample of visits covering different types of establishment are carried out each year. These provide assurance over the adequacy of income and cash controls.

2.3.5 Business Analysis and VFM

This area of work involves defining more efficient systems. It also provides assurance that there are arrangements within the Authority to improve efficiency and productivity.

During the year, business analysis reviews have been commenced within Children's Services and Adult Social Care Directorates and also the Changing the Workplace: Customer Access Project and the Electronic Document and Records Management System Projects. These are long term projects and have resulted in Business Analysts being seconded to Directorates to undertake these key reviews.

2.3.6 Anti Fraud and Corruption

The anti fraud and corruption work undertaken includes both proactive anti-fraud and corruption work (fraud strategies) and reactive work (investigations.)

In addition, internal audit review the Authority's fraud and corruption arrangements to ensure they are in line with best practice. There is a Counter Fraud and Investigations team strategy and Counter Fraud and Corruption Action Plan for proactive and reactive fraud work that includes details of resource implications and prioritises work accordingly to ensure the risk of fraud in managed effectively with available resources. Proactive fraud exercises, data analytics work and participation in the National Fraud Initiative (NFI) provide assurance that the Authority is making every effort to detect potential fraud and prevent its recurrence.

This area of audit work also provides assurance on the ethical framework within the Council, which seeks to improve standards of conduct. This, combined with staffing policies, should therefore reduce the likelihood of fraud.

2.4 Summary of Completed Audit Reviews

This section provides a summary of all reports issued since 17th May 2011. Audit reviews completed from 1st April 2011 to 16th May 2011 were reported in the Internal Audit Annual Report for 2010/11. All reviews where the audit opinion is limited for either the control environment or compliance with procedures have already been highlighted to CG&AC in the quarterly internal audit reports.

Further reviews in each area where limited assurance has been given are scheduled to be completed to ensure recommendations have been adopted and suggested controls are working well in practice.

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Key Financial Systems					
Leeds Revenues and Benefits Service - Accounting & Subsidy	Good Assurance	Good Assurance	Minor	Resources	03/06/2011
Sundry Income Year End Reconciliation	Satisfactory			Resources	03/06/2011
Integrity of Accounts	Substantial Assurance	Substantial Assurance	Minor	Resources	20/06/2011
Corporate Financial Management - Central Controls	Substantial Assurance	N/A	Minor	Resources	20/06/2011
Creditors Year End Reconciliation	Satisfactory			Resources	24/06/2011
Council Tax	Good Assurance	N/A	Minor	Resources	07/07/2011
Capital Programme - Central Controls	Good Assurance	Good Assurance	Minor	Resources	07/07/2011
Leeds Revenues and Benefits Service - Counter Fraud	Good Assurance	Acceptable Assurance	Minor	Resources	08/07/2011
Business Support Centre - Creditors	Good Assurance	Good Assurance	Minor	Resources	14/07/2011
Non-Domestic Rates Year End Reconciliation	Satisfactory			Resources	19/07/2011

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Council Tax Year End Reconciliation	Satisfactory			Resources	20/07/2011
Creditors - Children's Services	Good Assurance	Good Assurance	Minor	Children's Services	20/07/2011
Treasury Management	Substantial Assurance	Substantial Assurance	Minor	Resources	20/07/2011
Business Support Centre - Human Resources Administration	Good Assurance	Acceptable Assurance	Moderate	Resources	20/07/2011
Business Support Centre - Central Payments	Good Assurance	Good Assurance	Minor	Resources	20/07/2011
West Yorkshire Pension Fund Reconciliation	Satisfactory			Resources	04/08/2011
Payroll Year End Reconciliation	Satisfactory			Resources	15/08/2011
Income Management System to Financial Management System Year End Reconciliation	Satisfactory			Resources	15/08/2011
Housing Benefits and Council Tax Benefits Year End Reconciliation	Satisfactory			Resources	18/08/2011
Sundry Income – City Development	Acceptable Assurance	Acceptable Assurance	Moderate	City Development	23/08/2011
Bank Reconciliation and Cash Book	Substantial Assurance	Substantial Assurance	Minor	Resources	06/10/2011
Community Care Finance - Payments to independent providers of residential and nursing care and customers in receipt of direct payments and personal budgets	Good Assurance	N/A	Minor	Adult Social Care	12/10/2011
Housing Rents	Good Assurance	Good Assurance	Minor	Environment and Neighbourhoods	08/03/2012
Treasury Management	Substantial Assurance	Substantial Assurance	Minor	Resources	28/03/2012
Income Management System	Substantial Assurance	N/A	Minor	Resources	28/03/2012
Central Sundry Income	Substantial Assurance	N/A	Minor	Resources	02/04/2012
Non-Domestic Rates	Substantial Assurance	Substantial Assurance	Minor	Resources	02/04/2012
Housing Benefits – Accounting and Subsidy	Substantial Assurance	Good Assurance	Minor	Resources	02/04/2012
Sundry Income – Environment and Neighbourhoods	Acceptable Assurance	Good Assurance	Minor	Environment and Neighbourhoods	17/04/2012
Council Tax	Substantial Assurance	Good Assurance	Minor	Resources	24/04/2012
Housing Benefits Assessment and Payments	Substantial Assurance	Substantial Assurance	Minor	Resources	25/04/2012
Integrity of Accounts	Substantial Assurance	Substantial Assurance	Minor	Resources	30/04/2012
Creditors – City Development	Good Assurance	Good Assurance	Minor	City Development	08/05/2012
Payroll – HR Administration	Good Assurance	Good Assurance	Minor	Resources	30/05/2012
Non-Domestic Rates Year End Reconciliation	Satisfactory			Resources	30/05/2012

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Year End Reconciliation of Powersolve to FMS	Satisfactory			Resources	30/05/2012
Council Tax Year Reconciliation	Satisfactory			Resources	30/05/2012
Income Management System Year End Reconciliation	Satisfactory			Resources	26/06/2012
Payroll Year End Reconciliation	Satisfactory			Resources	26/06/2012
West Yorkshire Pension Fund Reconciliation	Satisfactory			Resources	26/06/2012
Business Analysis and VFM					
Revenues and Benefits – Systems Thinking Review	N/A			Resources	25/05/2011
Business Analysis Review - Children's Transport Efficiency	N/A			Children's Services	29/06/2011
Adult Social Care As-Is End to End Review: Learning Disabilities – Continuing Healthcare Team	N/A			Adult Social Care	18/08/2011
Adult Social Care As-Is End to End Review: Learning Disabilities Service – Day Service Modernisation	N/A			Adult Social Care	18/08/2011
As-is report – LD Community Support Service	N/A			Adult Social Care	04/11/2011
Customer Services City Centre One Stop – Human Resources	N/A			Resources	10/11/2011
Changing the Workplace: Customer Access Project – service readiness report for Leeds Register Office	N/A				29/11/2011
Customer Services City Centre One Stop – Supply and Demand	N/A			Resources	06/01/2012
Electronic Document Records Management System Rollout Options	N/A			Resources	04/04/2012
ASC As-Is Early Discharge Assessment Team	N/A			Adult Social Care	29/03/2012
Changing the Workplace: Customer Access Project- Electoral Services Review	N/A				24/04/2012
Internal Control and Compliance					
Asset Verification - Children's Services	N/A	Good Assurance	N/A	Children's Services	31/05/2011
Asset Verification - City Development	N/A	Acceptable Assurance	N/A	City Development	13/06/2011
Asset Verification - Adult Social Care	N/A	Acceptable Assurance	N/A	Adult Social Care	13/06/2011
Asset Verification - Environment & Neighbourhoods	N/A	Acceptable Assurance	N/A	Environment & Neighbourhoods	17/06/2011

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Asset Verification - Central and Corporate Functions	N/A	Good Assurance	N/A	Resources	07/07/2011
Early Leavers Initiative	Good Assurance	Good Assurance	Minor	Resources	19/07/2011
Right to Buy Scheme	Good Assurance	Good Assurance	Minor	Environment and Neighbourhoods	15/08/2011
Nursery Education Grants	Acceptable Assurance	Limited Assurance	Minor	Children's Services	11/10/2011
Information Security	Review of response to data security breaches			Planning, Policy and Improvement	12/09/2011
HR File Review	N/A	Good Assurance	Minor	Resources	24/11/2011
Synergy	Acceptable Assurance	Acceptable Assurance	Minor	Resources	15/12/2011
Health and Safety Controls	Good Assurance	Acceptable Assurance	Minor	Resources	03/01/2012
Schools Trading High Level Review	Limited Assurance	N/A	Moderate	Children's Services	09/01/2012
Delegated Decisions – Environment and Neighbourhoods	N/A	Good Assurance	Minor	Environment and Neighbourhoods	16/01/2012
Delegated Decisions – City Development	N/A	Limited Assurance	Moderate	City Development	24/01/2012
Entertainment Licensing	Good Assurance	Good Assurance	Minor	Resources	24/01/2012
Delegated Decisions – Children's Services	N/A	Limited Assurance	Moderate	Children's Services	01/02/2012
Delegated Decisions - Resources	N/A	Limited Assurance	Moderate	Resources	13/02/2012
Bus Lane Enforcement Fines	Good Assurance	Substantial Assurance	Minor	Environment and Neighbourhoods	15/02/2012
Taxi and Private Hire Licensing Follow Up Review	Limited Assurance	Good Assurance	Moderate	Resources	16/02/2012
Register of Interests – City Development	Acceptable Assurance	Acceptable Assurance	Moderate	City Development	16/02/2012
Section 48 House Searches, Appointees and Deputies	Limited Assurance	N/A	Minor	Adult Social Care	29/02/2012
Performance Indicators BUS 2A – Employers offering apprenticeships	Good Assurance	Good Assurance	Minor	Environment and Neighbourhoods	29/03/2012
Performance Indicators LIVE 1A – Number of new homes built per year	Limited Assurance	Acceptable	Minor	Environment and Neighbourhoods	29/03/2012
Performance Indicators: VAL 4 – Equality issues in major decisions	Acceptable Assurance	Good Assurance	Minor	Planning, Policy and Improvement	29/03/2012
Performance Indicators: RES 8 - % time ICT systems are available	Good Assurance	Good Assurance	Minor	Resources	29/03/2012
Managing Attendance Policy Compliance	Good Assurance	Good Assurance	Minor	Resources	30/03/2012
Nursery Education Grants Follow Up Review	Acceptable Assurance	N/A	Minor	Children's Services	14/05/2012
Procurement, Monitoring and Improvement					
Corporate Purchasing Cards Review	Limited Assurance	Limited Assurance	Major	Resources	02/08/2011

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Catering Provider Open Book Review	Acceptable Assurance	Acceptable Assurance	Minor	Resources	31/10/2011
Purchasing Cards Quarter 1 Review – City Development	N/A	Acceptable Assurance	N/A	City Development	06/12/2011
Purchasing Cards Quarter 1 Review – Adult Social Care	N/A	Acceptable Assurance	N/A	Adult Social Care	06/12/2011
Purchasing Cards Quarter 1 Review – Children’s Services	N/A	Acceptable Assurance	N/A	Children’s Services	06/12/2011
Purchasing Cards Quarter 1 Review – Resources	N/A	Acceptable Assurance	N/A	Resources	06/12/2011
Purchasing Cards Quarter 1 Review – Environment and Neighbourhoods	N/A	Acceptable Assurance	N/A	Environment and Neighbourhoods	06/12/2011
Procurement Unit: - Procurement Strategy and Forward Planning – Interim Statement; - Monitoring and Assurance Arrangements; - Contract Conditions and Extensions; - Continuous Improvement and Training	Limited	N/A	Moderate	Resources	10/01/2012
Tender Evaluation Assessments	Good Assurance	Acceptable Assurance	Moderate	Resources	17/01/2012
Quarterly Review of Published Payments over £500 Quarter 1 – Resources Directorate	Substantial Assurance	Good Assurance	N/A	Resources	17/01/2012
Quarterly Review of Published Payments over £500 Quarter 1 – Children’s Services Directorate	N/A	Acceptable Assurance	N/A	Children’s Services	17/01/2012
Quarterly Review of Published Payments over £500 Quarter 1 – Adult Social Care Directorate	N/A	Good Assurance	N/A	Adult Social Care	17/01/2012
Quarterly Review of Published Payments over £500 Quarter 1 – City Development Directorate	N/A	Good Assurance	N/A	City Development	17/01/2012
Quarterly Review of Published Payments over £500 Quarter 1 – Environment & Neighbourhoods Directorate	N/A	Good Assurance	N/A	Environment and Neighbourhoods	17/01/2012
Purchasing Cards Follow Up Review	Acceptable Assurance	N/A	N/A	Resources	01/02/2012
Purchasing Cards Quarter 2 Review – Adult Social Care	N/A	Acceptable Assurance	N/A	Adult Social Care	17/04/2012
Purchasing Cards Quarter 2 Review - Resources	N/A	Acceptable Assurance	N/A	Resources	17/04/2012
Purchasing Cards Quarter 2 Review – Children’s Services	N/A	Acceptable Assurance	N/A	Children’s Services	17/04/2012
Purchasing Cards Quarter 2 Review – City Development	N/A	Acceptable Assurance	N/A	City Development	17/04/2012
Purchasing Cards Quarter 2 Review – Environment & Neighbourhoods	N/A	Acceptable Assurance	N/A	Environment and Neighbourhoods	17/04/2012
Purchasing Cards Quarter 3 Review – Adult Social Care	N/A	Acceptable Assurance	N/A	Adult Social Care	21/05/2012
Purchasing Cards Quarter 3 Review - Resources	N/A	Good Assurance	N/A	Resources	21/05/2012
Purchasing Cards Quarter 3 Review – Children’s Services	N/A	Acceptable Assurance	N/A	Children’s Services	21/05/2012
Purchasing Cards Quarter 3 Review – City Development	N/A	Good Assurance	N/A	City Development	21/05/2012
Purchasing Cards Quarter 3 Review – Environment and Neighbourhoods	N/A	Acceptable Assurance	N/A	Environment and Neighbourhoods	21/05/2012

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
				Neighbourhoods	
Schools					
Waterloo Primary School	Limited Assurance	Limited Assurance	Minor	Children's Services	03/06/2011
Middleton Primary School	Good Assurance	Good Assurance	Minor	Children's Services	23/06/2011
Wetherby High School	Acceptable Assurance	Limited Assurance	Minor	Children's Services	08/07/2011
Kirkstall St Stephens COE Primary School	Acceptable Assurance	Acceptable Assurance	Minor	Children's Services	21/07/2011
Boston Spa School 6 th Form Funding	Acceptable Assurance	Acceptable Assurance	Minor	Children's Services	21/07/2011
City of Leeds High School	Limited Assurance	Limited Assurance	Minor	Children's Services	21/07/2011
Cobden Primary School	Acceptable Assurance	Good Assurance	Minor	Children's Services	26/07/2011
Benton Park High School	Acceptable Assurance	Limited Assurance	Minor	Children's Services	09/08/2011
Farsley Farfield Primary School	Acceptable Assurance	Acceptable Assurance	Minor	Children's Services	13/10/2011
Bramham Primary School	Good Assurance	Good Assurance	Minor	Children's Services	20/10/2011
Ralph Thoresby School 6th Form Funding	Good Assurance	Acceptable Assurance	Minor	Children's Services	21/10/2011
Benton Park School 6th Form Funding	Good Assurance	Good Assurance	Minor	Children's Services	21/10/2011
St James C of E Primary School Wetherby	Good Assurance	Acceptable Assurance	Minor	Children's Services	21/11/2011
Oakwood Primary School Voluntary Fund Audit	Audited Statement signed for 2010/11			Children's Services	08/12/2011
Waterloo Primary School Follow Up	Good Assurance	Acceptable Assurance	Minor	Children's Services	14/12/2011
Whitecote Primary School Voluntary Fund Audit	Audited Statement signed for 2009/10 and 2010/11			Children's Services	14/11/2011
Wetherby High School Follow Up Review	Acceptable Assurance	Acceptable Assurance	Minor	Children's Services	07/02/2012
Holy Name Primary School Voluntary Fund Audit	Audited Statement signed for 2009/10 and 2010/11			Children's Services	28/03/2012
Boston Spa Primary School Voluntary Fund Audit	Audited Statement signed for 2010/11			Children's Services	28/03/2012
Unannounced Visits					
Pudsey Leisure Centre	Substantial Assurance	Good Assurance	Minor	City Development	19/05/2011
Armley Leisure Centre	Substantial Assurance	Good Assurance	Minor	City Development	19/05/2011
Fredrick Hurdle Day Centre	Good Assurance	Good Assurance	Minor	Adult Social Care	26/07/2011

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Meadowfield Children's Centre	Good Assurance	Good Assurance	Minor	Children's Services	26/07/2011
Armley Moor Children's Centre	Good Assurance	Good Assurance	Minor	Children's Services	26/07/2011
Lotherton Hall Museum	Good Assurance	Good Assurance	Minor	City Development	26/07/2011
Richmond Hill Children's Centre	Good Assurance	Good Assurance	Minor	Children's Services	26/07/2011
Pudsey Civic Hall	Good Assurance	Good Assurance	Minor	City Development	04/08/2011
Leeds Town Hall	Good Assurance	Good Assurance	Minor	City Development	08/08/2011
Apna Day Centre	Good Assurance	Acceptable Assurance	Minor	Adult Social Care	23/08/2011
Harehills Children's Centre	Good Assurance	Good Assurance	Minor	Children's Services	23/08/2011
Hunslet Children's Centre	Good Assurance	Good Assurance	Minor	Children's Services	02/09/2011
City Art Gallery Shop	Good Assurance	Good Assurance	Minor	City Development	07/09/2011
Seacroft Children's Centre	Good Assurance	Good Assurance	Minor	Children's Services	13/09/2011
Suffolk Court Home for Older People	Good Assurance	Acceptable	N/A	Adult Social Care	22/09/2011
Burley Willows Home for Older People	Good Assurance	Good Assurance	N/A	Adult Social Care	27/09/2011
Two Willows Children's Centre	Good Assurance	Good Assurance	Minor	Children's Services	17/10/2011
City Museum	Good Assurance	Good Assurance	Minor	City Development	12/01/2012
Strategic Landlord Assurance Framework Reviews (Internal Control and Compliance)					
Procurement Quarter 1 - West North West Homes	Acceptable Assurance	Acceptable Assurance	Minor	Environment & Neighbourhoods	17/05/2011
Keystone Asset Management - Belle Isle Tenant Management Organisation	Good Assurance	Good Assurance	Minor	Environment & Neighbourhoods	17/05/2011
Keystone Asset Management - Strategic Landlord Review (Central Controls)	Acceptable Assurance	Good Assurance	Minor	Environment & Neighbourhoods	26/05/2011
Lettings Enforcement - Aire Valley Homes Leeds Quarter 3 and 4	N/A	Acceptable Assurance	Moderate	Environment & Neighbourhoods	08/06/2011
Tenancy Enforcement - East North East Homes Leeds	N/A	Good Assurance	Minor	Environment & Neighbourhoods	08/06/2011
Tenancy Enforcement Policies and Procedures - Strategic Landlord Review (Central Controls)	Acceptable Assurance	N/A	Moderate	Environment & Neighbourhoods	13/06/2011
Key Policies: Safeguarding Policy - Aire Valley Homes Leeds	Acceptable Assurance	N/A	Minor	Environment & Neighbourhoods	13/06/2011
Capital Programme Consultation - Aire Valley Homes Leeds	Good Assurance	N/A	Minor	Environment & Neighbourhoods	17/06/2011
Corporate Governance - Belle Isle Tenant Management Organisation	Good Assurance	N/A	Minor	Environment & Neighbourhoods	17/06/2011

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Lettings Enforcement - Belle Isle Tenant Management Organisation Quarters 3 & 4	N/A	Acceptable Assurance	Minor	Environment & Neighbourhoods	17/06/2011
Key Policies: Safeguarding Policy - West North West Homes	Substantial Assurance	N/A	Minor	Environment & Neighbourhoods	17/06/2011
Procurement Quarter 3 - West North West Homes	Acceptable Assurance	Acceptable Assurance	Minor	Environment & Neighbourhoods	22/06/2011
Responsive Repairs - East North East Homes	Good Assurance	Good Assurance	Minor	Environment & Neighbourhoods	23/06/2011
Gas Servicing - Belle Isle Tenant Management Organisation	Acceptable Assurance	Acceptable Assurance	Moderate	Environment & Neighbourhoods	24/06/2011
Gas Servicing - Aire Valley Homes Leeds	Good Assurance	Acceptable Assurance	Moderate	Environment & Neighbourhoods	30/06/2011
Keystone Asset Management - Aire Valley Homes Leeds	Acceptable Assurance	Good Assurance	Minor	Environment & Neighbourhoods	08/07/2011
Lettings Enforcement Quarters 3 & 4 - West North West Homes Leeds	N/A	Good Assurance	Minor	Environment & Neighbourhoods	12/07/2011
Responsive Repairs - West North West Homes Leeds	Acceptable Assurance	Good Assurance	Minor	Environment & Neighbourhoods	14/07/2011
Keystone Asset Management - West North West Homes Leeds	Acceptable Assurance	Acceptable Assurance	Minor	Environment & Neighbourhoods	18/07/2011
Responsive Repairs - Aire Valley Homes Leeds	Acceptable Assurance	Good Assurance	Minor	Environment & Neighbourhoods	27/07/2011
Corporate Governance - West North West Homes	Good Assurance	N/A	Minor	Environment & Neighbourhoods	01/09/2011
Lettings Enforcement - Central Lettings Policy Review	Good Assurance	N/A	Minor	Environment and Neighbourhoods	13/09/2011
Strategic Landlord Assurance Framework - Annual Report	Summary of individual reports for Strategic Landlord Assurance Framework			Environment and Neighbourhoods	21/09/2011
Follow up of Asset Management Gas Servicing 2010/11 - East North East Homes Leeds	Good Assurance	Good Assurance	Minor	Environment and Neighbourhoods	12/10/2011
Date of Registration Quota Lettings Enforcement — Belle Isle Tenant Management Organisation	N/A	Limited Assurance	Minor	Environment and Neighbourhoods	13/12/2011
Lettings Enforcement - Housing Options	N/A	Limited Assurance	Moderate	Environment & Neighbourhoods	11/01/2012
Date of Registration Quota Lettings Enforcement – Aire Valley Homes	N/A	Acceptable Assurance	Minor	Environment & Neighbourhoods	12/01/2012
Date of Registration Quota Lettings Enforcement — East North East Homes	N/A	Acceptable Assurance	Minor	Environment & Neighbourhoods	30/01/2012
Fire Safety - West North West Homes	Acceptable Assurance	Acceptable Assurance	Moderate	Environment and Neighbourhoods	16/02/2012
Fire Safety – East North East Homes	Limited Assurance	Acceptable Assurance	Moderate	Environment and Neighbourhoods	16/02/2012
Fire Safety – Belle Isle Tenant Management Organisation	Good Assurance	Good Assurance	Minor	Environment and Neighbourhoods	16/02/2012
Fire Safety – Aire Valley Homes Leeds	Limited Assurance	Limited Assurance	Major	Environment and Neighbourhoods	16/02/2012
Date of Registration Quota Lettings Enforcement – West North West Homes	N/A	Limited Assurance	Moderate	Environment and Neighbourhoods	16/02/2012

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Strategic Landlord Tenancy Enforcement (Tenancy Fraud)	Good Assurance	N/A	Minor	Environment and Neighbourhoods	15/03/2012
Scheme of Delegation – East North East Homes	Acceptable Assurance	Limited Assurance	Moderate	Environment and Neighbourhoods	28/03/2012
Belle Isle Tenant Management Organisation - Procurement	Good Assurance	N/A	Minor	Environment and Neighbourhoods	30/03/2012
Belle Isle Tenant Management Organisation - Business Continuity	Acceptable Assurance	N/A	Minor	Environment and Neighbourhoods	08/05/2012
Procurement – East North East Homes	Good Assurance	Limited Assurance	Minor	Environment and Neighbourhoods	08/05/2012
Corporate Governance Follow Up Review – Belle Isle Tenant Management Organisation	Good Assurance	N/A	Minor	Environment and Neighbourhoods	09/05/2012
Corporate Governance – Aire Valley Homes	Good Assurance	N/A	Minor	Environment and Neighbourhoods	25/06/2012
Procurement – Aire Valley Homes	Good Assurance	Good Assurance	Minor	Environment and Neighbourhoods	25/06/2012
Neighbourhood Management – Aire Valley Homes	Good Assurance	N/A	Minor	Environment and Neighbourhoods	25/06/2012
Head of Audit Assurances					
Building Hope Charity – independent examination of the Accounts 2009/10	<p>The review was an independent examination of the 2009/10 accounts as required by the Charities Act 1993. It does not provide an opinion on the accounts.</p> <p>The independent examination found no issues to indicate that the following had not been met:</p> <ul style="list-style-type: none"> •keeping accounting records in accordance with section 41 of the 1993 Act; and •preparing accounts which accord with the accounting records and comply with the accounting requirements of the 1993 Act. 			Resources	26/05/2011
Building Hope Charity – independent examination of the Accounts 2010/11	<p>The review was an independent examination of the 2010/11 accounts as required by the Charities Act 1993. It does not provide an opinion on the accounts.</p> <p>The independent examination found no issues to indicate that the following had not been met:</p> <ul style="list-style-type: none"> •keeping accounting records in accordance with section 41 of the 1993 Act; and •preparing accounts which accord with the accounting records and comply with the accounting requirements of the 1993 Act. 			Resources	13/12/2011
Bus Operators Grant Claim	Certification of Grant Claim 1 st October 2010 – 31 st March 2011			Resources	29/06/2011
Bus Operators Grant Claim	Certification of Grant Claim 1 st April 2011 – 30 th September 2011			Resources	09/02/2012
Lord Mayors Charity	The review was an independent examination of the 2010/11 accounts as required by the Charities Act 1993. It does not provide an opinion on the accounts.			Resources	30/03/2012

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
	The independent examination found no issues to indicate that the following had not been met: •keeping accounting records in accordance with section 41 of the 1993 Act; and •preparing accounts which accord with the accounting records and comply with the accounting requirements of the 1993 Act.				
City Region Grant Claim: Urban Eco Settlements	Review of Grant Claim – Satisfactory.			Planning, Policy and Improvement	06/06/2012
City Region Grant Claim: New Points Growth Funding	Review of Grant Claim – Satisfactory.			Planning, Policy and Improvement	06/06/2012
Leeds City Region Accounts – Internal Audit Statement	Signed Internal Audit Statement for 2011/12 Accounts.			Planning, Policy and Improvement	06/06/2012
Bus Operators Grant Claim	Certification of Grant Claim 1 st October 2011 – 31 st March 2012			Resources	13/06/2012

Section 3

AUDIT PERFORMANCE AND ADDED VALUE 2011/2012

ENSURING QUALITY

3.1 Customer Feedback

Internal Audit is committed to delivering a quality product to the highest professional standards that adds value to our customers and actively monitors performance in a number of areas and encourages feedback from customers.

A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditees opinion on a range of issues with an assessment ranging from 5 (for excellent) to 1 (for poor). The results are based on the percentage of those assessments that are 3 (satisfactory) or above. The results are used to determine areas for improvement and inform the continuing personal development training programme for Internal Audit staff. The results are also benchmarked with other core cities who have adopted the same questionnaire. The table also shows the percentage scores of 4 or above (good and excellent) to further identify marginal areas for improvement.

Table - Results from Customer Satisfaction Questionnaires

Question	Actual 2010/11 % Score 3 or above	Actual 2010/11 % Score 4 or above	Actual 2011/12 % Score 3 or above	Actual 2011/12 % Score 4 or above
Notice	100	95	100	100
Scope	98	83	100	92
Understanding	93	81	92	68
Efficiency	100	90	96	92
Consultation	98	90	100	84
Professional/Objective	98	95	100	92
Accuracy of Draft	95	87	100	84
Opportunity to comment	98	93	100	96
Clarity & Conciseness	95	90	100	96

Question	Actual 2010/11 % Score 3 or above	Actual 2010/11 % Score 4 or above	Actual 2011/12 % Score 3 or above	Actual 2011/12 % Score 4 or above
Recommendations	95	78	100	84
Final Report – Prompt	97	80	100	88
Added Value	98	78	92	80

Feedback from customer satisfaction questionnaires continues to be very positive. These results are again extremely encouraging, particularly as the nature and complexity of work undertaken by Internal Audit continues to change.

Internal audit has been part of the core cities benchmarking club for over ten years – consistently being a high performer across a whole range of key cost and quality measures. Examples include cost per audit day and percentage of productive time as well as customer questionnaires and perceptions of added value.

3.2 Quality Standard Accreditation

All our work is undertaken in accordance with our quality management system, which has now been ISO accredited for over fourteen years. During January 2012 an independent review was undertaken of Internal Audit's quality system to ensure compliance with the new ISO 9001:2008 standard. The review team conducted a process-based audit, focusing on significant aspects/risks/objectives required by the standard and concluded that:

“..... the organisation has established and maintained its management system in line with the requirements of the standard and demonstrated the ability of the system to systematically achieve agreed requirements for products and services within the scope and the organisations' policy and objectives.”

The next review visit is due in August 2012.

3.3 Continuing Professional Development

In a rapidly changing environment it is important that all Internal Auditors are kept abreast of the latest audit and accounting methodologies, changes in legislation and best practice as well as changes to the public sector arena so they have the necessary skills and knowledge to perform their role to a high standard. This is done via Continuing Professional Development (CPD), which the Section continues to support and promote via in-house training courses and external CPD events such as CIPFA seminars. Much of this CPD is done in officers own time showing a personal commitment to continual improvement of the Team.

The Code of Practice for Internal Audit in local Government in the UK 2006 states that Internal Audit staff have a personal responsibility to undertake a programme of CPD to maintain and develop their competence. At Leeds, evidence of professional training and development activities must be retained and individual/group training needs identified.

3.4 Whistleblowing

Internal Audit continues to act as the custodians of the Council's Whistleblowing Policy. In 2011/12, Internal Audit dealt with a total of 90 (113, 2010/11) potential irregularity referrals. All reported irregularities were risk assessed by Internal Audit and where appropriate an audit investigation undertaken. Where it was more appropriate, the matter was referred to directorates and follow up was undertaken.

Whistleblowing in respect of housing and council tax benefit is dealt with separately and is therefore not included in the above figures.

To further demonstrate the Council's commitment to safeguarding public funds internal audit externally publicises an email address (concerns@leeds.gov.uk) where potential irregularities can be reported. This will continue to be undertaken via the Council's internet.

3.5 Data Analytics

The Data Analytics project commenced in October 2011 concentrating initially on the council tax single person discount (SPD) review. Set procedures have been established for this review and to date over 53,000 SPDs have or are in the process of being reviewed. At the end of March 2012, a total of 896 SPDs have been cancelled, although 212 of these were applying for a different discount of the same value. The net annual increased billings for the cancellations to date is estimated at £145k.

In addition to this, the tenancy sub-letting review has commenced. The initial data analysis has been completed and the highest risk cases identified have been passed to the ALMOs to commence their initial review. Work on the other areas, e.g. Creditors, Voluntary Organisations, Council Tax Empty Properties, NNDR and Adult Social Care are to commence in 2012/13.

3.6 Open Book Reviews

Internal Audit has once again had success in open book reviews of the Council's suppliers in 2011/12. These are included in the table below. A number of days have been included in the Internal Audit operational plan for procurement, monitoring and improvement within which it is hoped that internal audit will be able to continue this important area of work.

3.7 Contract Procedure Rules

The procedures for waivers was seen to be cumbersome and not as helpful as they could be in assisting Directors and Chief Officers in the decision-making process.

A few clear principles were considered:

1. Chief Officers should be accountable for decisions to waive standing orders, and they must understand this clearly.
2. In making decisions about waivers Chief Officers need to take account of relevant considerations.
3. The decision-makers are entitled to expect that the Council's procurement officers, and indeed Internal Audit, where appropriate, can assist them in making those decisions.

A number of changes were made to improve the situation and to reflect the accountabilities of those involved. Waivers of contract procedure rules are now assessed by the Directorate themselves to consider the risks of the proposed course of action. This will reduce the turnaround time for decisions. However, the directorate can contact Procurement or Internal Audit for advice relating the procurement exercise if required.

3.8 Savings and Efficiencies

The following table provides a summary of the savings and efficiencies identified by Internal Audit for the 9 months from April 2011 to January 2012.

Table of Savings/Efficiencies

	Audit Area	Value £	Explanation
1	BPR Review – Children's Transport Efficiency	£76,000	The review highlighted that were LCC to review the provisions of its Children's Transport policy in line with those of other authorities and/or make some changes to the business processes, efficiency savings could be achieved. Based on a sample of responses from SEN Co-ordinators to a questionnaire on travel arrangements, the review highlighted the potential to consider the needs of existing users in relation to transport and to look at whether alternative, more independent methods of travel are appropriate within the authority's policy and guidelines. Based on the sample of responses from professionals, the potential to reduce demand on the service was approximately £76k.
2	School Meals and Voluntary Funds	£35,100	Monies being recovered through insurance.
3	Parking Permits	£22,000	Recommendation that the staff are charged for the uncollected salary contributions so these funds can be recovered.

	Audit Area	Value £	Explanation
4	Bus Operators Grant Claim	£5,200	Discrepancies were identified in the initial claim value resulting in an increase in the amount of the grant claim.
5	Data Analytics Project	£145,000	Annual equivalent net increase in Council Tax billings from review of Council Tax Single Person Discount (SPD) with approximately 896 SPDs being cancelled (although 212 have applied for or have been granted another discount to the same value.)
6	Open Book Review - Provider	£269,158	After examining actual spend, £269,158 of costs attributed to this contract could not be fully supported. Legal advice was recommended surrounding some of the costs included. Resulting from this work, and in agreement with the Provider, the Directorate has reduced the contract by £324k for both 2010/11 and 2011/12 with a further £300k savings agreed during 2011/12 prior to the end of the contract.
7	Open Book Review - Provider	£28,343	Amounts due back from contractor including additional commission calculated as being due on contract based on contract terms and conditions
8	Fraudulently Cashed Cheques	£506	Following advice from Internal Audit, Exchequer Services now refer cheques that had been encashed by a 3rd party to the NatWest fraud team for investigation. This approach seems to be successful as we have referred a few through recently and have been reimbursed for 1 of them.
9	Review of final account	£34,937	Reviewed a proposed commercial settlement for a capital scheme and agreed a revised figure.
	Total	£616,244	

Section 4

AUDIT PLAN 2012/2013

4.1 Background

The Head of Audit must provide an annual opinion on the overall adequacy and effectiveness of the entire control environment. Internal audit must therefore deliver a risk based plan with an appropriate and comprehensive range of work, sufficiently robust to confirm that all assurances provided can be relied upon by the CG&AC.

To develop this plan, there must be a sound understanding of the risks facing the Council. The Corporate Risk Register is used as a key source of information, as is the Internal Audit risk assessment of the Authority, which is updated during the year and used to form the basis of the Internal Audit plan. In addition, consultation has been undertaken with Heads of Finance or Chief Officers within Directorates to capture emerging risk areas to inform the audit planning process.

The audit plan has been reviewed and challenged by Audit Management Team, the Chief Officer (Audit and Risk), Resources Leadership Team, the Chief Officer (Financial Management) and the Director of Resources & Deputy Chief Executive and revised where necessary.

4.2 The Annual Plan

The planning process for 2012/13 has necessitated a thorough evaluation of the appropriate level and scope of coverage required to give stakeholders, including the CG&AC, an appropriate level of assurance on the control environment of the Council. More importantly, an on-going re-evaluation of this will be required throughout the year. On a quarterly basis, the audit plan will be re-assessed and resources re-prioritised towards the areas of highest risk. This will be reported to the CG&AC as part of the regular update reports.

4.3 How assurance can be given

4.3.1 Financial and Other Key Systems

There are a number of key systems that are considered of sufficient risk to be automatically included in the audit plan each year. These systems are agreed in advance with KPMG and are used as the basis by which KPMG are able to place reliance upon Internal Audit work. These are generally the systems that have the highest financial risk. This is the traditional area of internal audit work and very much focuses on providing the Section 151 officer assurance that “the Council has made arrangements for the proper administration of its financial affairs”. This will cover key expenditure systems such as payroll and creditors and income areas such as council tax and rents. These reviews also give an opinion as to

the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

4.3.2 Compliance

Compliance work is fundamental as it provides assurance across all Directorates and therefore underpins the Head of Internal Audit opinion on the control environment. This area of work involves compliance checks across the organisation to provide assurance on whether key policies and procedures are being complied with in practice.

4.3.3 Spending Money Wisely

This assurance block incorporates initiatives to promote the council's value of Spending Money Wisely including a series of plans to raise awareness including further promotion of the Spending Money Wisely reporting line and update of the Spending Money Wisely policy. In addition, 500 days have been included to undertake a number of Spending Money Wisely/Value for Money projects across the authority

4.3.4 Risk Based Plan

Following inclusion in the Plan of all the 'top sliced' areas outlined, the remaining audit areas (Risk Based Reviews) included in the audit universe are prioritised for inclusion based on their risk score up to the overall level of resources in the year. These will be a key element of the assurance on the entire control environment of the authority.

4.3.5 Procurement, Monitoring and Improvement

Within this assurance block, 400 days have been included for contract reviews. The first stage will be to identify the potential contracts for review and will incorporate open book reviews where required to ensure that these are operating in accordance with the terms of the contracts. Time has also been included for capital contracts to provide assurance that contract conditions and objectives/outcomes are being met, value for money is being achieved, contracts are delivered on time, within budget and meet stakeholders' expectations

4.3.6 Anti Fraud and Corruption

The Anti Fraud and Corruption assurance block includes both reactive and proactive elements along with a number of initiatives to raise awareness of the council's anti fraud and corruption culture and to report on the arrangements in place. In addition to the time allocation for fraud investigation work including the risk assessment process for referrals, the assurance block includes an allocation of days for pro-active fraud strategy work.

4.3.7 Business Analysis

Each review in the VFM/efficiency/BPR area includes an 'as is' phase to document the current system and processes: the 'to be' stage (a lean, efficient system where resources are geared towards achieving agreed outcomes and management controls are timely and effective); understanding the sensitivity of change, such as demand, and the service's ability to both achieve agreed outcomes and budget; and where appropriate producing an assurance on the Internal Control Environment. However, with the move towards secondment of the BPR team to directorate projects, a reduced 'audit opinion' assurance will be gained from this work.

4.3.8 Internal Audit Income target

The Audit Plan for 2012/13 includes 840 days to provide internal audit services for which a charge is made.

4.3.9 Data Analytics

The days included for data analytics are intended to generate more savings and benefits than the cost of the contract and internal resources and, amongst other things, give good assurance towards the control environment that protects against tenancy fraud.

4.3.10 Update, Communication and Monitoring

Internal audit will review key corporate policies and procedures, which will give 'cross cutting' assurances to the CG&AC. These reviews will include assessing the arrangements to ensure that policies and procedures are up to date; fit for purpose; effectively communicated, routinely complied with across the organisation; and monitored. This will provide an evidence based assurance on those key policies and procedures that underpin the control environment.

4.4 Conclusion

The 2012/13 audit plan has, as a base, used the tried and tested risk based approach to prioritising internal audit work.

Progress against the plan will be monitored throughout the year and key issues reported to the Director of Resources, and the Chief Officer (Audit & Risk). The Head of Audit will report key issues arising from this work to the CG&AC.

INTERNAL AUDIT OPERATIONAL PLAN

2012/13

Summary by Assurance Block

Assurance Block	Days	% of total assurance days
Financial and Other Key Systems	800	16%
Compliance	800	16%
Spending Money Wisely	525	11%
Risk Based Plan	650	14%
Procurement, Monitoring and Improvement	595	12%
Contingency	480	10%
Anti Fraud and Corruption	869	18%
Head of Audit Assurances	50	1%
Update, Communication and Monitoring	55	1%
Professional Liaison	43	1%
Total Assurance Days	4867	100%

In addition to the days allocated for the assurance blocks listed above, the audit plan also includes days for the following:

Audit Area	Days
Total Business Analysis	1626
Total External Contracts	840
Total Data Analytics	400
	2866

Internal Audit Operational Plan 2012/13 - Detailed Reviews by Type

Audit	Days 12/13 Plan	Assurance Block	Directorate
Business Analysis			
Business Analysis Reviews	1626	Business Analysis	Cross- Cutting
Total Business Analysis	1626		
Data Analytics			
Data Analytics	400	Data Matching	Cross- Cutting
Total Data Analytics	400		
External Contracts			
School Voluntary Fund Audits	10	External Contracts	Contract Work
Strategic Landlord ALMO/BITMO Assurance Framework	320	External Contracts	Contract Work
West North West Homes Leeds (WNWHL)	137	External Contracts	Contract Work
East North East Homes Leeds	56	External Contracts	Contract Work
Aire Valley Homes	63	External Contracts	Contract Work
Leeds and Yorkshire Housing Association	27	External Contracts	Contract Work
Building Hope Charity	3	External Contracts	Central and Corporate Functions
Interreg Claim	6	External Contracts	Contract Work
Credit Union	35	External Contracts	Contract Work
Belle Isle Tenant Management Organisation	55	External Contracts	Contract Work
New Income to generate	128		
Total External Contracts	840		
Spending Money Wisely			

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Audit	Days 12/13 Plan	Assurance Block	Directorate
Efficiencies/Value for Money Arrangements	20	Spending Money Wisely	Cross- Cutting
Spending Money Wisely Policy	5	Spending Money Wisely	Cross- Cutting
Spending Money Wisely Reviews	500	Spending Money Wisely	Cross- Cutting
Total Spending Money Wisely	525		
Contingency			
General Contingency	480	Contingency	Contingency
Total Contingency	480		
Anti Fraud and Corruption			
Fraud Investigations	600	Anti Fraud and Corruption	Contingency
Returns and Reporting Requirements	59	Anti Fraud and Corruption	Cross- Cutting
Policies	50	Anti Fraud and Corruption	Cross- Cutting
Pro-active exercises	130	Anti Fraud and Corruption	Cross- Cutting
Anti Fraud Awareness	30	Anti Fraud and Corruption	Cross- Cutting
Total Anti Fraud and Corruption	869		
Financial and Other Key Systems			
Community Care	50	Financial and Other Key Systems	Adult Social Care
SAP Payroll	110	Financial and Other Key Systems	Cross- Cutting
Housing Benefits	90	Financial and Other Key Systems	Central and Corporate Functions
Housing Benefits Counter Fraud	20	Financial and Other Key Systems	Central and Corporate Functions
Treasury Management & Bankline	25	Financial and Other Key Systems	Central and Corporate Functions
Key Financial Systems - General Computer Controls	20	Financial and Other Key Systems	Central and Corporate Functions
Integrity of Accounts	30	Financial and Other Key Systems	Central and Corporate Functions
Creditors	90	Financial and Other Key Systems	Central and Corporate Functions
Capital Programme Controls	20	Financial and Other Key Systems	Central and Corporate Functions
Council Tax	30	Financial and Other Key Systems	Central and Corporate Functions
NDR	30	Financial and Other Key Systems	Central and Corporate Functions
Key Financial Systems - Year - End Reconciliations	40	Financial and Other Key Systems	Central and Corporate Functions
Housing Rents	25	Financial and Other Key Systems	Environment and Neighbourhoods
Bank Reconciliation & Cash Book	25	Financial and Other Key Systems	Central and Corporate Functions
Sundry Income	80	Financial and Other Key Systems	Cross- Cutting
Income Management System	25	Financial and Other Key Systems	Central and Corporate Functions
Financial Management Central Controls	20	Financial and Other Key Systems	Central and Corporate Functions
Knowledge and Information Governance Central Controls	20	Financial and Other Key Systems	Central and Corporate Functions
Schools Financial Services - Central Controls	20	Financial and Other Key Systems	Children's Services
ICT Central Health Check	30	Financial and Other Key Systems	Central and Corporate Functions
Total Financial and Other Key Systems	800		
Head of Audit Assurances			
West Yorkshire Integrated Transport Authority (WYITA) - Treasury Management Memo	2	Head of Audit Assurances	Central and Corporate Functions
Lord Mayors Charity	10	Head of Audit Assurances	Central and Corporate Functions
Leeds City Region New Growth Point Programme	3	Head of Audit Assurances	Central and Corporate Functions
Leeds City Region Urban Eco Settlements Programme	3	Head of Audit Assurances	Central and Corporate Functions

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Audit	Days 12/13 Plan	Assurance Block	Directorate
DCLG Growth and Housing Market Renewal Transition Fund	3	Head of Audit Assurances	Central and Corporate Functions
Leeds City Region	5	Head of Audit Assurances	Central and Corporate Functions
West Yorkshire Pension Fund	5	Head of Audit Assurances	Central and Corporate Functions
Bus Operators Grant	8	Head of Audit Assurances	Central and Corporate Functions
Troubled Families	10	Head of Audit Assurances	Children's Services
Interreg	1	Head of Audit Assurances	Adult Social Care
Total Head of Audit Assurances	50		
Compliance			
Compliance	800	Compliance	Cross- Cutting
Total Compliance	800		
Update, Communication and Monitoring			
HR Policies and Procedures	5	Update, Communication and Monitoring	Central and Corporate Functions
Health and Safety Policy	5	Update, Communication and Monitoring	Central and Corporate Functions
Contracts Procedure Rules	5	Update, Communication and Monitoring	Central and Corporate Functions
Financial Procedure Rules	5	Update, Communication and Monitoring	Central and Corporate Functions
Annual Governance Statement	5	Update, Communication and Monitoring	Central and Corporate Functions
Risk Management Policy	5	Update, Communication and Monitoring	Central and Corporate Functions
Business Continuity Policy	5	Update, Communication and Monitoring	Central and Corporate Functions
Emergency Planning Policy	5	Update, Communication and Monitoring	Central and Corporate Functions
Information Governance Policy	5	Update, Communication and Monitoring	Central and Corporate Functions
Exceptions to Contracts Procedure Rules	10	Update, Communication and Monitoring	Central and Corporate Functions
Total Update, Communication and Monitoring	55		
Procurement, Monitoring and Improvement			
Procurement Contract Monitoring	400	Procurement, Monitoring and Improvement	Cross- Cutting
Current Contract Audit - Capital Schemes	100	Procurement, Monitoring and Improvement	Cross- Cutting
Performance Management Central Controls	10	Procurement, Monitoring and Improvement	Central and Corporate Functions
Corporate Procurement Unit Central Controls	50	Procurement, Monitoring and Improvement	Central and Corporate Functions
Strategic Landlord Central Controls	25	Procurement, Monitoring and Improvement	Environment and Neighbourhoods
Duplicate Payments Central Controls	10	Procurement, Monitoring and Improvement	Cross- Cutting
Total Procurement, Monitoring and Improvement	595		
Professional Liaison			
West Yorkshire Fraud Group	3	Professional Liaison	Professional Liaison
CIPFA Computer Audit Sub Group	5	Professional Liaison	Professional Liaison
CIPFA Contract Audit Sub Group	5	Professional Liaison	Professional Liaison
Core Cities	10	Professional Liaison	Professional Liaison
West Yorkshire Audit Group	5	Professional Liaison	Professional Liaison
CIPFA National Working Groups	15	Professional Liaison	Professional Liaison
Total Professional Liaison	43		
Risk Based Audit Plan			
Risk Based Reviews	650		
Total Risk Based Reviews	650		
Total Internal Audit Plan	7733		



Report author: Steve Hume

Tel: 2478704

Report of The Director of Adult Social Services

Report to Corporate Governance and Audit Committee

Date: 28th September 2012

Subject: Shared Service Partnership with Calderdale Metropolitan Borough Council to meet Adult Social Care Technology Requirements

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 council's executive board gave approval on 18th July 2012 to enter into a partnership agreement with Calderdale Metropolitan Borough Council for the purchase of an initial 20% share of their Adult Social Care Client Information System (CIS) to replace the existing ESCR and ESCR financial systems.

2. It also authorised the necessary capital spend to undertake the following:-
 - purchase a share in the system and implementation support from Calderdale Metropolitan Borough Council;
 - implement the Case management, integrated financial and contract management modules of Calderdale's CIS in partnership with Calderdale Metropolitan Borough Council to meets Leeds requirements;
 - implement and integrate Leeds City Council's corporate Electronic Document and Records Management System (EDRMS) in parallel with the Case Management System;
 - build and develop a reporting and Business Intelligence (BI) solution utilising existing corporate reporting and Business Intelligence technology.

3. Responding to specific concerns raised by Executive Board as to whether the Adult Social Care Client Information System used by Calderdale Council would be fit for Leeds' purpose, it was requested that related matters were referred to the Corporate Governance and Audit Committee, so that the acquisition of the system could be monitored

Recommendations

4. That the Corporate Governance and Audit Committee review this report and note the assurances provided regarding:

- The diligence conducted to ensure the system will be fully fit for purpose
- The mechanisms and governance being put in place to effectively support the acquisition and implementation of the solution

1 Purpose of this report

1.1 This report provides members of the Corporate Governance and Audit Committee with details of the Partnership Arrangements with Calderdale Metropolitan Borough Council.

1.2 The purpose of the report is to provide members of the committee with the assurance that the Calderdale Client Information System will be fit for Leeds' purpose and that the acquisition of the system adheres to the procurement rules and regulations.

2 Background information

2.1 The existing ESCR and ESCR Financial system was deemed to be unfit for purpose by an independent review. In addition the system, implemented in 2004, is considered at its "end of life" and will no longer be supported by the supplier from May 2013.

2.2 In January 2011 the decision was taken to progress with the procurement of a replacement children's social care system. The decision was also taken for Adult Social Care to defer any procurement until requirements to meet the emerging Health and Social Care agenda could be more clearly articulated.

2.3 With the necessity to migrate to a new system still increasing, a number of options for the replacement of the existing ESCR and ESCR financials systems have been investigated in light of the changing Health and Social Care landscape. Options have therefore been investigated in relation to:

- Upgrading the existing system
- The use of health systems
- The procurement of a third party system (similar to or the same as Children's Social Work Service.)
- Potential 'shared service' arrangement with another local authority where we adopt their case management recording system

2.4 To ensure that a rounded view of all the options has been undertaken the following key criteria have been used:

- Tactical Fit (meets the need to move to a new solution in a timely manner)
- Strategic Fit (potential to support integrated ways of working with partners)
- Business Fit (fit with ASC processes and delivery of its services)
- Technical Fit (fit with internal technology infrastructure)
- Risk Factors (associated risks)
- Implementation Considerations (costs and timescales)

2.5 An upgrade to the existing ESCR and ESCR Financials systems was considered. However, this would be an expensive, time consuming and resource intensive process and whilst providing a stable, supported platform would not deliver the required improved functionality to meet Adult Social Care's needs.

2.6 A long term vision exists for integrated health and social care teams to utilise joint or integrated systems, but currently health systems do not have sufficiently mature capability to support social care processes. Health also use a number of different systems across health establishments including GP surgeries. Work is still ongoing with Health and their suppliers to develop future strategies for improved use and integration of health and social care systems.

2.7 Consideration has been given to transferring to a 3rd party system but whilst these systems could meet social care requirements, the market is very under developed in terms of these systems hosting both health and social care data/processes. A 3rd party option would also require a lengthy procurement process which would not meet the business need for a 'tactical' solution or provide the flexibility ASC needs to respond to a rapidly changing environment and new ways of working. In addition to this constraint it could potentially lock the council into an expensive, long term contract that, when providing joint services with health, may not be entirely required.

2.8 A shared service, with Calderdale Metropolitan Borough Council, is the preferred option to provide Adult Social Care with a 'tactical solution' as it meets both short and medium term requirements in a cost effective manner. Removing the need for a lengthy procurement process will enable Adult Social Care to migrate to a new solution in a more timely manner. This option also provides a high degree of flexibility with opportunities for its potential longer term use with partners or, if the direction changes, reduced use as the council would not be locked into a 3rd party contract.

3 Main issues

3.1 Partnership Arrangements

3.1.1 Leeds City Council will enter into a formal partnership arrangement with Calderdale Council for the delivery and support of the Adult Social Care client system. The agreement will not be as prescriptive or of the same nature contractually as similar commercial agreements with the private sector. There will be a binding legal agreement which will afford both parties mutual benefit and adequate protection for the period with flexible exit options and opportunities to extend arrangements if agreed by both parties.

3.1.2 The partnership and commercial arrangements and their future development will be governed through a Joint Partnership Board, comprised of; Chief Officer, Resources and Strategy (LCC), Head of ICT Strategy, Architecture and Commissioning (LCC), Head of Business Change and Performance Management (CMBC), ICT Strategy and Projects Manager (CMBC), Head of ASC IM&T (LCC). The remit of this board is to manage and monitor the contract and associated SLAs, financial elements, and commercial development and management and partnership risks.

3.1.3 The partnership has many benefits and is based on a public sector shared reward, risk and effort model – a true 'shared service' arrangement. For a fee agreed at the outset, Leeds City Council will own a stake in the system and this will 'buy' the

right to have an equal say in the development of the system going forward. Calderdale will undertake these developments using predominantly their own staff and the cost for major work would typically be shared. However, routine developments undertaken for legislative or enhancement reasons would not be directly chargeable and would be contained within the annual support and maintenance fee payable by Leeds to Calderdale.

- 3.1.4 The identification, agreement and prioritisation of the development roadmap for the system will be governed by a Joint Strategic Delivery Group comprised of operational Heads of Service from Leeds and Calderdale, Head of ASC IM&T (LCC), ICT Strategy and Projects Manager (CMBC).
- 3.1.5 Calderdale have always been committed to an internal systems development strategy and they are less dependent on third party packages for their line of business systems. Leeds historically, mainly because of its size, has been more dependent on packaged solutions. This strategy has served Calderdale well and they have developed a reputation for agile development on a technical platform that they understand very well and therefore their ability to meet changes in legislation and generally keep pace with business driven requirements is well proven. This history and strategy gives Leeds City Council the confidence required to 'buy into' a system and approach that is highly likely to meet continual legislative and business demands for change in a service area which is still emerging and developing nationally.
- 3.1.6 The actual software and supplier service costs i.e. Calderdale services, are comparable to that of a commercial 3rd party supplier. However the added value of the partnership is that the initial software cost is purchasing a 20% stake in the software as an asset. The cost of services covers developments to improve the system and services to assist in its implementation. On completion of the implementation Leeds City Council will receive an additional 14% stake in the system.
- 3.1.7 As part of the terms and conditions, Leeds' initial stake in the asset would be refundable if the system is not successfully delivered to agreed time, quality and cost.
- 3.1.8 Whatever the stake LCC has in the asset is applicable for the life of the current version of the product i.e. even if LCC did cease to use part or all of the product they would still retain a stake in that version.
- 3.1.9 The agreed cost of the initial stake in the CIS system is based on a share of the estimated value of the asset. There are a number of components to this payment. Part of the payment is for the intellectual property itself and the right to operate the software. The system has been developed over a number of years and constitutes 1000's of hours of development and developer effort. Another part of the payment relates to the right to have a 50/50 say in the future direction and development of the product. This is a significant concession and a key element of the partnership. With a commercial provider of similar software there would be very little say in the direction and development of the product. The final part of the payment relates to the exclusive right to a proportional share in any profits from future sales of the system. Calderdale have successfully sold the system to LCC and another Local Authority and they anticipate making further sales. They are presently engaged in

commercial discussions with potential partners to market, promote and sell the CIS to other LA's.

- 3.1.10 The 'partnership' approach outlined above is valid within the council's procurement rules with the significant benefit of retaining investment in the public sector and enhanced speed of acquiring the system i.e. without the need for a protracted tendering exercise. Due diligence around the functional and technical aspects of the system have been and continue to be undertaken to ensure the system is a good fit for Leeds in the short and medium term. The future vision of Adult Social Care and the Health Reform agenda are an opportunity for Leeds City Council and Calderdale to work together on developing the system longer term. Alternatively the flexibility of the arrangement provides Leeds City Council (and Calderdale) the option of choosing a different route if appropriate without the 'lock in' to a contract normally associated with public, private contracts.
- 3.1.11 There is significant 'buy in' to making the proposed model a success from both parties and both Chief Executives and respective senior management teams are very supportive of this approach. Furthermore, Calderdale have recently entered the market for a private sector partner to help market and sell this and other Calderdale developed systems. There is initial market interest and therefore the opportunity for income to Calderdale and Leeds (for its share of up to 49%).
- 3.1.12 As stated there will be a formal partnership agreement drawn up that will provide fairness and equality in the partnership as well as protection to both parties if circumstances change within either authority. Key principles agreed in this regard are:
- The partnership will be underpinned by a formal legal agreement that will provide both parties the necessary benefits, flexibility and protection.
 - A true shared service approach demonstrated in West Yorkshire based on shared reward, risk and effort.
 - Funding stays within the two parties and is not for profit and will drive shared product development and support.
 - Leeds City Council will have an equal say in the development of the solution going forwards in return for an initial purchased stake in the asset (system).
 - Not locked into a long term contract. Minimum period 3 years with options to extend and with a 3 month exit arrangement beyond 3 years.
 - Potential for income based on up to 49% share of the system if the system is sold to other parties. This arrangement is exclusive to Leeds City Council.
 - There will be a Partnership Board whose purpose will be to develop and monitor the governance and delivery of the agreement both for the implementation and for ongoing arrangements. The board will have operational, ICT and legal representation from both parties
 - There will be an strategic development group formed of operational managers from Leeds and Calderdale whose purpose will be to agree future roadmaps and priorities for system development for both parties.

This “user group” would potentially grow as other authorities utilised the system in the future.

3.2 Implementation Governance

- 3.2.1 A programme delivery board is being established which will be chaired by the appropriate Chief Officer within Adult Social Care. The remit of this board is to govern and manage the implementation, implementation resources, change plans, dependencies, implementation risks and issues, project budget and benefits realisation.
- 3.2.2 The board will report directly to the Adults Directorate Leadership Team who will have overall responsibility as the sponsoring group for governing the partnership agreement and the successful implementation.
- 3.2.3 The delivery board for this phase of the implementation will comprise of senior operational managers, senior supplier representation from ICT and Calderdale, and senior financial managers.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Consultation and engagement with operational staff is one of the key lessons learnt from the previous implementation of the ESCR system, therefore operational staff as ‘end users’ are at the forefront of these emerging developments. Business Process Re engineering (BPR) resources have also enabled us to capture all our Adult Social Care processes across the assessment and care management pathway and these have formed the basis of the statement of requirements for the replacement system which has been used to assess the business fit of the system for use in Leeds.
- 4.1.2 In defining and evaluating the Calderdale proposal there has been cross working with officers across Adults and Children’s service teams. Management of issues and risks in migrating Children’s and Adults from the same system to different solutions are being coordinated and managed across the two programmes of work.
- 4.1.3 Consideration has also been given to the future development of the Calderdale system and how this fits with LCC’s technology roadmap for Adult Social Care. This roadmap of technology has been developed in consultation with the Leeds Informatics Board which is part of the Leeds Health and Social Care Transformation Programme. This board is taking the lead to develop the joint strategies to deliver joined up health and social care information through the Leeds Care Record. A key benefit of the partnership will be joint working between LCC, Calderdale and local health services to develop these strategies to join client and patient information more effectively.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 In line with the requirement to ensure we give due regard to equality issues in relation to the replacement system proposal, an equality screening tool has been

completed. This document sets out the areas that will be 'impacted' by this proposal and the actions which need to be taken to mitigate these impacts.

- 4.2.2 The technology components will improve customer experiences and progress services whilst enabling us to measure quality. The technology is the foundation to ensuring that care can be delivered in the most appropriate manner across all client groups maximising the achievement of individually identified outcomes.
- 4.2.3 Adult Social Care provides a route to services that are accessible to all citizens of Leeds with social care needs. There is also a particular emphasis on engagement with service users and their carers to ensure that choice, flexibility and control are delivered through personalised services. This proposal will enhance these processes and facilitate a more person-centred approach.
- 4.2.4 The replacement of the current case management system mainly impacts internally on social work staff and other administrative functions aligned to the assessment and case management processes. The integration of contract monitoring and financial processes should also ensure that the new system supports our safeguarding responsibilities and reduces risk of harm or exploitation of our most vulnerable service users.
- 4.2.5 Future developments such as the introduction of e-Market Place and the Council's new web site will however have a direct impact on service users. To mitigate this impact we are working to remove the barriers and obstacles that people often experience by providing a universal offer of information, guidance and support for all residents of Leeds. Arrangements have been put in place to ensure these developments include service user consultation.
- 4.2.6 We are working with our Customer Service colleagues and other operational staff teams to develop a more efficient customer relationship. This will improve the customer experience by "getting it right first time". This will reduce unnecessary referrals and assessments and allow time and resources to be redirected to those who need it most. It will also provide more opportunities for service users to contact us in a variety of ways and share information with us in a more flexible manner.
- 4.2.7 The replacement system and associated developments for customer access to services will therefore impact on a wide spectrum of stakeholders, with implications for finance processes, staffing and resource allocation, job specifications, staff training and business support requirements and ongoing stakeholder engagement and communication strategies.
- 4.2.8 With every proposed change to the current processes and practice, there have been consultation sessions with workers across all levels of the operational teams. This analysis and feedback has been incorporated into the replacement systems project core business plan and any products emerging from the identified requirements have formed the basis of the future replacement system model.
- 4.2.9 As we monitor the progress of these developments we will be able to ensure the actions identified in the EIA screening tool are reviewed and actioned accordingly.

4.3 Council Policies and City Priorities

- 4.3.1 The Vision for Leeds 2011-2030 states the ambition for Leeds to become the best city for health and wellbeing by 2030. This programme will support this ambition by ensuring Adult Social Care has effective and efficient information systems and can efficiently and effectively share information with partners to holistically improve customer outcomes. This will reduce duplication in assessment processes and ensure that the right level of customer information is available to those professionals who need it. The customer experience will be improved and practitioners will be better placed to support service users to achieve the outcomes that are important to them, while making limited resources go further.
- 4.3.2 Corporately Leeds City Council has identified a list of the 'Top 25 Priorities' to be delivered within the year 2012. The Adult Social Care Directorate has proposed three of these priorities based on our 'better lives' theme:
- Better lives through enterprise
 - Better lives through integration
 - Better lives through housing care and support.
- 4.3.3 These priorities aim to reduce inequalities in the health of the citizens of Leeds, address the challenges that are presented by more people living longer and ensure people receive high quality services.
- 4.3.4 Underpinning the priorities is the principle of personalisation; seeing every service user as an individual and supporting them to achieve their personal priority outcomes. Leeds Adult Social Care aims to enable people to exercise greater choice and control over the support they receive. The increased variety of services accessible through individual budgets will require Adult Social Care to be responsive to demands for different types of care and support. The realisation of these priorities and the delivery of quality services is dependant upon the support of high quality and appropriate information systems. This programme will support the capturing of information about how self-funders and direct payment recipients are choosing to meet their needs. This information will provide us with a more accurate picture of the overall care market and enable us to respond to this information and deliver the services that people want, in the way that they want them.
- 4.3.5 If better lives are to be achieved through integration, technology must support new models of service delivery and provide robust information transfer between social care and other partners. This programme will ensure we are in the best possible position to support integrated teams in the future. Improved information sharing will enable professionals to coordinate support and allow service users to access the most appropriate services in their local area, improving access and reducing delays and duplication.
- 4.3.6 This programme will contribute towards the Council's resource priorities to:
- Create the environment for effective partnership working
 - Improve the Information Communication Technology (ICT) infrastructure to support the delivery of priorities
 - Maintain effective arrangements to buy goods and services that give value for money.

- Maintain effective audit and risk management arrangements
- Staff are fully involved in delivering change and feel able to make an impact on how services are delivered

4.3.7 Improved information management systems will create efficiencies and so release resources to meet the challenges of bringing about large scale business change and reorganisation across health and social care. Improved electronic care records alongside the use of electronic forms will significantly reduce the volume of paper forms and records that need to be retained.

4.4 Resources and value for money

4.4.1 Several options have been assessed in relation to their business fit and value for money. The partnership option is considered the most appropriate option because of the cost as well as the other benefits outlined in 3.7.

4.4.2 The costs Executive Board were asked to approve were capital funding for the purchase and implementation of the Calderdale CIS system, EDRMS and enhanced reporting and business intelligence capability. It is the intention to fund this investment from capital grant funding provided by Department of Health accumulated over 2011/12, 2012/13. The council therefore does not require any further borrowing to fund this investment.

4.5 Legal Implications, Access to Information and Call In

4.5.1 A 'shared service' model is an innovative approach which requires careful diligence and specific arrangements put in place to be successful. This project has the relevant procurement and legal resources working on defining and documenting the partnership and commercial principles and arrangements. This will ensure that Leeds City Council has the relevant assurances and protection in place.

4.5.2 The partnership arrangements described in section 3.2 have been developed in consultation with the Council's Head of Property, Finance and Technology and the Council's Procurement Governance and Regulations Manager.

4.5.3 The confidential information relates to financial information about the partnership arrangements between Calderdale and Leeds. The information includes details of the 20% stake which effectively puts a value on their system, and their proposal for a value for the support and maintenance for Leeds. The main point in considering this information as confidential was not to prejudice Calderdale's position, in relation to their plans for commercialisation of this and other products. This may have a potential knock on effect on the value of Leeds' stake on entering the partnership if this information was in the public domain.

4.5.4 The scheme was approved by the Executive Board 18th July 2012 and called in to Scrutiny Board (Health and Well-being and Adult Social Care). The outcome of the call in was the recommendation for the decision to be released for implementation.

4.6 Risk Management

- 4.6.1 A risk management strategy has been formulated to manage both the unique risks associated with the partnership and risks associated with a system implementation of this nature. Business, operational and technical risks will be managed through a dedicated delivery board. Any risks that have potential impact on delivery of frontline services will be escalated and monitored by Adult Social Care Senior Leadership Team.
- 4.6.2 A number of risks are partnership risks, some of which are jointly owned, which will be managed as part of the terms and conditions of the partnership agreement. These risks will be monitored and managed through a joint Delivery Board and escalation through the Partnership Board.
- 4.6.3 The key risks associated with the partnership and implementation can be categorised under the following headings. As stated these risks are being managed through the governance framework that is being put in place.

1. Calderdale system is not fit for business purpose

- A key part of the options appraisal has been an assessment of the business and technical fit of the proposed solutions. This assessment is based on criteria to meet short term requirements i.e. like for like replacement of existing system; medium term requirements i.e. additional needed capability to improve services and integrate with partners; long term requirements i.e. provide the platform to meet future health and social care models.
- Business engagement has been at the heart of the evaluation process and the evaluation for the shared service model has been undertaken alongside operational staff from Adult Social Care. Approximately 50 Adult Social Care operational staff have thus far been involved in the initial evaluation of business fit and have provided positive feedback in relation to this aspect of the evaluation. The project also benefits from having full time dedicated staff from the operational teams involved in all areas of the developments, together with representatives from all service areas assessing the business fit of the system.
- The evaluation exercise identified a number of gaps in functionality between LCC's existing system and Calderdale's CIS system. Calderdale have committed to developing the system to meet LCC requirements once the critical areas have been agreed. It is envisaged that there will be minimal developments required for day 1. Differences have also been identified in the way LCC and Calderdale work and there are opportunities to take advantage of the new system's capability and adopt improved ways of working in both Leeds and Calderdale
- Informed by lessons learnt from previous implementations and discussions with other authorities, the implementation stage will involve many front line practitioners and specialists. This dedicated and virtual team will be fully involved in the evaluation, design, build, testing and roll out of the system as well as ongoing partnership working with Calderdale to ensure the solution fully meets requirements to support effective and efficient ways of working in Leeds now and in the future.

2. Capacity of system to support authority the size of Leeds

- An assessment has been made of the technology utilised by Calderdale to ascertain whether it can operate on LCC's infrastructure and whether it will support the number of users in Leeds. The CIS system is Oracle based and therefore should not present any technical issues in its use in Leeds. Full performance testing will, however, be carried out at specific stages to ensure it is fully fit for purpose before it is deployed into a live environment. Provision has been made to employ specialist services to carry out independent testing if required.

3. Capacity of Calderdale to support implementation of this scale

- Calderdale are recruiting additional technical capability to support the implementation, cater for ongoing research and development of the system and provide ongoing levels of support for all users. The implementation service costs that were built into the business case will fund some of the additional implementation capacity. Additional mitigation of this risk has been made in the provision of funding for additional specialist resources if required. The annual support and maintenance charges paid to Calderdale will fund contribute to the ongoing support and development of the system.

4. Capacity within LCC to support implementation and delivery of change

- To ensure a successful implementation provision has been made in the business case to make certain the programme can be resourced with the right level of appropriately skilled business, technical and specialist staff. Provision has also been made to fill any gaps in capacity, skills or knowledge with external expertise if required.
- The programme has been broken down into manageable stages with clear scope and priorities. The implementation will be governed and managed in line with corporate and industry recognised programme and project management methodologies.

5. Capacity of service to manage scale and complexity of change in parallel with other operational pressures and changes

- As stated previously one factor in a successful implementation of this nature is the full ownership and involvement of the business throughout. To minimise any impact on frontline services for key staff to be involved, provision has been made to fund dedicated roles that will provide the business expertise and knowledge.
- A role has also been created for a Head of Business Change. A key responsibility for this role is to identify, manage and coordinate operational dependencies and their impact both on the project and day to day front line service.

- Governance of the implementation, including responsibility for monitoring and managing the risks, will be via a dedicated delivery board chaired by a Chief Officer within Adult Social Care. Clear priorities are being agreed and communicated to operational managers.

5 Conclusions

- 5.1 The approach and work that has been carried out in initiating and drawing up the Partnership arrangements and the intensive evaluation of the system itself provides the council with the assurance that the solution will be fit for purpose to fully support Adult Social Care services.
- 5.2 The approach to implementation and involvement of front line practitioners in the evaluation, design, build and testing of the system as well as ongoing partnership working with Calderdale provides assurance that the solution will continue to be fit for purpose in the short, medium and long term.
- 5.3 The robust risk management approach to manage risks to the council, the service, benefit realisation and implementation of the project is a critical factor in the success of this programme and will continue to be managed in this way throughout.

6 Recommendations

- 6.1 That the Corporate Governance and Audit Committee review this report and note the assurances provided regarding
- The diligence conducted to ensure the system will be fully fit for purpose
 - The mechanisms and governance being put in place to effectively support the acquisition and implementation of the solution

7 Background documents¹

None used

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.

Report of the Director of Resources

Report to Corporate Governance and Audit Committee

Date: 28th September 2012

Subject: Audited Statement of Accounts and the Value for Money Assessment 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. KPMG have issued their audit report to this Committee (see attached). The report provides:
 - an unqualified opinion on the 2011/12 Statement of Accounts;
 - confirms that audit has identified one significant adjustments to the accounts related to the transfer of a school to academy status; and
 - a view that the Annual Governance Statement complies with the CIPFA/SOLACE framework and that it is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.
 - a value for money (VFM) conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

2. To date the Council has identified five post balance sheet events. Cumulatively these events are not deemed material and as such there is no requirement to retrospectively adjust the 2011/12 accounts.

3. The accounts have been certified by the Responsible Finance Officer as a true and fair view of the Council's financial position as at 31st March 2011.

Recommendations

4. Members are asked to receive the report of the Council's external auditors on the 2011/12 accounts and to note the amendments made to the Accounts.
5. Members are asked to approve the final audited 2011/12 Statement of Accounts and the Chair to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
6. On the basis of assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
7. Note KPMG's VFM conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

1 Purpose of this report

- 1.1 This Committee agreed to release the unaudited 2011/12 Statement of Accounts for public inspection on the 4th July 2012. Under this Committee's terms of reference, members are now required to approve the Council's final audited Statement of Accounts and consider any material amendments recommended by the auditors.

2 Background information

- 2.1 Under the Accounts and Audit (England) Regulations 2011, the Council's statutory finance officer, the Director of Resources, has certified that the Statement of Accounts presents a true and fair view of the financial position of the Council. On completion of the Audit, the regulations also require that the accounts are approved by resolution of a Committee and published, together with the auditor's opinion and report.

3 Main issues

3.1 Key External Audit Findings

3.1.1 Audit Opinion

KPMG have determined that the 2011/12 accounts give a true and fair view of the Council's financial position and they are therefore proposing to issue an unqualified audit opinion.

3.1.2 Audit Differences

On conclusion of the audit, KPMG identified one significant audit difference which required amendment to the accounts. This related to the planned transfer of a school to academy status in 2011/12. The transfer was incorrectly accounted for in 2011/12 as the actual transfer had been delayed into the new year. The resulting amendment to the accounts has had no impact on the Council's bottom line and procedures have been updated to ensure that this does not reoccur in the future.

In addition to the above issue there have been a small number of minor and presentational changes made to the accounts. The impact of all changes to the accounts are summarised in section 3 of KPMG's report.

3.1.3 Audit Risks

KPMG's Financial Statements Audit Plan, as reported to this Committee on the 27th February 2012, identified three main areas of risk in compiling the financial statements for 2011/12. The three risks were in respect of the Council's ability to meet the required savings target; the reasonableness of the Council's componentisation policy and the compliance with new accounting standards. KPMG's audit report recognises that all three risks have been addressed.

3.1.4 Audit recommendations

The audit report identifies two recommendation (see Appendix 1 of KPMG's report). The first relates to a weakness in procedures for ensuring planned academy school transfers have not been delayed until after the 31st March. The second relates to quality assurance procedures to ensure correct valuations are included in the accounts for heritage assets. In both cases procedures have now been amended to ensure correct supporting documentation is obtained to verify the transactions. There are no outstanding recommendations from previous years which require further Council action.

3.1.5 Use of Resources

KPMG are required to report to those charged with governance, any governance issues identified when discharging their statutory audit responsibilities. They have therefore included in their report an update on the Council's arrangements to secure value for money in its use of resources.

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

3.1.6 Review of the Annual Governance Statement

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

3.2 Post Balance Sheet Events

- 3.2.1 Under proper accounting practice the Council is required to consider any post balance sheet events which, if known at the time of the accounts being produced, would have significantly altered the Council's financial statements. If such events have occurred then the Council is required to amend the accounts if the cumulative value of the events would have a material impact on the Council's financial statements. Such events must be considered up until this Committee approves the final accounts and the auditors provide their audit certificate.

- 3.2.2 As at the 20th September there have been five such events, mainly relating to the settlement of contractual disputes. The cumulative impact of these events on the Council's General Reserve would be £581k. This is not deemed significant by KPMG and the Council is therefore not required to retrospectively adjust the accounts. Consequently the financial impact of these events will be accounted for in 2012/13.
- 3.2.3 As outlined in para 3.2.1 above, any post balance sheet events must be considered up until the accounts are approved. As such a verbal update will be provided at Committee to confirm the final position.

3.3 Public Inspection Queries

- 3.3.1 Under the statutory timescales for public inspection of the accounts, the Council has had a number of enquiries requesting information in respect of PFI schemes and details of expenditure on city centre properties. Under statute, stakeholders have the right to question the auditors and request either an amendment to the accounts or the issuing of a public inspection report. As of the 20th September no questions have been raised to the auditors on these or any other issues.

3.4 Management Representation letter

- 3.4.1 The auditors are required by the Audit Commission's Code of Audit Practice to undertake the audit work on the accounts in compliance with International Standards on Auditing (ISAs). ISAs contain a mixture of mandatory procedures and explanatory guidance. Within the mandatory procedures are requirements to obtain written representations from management on certain matters material to the audit opinion. The management representation letter is designed to give audit such assurances. In respect of the 2011/12 accounts the letter is contained in the attached KPMG report as appendix 5. After consultation with appropriate officers, the Director of Resources has signed to confirm that officers are not aware of any compliance issues on the representation matters raised in the letter.
- 3.4.2 The Committee is asked to consider whether members are aware of any issues they want to bring to the auditors attention in respect of the matters addressed in the management representation letter. If there are no such issues the Committee is asked to agree that the Chair can sign the letter on behalf of the Committee.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 As this is a factual report based on past financial performance no public, Ward Member or Councillor consultation or engagement has been sought.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 As this is a factual report based on past financial performance there are no direct implications for equality, diversity, cohesion and integration.

4.3 Council policies and City Priorities

4.3.1 As this is a factual report based on past financial performance there are no direct implications for Council policies or City priorities.

4.4 Resources and value for money

4.4.1 KPMG's report includes an audit opinion on whether the Council has proper arrangements for securing value for money.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The Accounts and Audit (England) Regulations 2011 require the audited Statement of Accounts to be published before the 30th September. Under this Committees terms of reference, members are required to approve the Council's final audited Statement of Accounts and consider any material amendments recommended by the auditors.

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

4.6 Risk Management

4.6.1 External Audit identified two risk in their recommendations and officers have established new procedures and controls to mitigate these risks.

5 Conclusions

5.1 The external audit report provides the following assurances to members:

- An unqualified opinion on the 2011/12 Statement of accounts.
- A value for money conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Confirmation that in the auditors opinion the Council's Annual Governance Statement complies with the CIPFA/SOLACE framework.

5.2 External Audit have made two recommendation, namely improvements to the system for recording the transfer of schools to academy status and the quality assurance process for heritage assets. The Council has put in place arrangements to comply with these recommendations.

5.3 As at the 20th September 2012 there have been five post balance sheet events identified. It has been determined that these events do not have a material impact and as such they have not been adjusted for in the 2011/12 accounts.

5.4 KPMG have identified one significant adjustment required to the final accounts in respect of the transfer of a school to academy status. This adjustment has no impact on the Council's bottom line.

5.5 To date there are no public inspection queries which have lead to amendment of the accounts.

6 Recommendations

- 6.1 Members are asked to receive the report of the Council's external auditors on the 2011/12 accounts and to note the amendments made to the Accounts.
- 6.2 Members are asked to approve the final audited 2011/12 Statement of Accounts and the Chair to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
- 6.3 On the basis of assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
- 6.4 Note KPMG's VFM conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

7 Background documents¹

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.



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Report to those charged with governance (ISA 260) 2011/12

Leeds City Council

September 2012

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

- the key issues identified during our audit of Leeds City Council's ('the Authority's') financial statements for the year ended 31 March 2012; and
- our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.

We do not repeat matters we have previously communicated to you. In particular, we draw your attention to our *Interim Audit Report 2011/12*, presented to you on 4 July 2012, which summarised our planning and interim audit work.

Financial statements

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



We previously reported on our work on the first two stages in our *Interim Audit Report 2011/12* issued in July.

This report focuses on the final two stages: substantive procedures and completion. It also includes any additional findings in respect of our control evaluation that we have identified since we issued our *Interim Audit Report 2011/12*.

Our on site final accounts visit took place between 9 July 2012 and 14 September 2012. During this period, we carried out the following work:

Substantive Procedures

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

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

Completion

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

VFM conclusion

We have also now completed our work in respect of the 2011/12 VFM conclusion. This included our work to address the specific risk areas identified in our *Interim Audit Report 2011/12*.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2011/12 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Appendix 2.

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 our headline messages. The remainder of this report provides further details on each area.

<p>Audit progress</p>	<p>At the date of this report, our audit of the financial statements is substantially complete. We will also report that the wording of your Annual Governance Statement accords with our understanding.</p> <p>Our audit has identified one audit adjustment with a value of £16.6 million in relation to a disposal of a school which transferred to Academy status in 2012/13. The impact of this adjustment:</p> <ul style="list-style-type: none"> ■ has no impact on the balance on the general fund account as at 31 March 2012; ■ decreases the deficit on provision of services for the year by £16.6 million; and ■ increases the net worth of the Authority as at 31 March 2012 by £16.6 million. <p>We have included the detailed entries required for this audit adjustment in Appendix 3. It is our understanding that the financial statements will be adjusted by the Authority accordingly.</p> <p>We have also raised a number of recommendations, both in relation to the matter highlighted above and other audit matters, which are summarised in Appendix 1.</p>
<p>Critical accounting matters</p>	<p>We have worked with Officers throughout the year to discuss specific risk areas. The Authority has appropriately addressed the issues that we raised.</p> <p>Financial standing (savings plans) – The Authority has largely 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. 636 full-time equivalent staff have left the Authority under the Early Leavers' Initiative which contributed to the achievement of almost all of the £45 million planned staff cost savings.</p> <p>Component accounting – The Authority continues to account for HRA assets on a non-component basis. The Authority has commissioned a larger, more representative sample of property valuations to support this policy in 2011/12 and the findings support the accounting methodology used. We are satisfied that the Authority's policy is in line with current guidance. We understand that the Authority will continue to consider the appropriateness of this policy going forwards and in light of any new guidance issued.</p> <p>Code changes – We reviewed the Authority's process for identifying and valuing heritage assets and are satisfied that this was reasonable. The Authority has identified £46.7 million of heritage assets as at 31 March 2011 which is considered to be material to the financial statements. The Authority has therefore made a prior period restatement and produced a third comparative balance sheet for 2009/10. The value of heritage assets at 31 March 2012 is £50.8 million, largely as a result of upwards revaluations and one purchase in year. We are satisfied that the Authority has complied with the requirements of the 2011/12 Code in respect of heritage assets.</p>

Section two
Headlines (continued)

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

<p>Accounts production and audit process</p>	<p>The quality of the accounts and the supporting working papers has remained high. Wherever possible working papers were provided electronically as requested. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>The Authority has implemented all of the recommendations in our <i>ISA 260 Report 2010/11</i> relating to the financial statements.</p>
<p>Completion</p>	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> ■ Post balance sheet events review ■ Audit of provisions and exit packages ■ Final review of financial statements <p>Before we can issue our opinion we also require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
<p>VFM conclusion</p>	<p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2012.</p>

Our audit has identified one audit adjustment to date.

The impact of this adjustment is to:

- have no impact on the balance on the general fund account as at 31 March 2012;
- decrease the deficit on the provision of services for the year by £16.6 million; and
- increase the net worth of the Authority as at 31 March 2012 by £16.6 million.

Audit differences

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

Our audit identified one significant audit difference, which we set out in Appendix 3. It is our understanding that this will be adjusted in the final version of the financial statements.

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund for the year and balance sheet as at 31 March 2012. This does not reflect the impact of any adjusting post balance sheet events which may be identified. We will continue to review post balance sheet events up until 30 September 2012.

The net impact on the balance of the General Fund as at 31 March 2012 as a result of significant audit adjustments is nil.

The Authority also identified a number of amendments to the financial statements presented for audit as part of its ongoing quality assurance arrangements. These amendments have been reflected in the pre-audit figures presented in the tables.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2011/12 ('the Code')*. We understand that the Authority will be addressing these where significant.

Movements on the General Fund 2011/12				
£m	Pre-audit	Audit diff.	Post-audit	Ref App.3
Surplus/(deficit) on the provision of services	(255.7)	16.6	(239.1)	1
Adjustments between accounting basis & funding basis under Regulations	256.0	-16.6	239.4	1
Transfers to/(from) earmarked Reserves	(4.4)	-	(4.4)	
Increase/(decrease) in General Fund	(4.1)	-	(4.1)	

Balance Sheet as at 31 March 2012				
£m	Pre-audit	Audit diff.	Post-audit	Ref App.3
Property, plant and equipment	3,351.1	16.6	3,367.7	1
Other long term assets	115.2	(0.2)	115.0	
Current assets	145.2	-	145.2	
Current liabilities	(401.2)	-	(401.2)	
Long term liabilities	(2,929.4)	-	(2,929.4)	
Net worth	280.9	16.4	297.3	
General Fund	(25.4)	-	(25.4)	
Other reserves	(255.5)	(16.4)	(271.9)	1
Total reserves	(280.9)	(16.4)	(297.3)	

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

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

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

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

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.

with assurance over its chosen policy and that it was likely to make a prior period restatement in respect of heritage assets as the values were material.

In our *Interim Audit Report 2011/12* we commented on the Authority's progress in addressing these key risks. We highlighted that the Authority was on target to achieve its planned budget, that it had performed additional work over component accounting to provide us


We have now completed our testing of these areas and set out our final evaluation following our substantive work and the table below sets out our detailed findings for each risk.

Key audit risk	Issue raised during planning	Findings
	<p>At the end of period nine, the Authority was forecasting an overspend of £0.5 million against the 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 included a savings programme totalling £90 million. The Authority reported that more than £80 million of the budgeted savings are on target to be achieved at period nine. All directorates were continuing to develop and implement action plans and the position was being closely monitored.</p> <p><i>Continued overleaf</i></p>	<p>The Authority's final outturn position was a £1.5 million underspend on budget. The main improvement from the period nine position relates to £2.1 million strategic net savings which were confirmed after year-end. Including, £1.6 million of interest costs were 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 further shortfall in Section 278 income of almost £1.1 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>A large part of the £90 million planned savings was achieved and the Authority also identified additional savings and secured unbudgeted (and recurring) income. This meant that despite slippages against some aspects of the original savings plan, the Authority was able to out-perform its original budget.</p>

Key audit risk	Issue raised during planning	Findings
	<p>The Authority estimated 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 had established 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 was unlikely that all such requests will be accommodated due to the need to balance service delivery with cost savings. It was anticipated that a further round will be implemented in 2012/13.</p>	<p>The Authority budgeted to reduce staff costs by £45 million compared to 2010/11 and this was largely achieved, with just a £530,000 net overspend on pay costs at year-end. The Early Leavers' Initiative (ELI) continued to be successful in helping to control staff costs, with 636 full-time equivalents leaving under the scheme in the year. Other savings were achieved through the continued application of a recruitment freeze, the transfer of an element of the homecare service to an external provider and grant-related reductions in staffing.</p> <p>The overall net overspend of £530,000 on staffing was largely due to a £2.1 million overspend in the Environment and Neighbourhoods directorate which has been attributed to delays in the withdrawal of the refuse collection back-up service and the cost of staff in managing workforce change. These overspends were offset by significant savings in pay costs in Adult Social Care (over £600,000) and Children's Services (over £1.6 million). The remaining overspend was largely attributable to Legal Services.</p> <p>We have included an update on the future financial plans on page 14 of this report.</p>

Section three – financial statements
Critical accounting matters (continued)

Key audit risk	Issue raised during planning	Findings
<div data-bbox="459 1317 619 1675" style="text-align: center;">  </div>	<p>The Authority needed 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>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 needed to gain assurance that this policy continues to be appropriate in 2011/12 and in light of any new guidance.</p>	<p>In 2010/11, the Authority undertook an exercise to identify any potentially significant components across both general fund and HRA buildings. The Authority concluded that only a small number of specialised items of plant in some of its general fund buildings met its materiality criteria for separate recognition.</p> <p>The Authority also carried out an exercise to estimate the impact on depreciation across the HRA of recognising the largest components it had identified, even though these were not individually significant. The impact on depreciation was found not to be material.</p> <p>In 2011/12 the Authority continues to apply the same approach to component accounting of HRA assets as in the prior year, whereby only the land and building elements are recognised separately.</p> <p>In order to demonstrate that this policy remained valid, the Authority reviewed a representative sample of HRA assets to establish if there were any significant components, their useful economic lives and replacement costs. The results of this exercise corroborated the findings from the 2010/11 exercise which concluded that, by electing not to implement component accounting for HRA assets, the resulting depreciation charge is not materially different.</p> <p>We reviewed the Authority's rationale for selecting the sample, its findings and conclusions. We are satisfied that the sample of HRA assets tested is reliable and representative of the HRA asset base as a whole and that the conclusions drawn are reasonable.</p> <p>The Authority will continue to consider the appropriateness of this policy going forwards and in light of any new guidance issued.</p>

Key audit risk	Issue	Findings
	<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>We reviewed the Authority's process for identifying its heritage assets to gain assurance that this was reasonable. We found the approach undertaken to be comprehensive and in line with other authorities.</p> <p>Once the heritage assets had been identified, the Authority considered how to place a value on them and whether there was sufficient financial information available to recognise any value on the balance sheet in respect of those assets (in line with the 2011/12 Code).</p> <p>For artworks and museum exhibits, the Authority has valued those individual assets with insurance valuations above £1 million at the insurance valuation. Lower value items which are included in the overall insurance valuation have not been recognised on the balance sheet as the cost to value each item individually was considered to be prohibitive. Items purchased during the last five years have been included at their original cost.</p> <p>Historic buildings have also been valued at historic cost where such information is available.</p> <p>As a result of this process, the Authority identified £46.7 million of heritage assets as at 31 March 2011. This is considered to be material to the financial statements, consequently the Authority has made a prior period restatement and produced a third, comparative, balance sheet for 2009/10. The value of heritage assets at 31 March 2012 is £50.8 million, largely as a result of upwards revaluations in year of £1.9 million and the grant-funded purchase of a museum artefact to the value of £2.1 million.</p> <p>We are satisfied that the Authority has complied with the requirements of the 2011/12 Code in respect of heritage assets.</p>

The quality of the accounts and the supporting workings papers remains high. Officers have provided working papers electronically, as requested, wherever possible.

Officers dealt efficiently with audit queries and the audit process is expected to be completed within the planned timescales. The Authority has implemented all of the recommendations in our *ISA 260 Report 2010/11* relating to the financial statements.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has a robust financial reporting process and we consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 3 July 2012, prior to the start of the audit on site and within the agreed timescales.
Quality of supporting working papers	Our <i>Accounts Audit Protocol</i> , which we issued in June, set out our working paper requirements for the audit. The quality of working papers provided was excellent and met the standards specified in our <i>Accounts Audit Protocol</i> .

Element	Commentary
Response to audit queries	In general, officers resolved our audit queries in a reasonable time.
Group audit	To gain assurance over the Authority's group accounts, we will place reliance on work completed by BDO on the financial statements of Aire Valley Homes Leeds Limited, East/North East Homes Leeds Limited and West North West Homes Leeds Limited. There are no specific matters to report pertaining to the group audit.

Prior year recommendations

In our *Interim Audit Report 2011/12* we commented on the Authority's progress in addressing the recommendations in our *ISA 260 Report 2010/11*.

The Authority has now implemented all of the recommendations in our *ISA 260 Report 2010/11* relating to the financial statements.

Appendix 2 provides further details.

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

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

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

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Leeds City Council for the year ending 31 March 2012, we confirm that there were no relationships between KPMG LLP and Leeds City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Principal Accountant, Corporate Financial Management, a draft of which is reproduced in Appendix 5. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events etc.).

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2011/12 financial statements.

Our VFM conclusion

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

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

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.

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



Conclusion

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

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

We reported our risk assessment in our *Interim Audit Report 2011/12*. The following pages include further details on our specific risk-based work.

Section four – VFM conclusion


Specific VFM risks

We have now concluded our specific work in relation to the residual risks we set out in our *Interim Audit Report 2011/12*.

In our *Interim Audit Report 2011/12* we identified the residual audit risks for our VFM conclusion, and set out our preliminary assessment of these with reference to the relevant work by the Authority, the Audit Commission, other inspectorates and review agencies.

We concluded that we needed to carry out additional work for some of these risks and this work is now complete.


The outcome of this work is set out below.

Key VFM risk	Preliminary assessment	Key findings of our additional work
	<p>Risk</p> <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.</p> <p>However, with continuing cuts to staff numbers, the Authority needs to ensure that it carefully balances service delivery with cost savings.</p> <p><i>Continued overleaf</i></p>	<p>As noted in the previous section, the Authority largely 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 monitors its revenue budget on a monthly basis and the latest Medium Term Financial Plan (MTFP) will take into consideration the potential further funding reductions. The latest MTFP is expected to be finalised in December 2012.</p> <p>The ELI has resulted in over 600 full-time equivalent staff departing the Authority during 2011/12.</p> <p>The Authority has a track record of delivering a balanced budget and has again set a balanced budget for 2012/13. The Authority is also ensuring that it is aware of and planning for coming changes, such as business rate and welfare benefit reforms. These are likely to have a significant financial impact.</p> <p>In addition, the Authority is now looking at how it can continue to improve its efficiency so that it delivers further savings. This is to aid preparations for the forthcoming comprehensive spending review.</p>

Section four – VFM conclusion
Specific VFM risks (continued)

Key VFM risk	Preliminary assessment	Key findings of our additional work
	<p>The Authority needs to establish and manage its savings plans so as to secure longer term financial and operational sustainability.</p> <p><i>Interim update</i></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.</p> <p>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 (continued)

Key VFM risk	Preliminary assessment	Key findings of our additional work
	<p>Risk</p> <p>Leeds City Council is 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><i>Interim update</i></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><i>Continued overleaf</i></p>	<p>We have held an initial meeting with the joint Director of Public Health. This provided evidence that the Authority is aware of the plans, risks and actions it will need to put in place in preparation for the transfer of public health services to the Authority from April 2013.</p> <p>Reports have been taken to the Executive regarding the Authority's new responsibilities in respect of public health and its progress towards the transfer.</p> <p>We will continue to monitor the Authority's progress in relation to this transfer over the next six months to ensure that plans are on track.</p>

Section four – VFM conclusion
Specific VFM risks (continued)

Key VFM risk	Preliminary assessment	Key findings of our additional work
	<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>	

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
<p>1 Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	2	<p>Incorrect cut off for fixed asset disposals</p> <p>Our testing of fixed asset disposals identified that a school had transferred to Academy status after year-end but had been accounted for as a disposal during 2011/12. The transfer had been due to take place before 31 March 2012 but was delayed due to clerical errors within the School when completing the transfer documentation. Corporate Financial Management only became aware of this when we requested audit evidence of the transfer.</p> <p>Corporate Financial Management should ensure that any transfers of schools to Academies are supported by the relevant legal documents to ensure that the disposal is recorded in the correct financial period.</p>	<p>Agreed. Year end procedures will be amended so that appropriate documentation is obtained prior to the accounts being approved in order to evidence the transfer has taken place within the financial year.</p> <p>Action: Principal accountant Corporate Financial Management Date: March 2013</p>

Appendix 1: Key issues and recommendations (continued)

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	3	<p>Quality assurance processes over heritage asset values</p> <p>The value of one of the heritage assets selected for testing in the accounts did not agree to the supporting evidence. This is considered to be a data input error and the difference of £200,000 was clearly trivial, however there were no internal procedures in place to verify that the asset valuations provided by the relevant department to Corporate Financial Management were correct and the difference could have been material.</p> <p>Appropriate quality assurance procedures should be implemented to ensure that heritage asset valuations are agreed to relevant supporting evidence prior to inclusion in the financial statements.</p> <p>It should be noted that the value of the heritage asset in question is expected to be adjusted in the final financial statements.</p>	<p>Agreed. Year end procedures will be amended so that appropriate documentation is obtained to evidence new or amended valuations in respect of Heritage Assets.</p> <p>Action: Principal accountant Corporate Financial Management</p> <p>Date: March 2013</p>

Appendix 2: Follow up of prior year recommendations

The Authority has implemented all of the recommendations in our *ISA 260 Report 2010/11*.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 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	2
Remain outstanding (re-iterated below)	0

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2012
1	2	<p>Medium Term Financial Plan</p> <p>The results of the Audit Commission financial resilience survey did not identify any areas for major concern when we were assessing the VFM arrangements at the Authority.</p> <p>However, the scale of the challenge ahead is not to be underestimated and key to this will be managing the overspends in Adults and Children's which, as at month 4 of 2011/12, are showing overspends of £10.6m.</p> <p>The Authority need to ensure that they continually monitor their Medium Term Financial Plan and take appropriate early interventions to manage their financial pressures.</p>	<p>Monthly in year budget monitoring is undertaken via the Executive Board. The Medium Term Financial Plan will be reviewed as part of the 2012/13 budget process.</p> <p>Responsible officer: Chief Officer Financial Management</p> <p>Due date: February 2012</p>	<p>We identified the Authority's financial standing as a critical accounting matter and a key VFM risk in the <i>External Audit Plan 2011/12</i>, presented to you in February 2012. Our detailed audit response to this key risk has been set out in the previous section.</p> <p>We are satisfied that the Authority monitors the revenue budget on a monthly basis via the Executive Board, having reviewed the reports as part of our audit work.</p>

Appendix 2: Follow up of prior year recommendations (continued)

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2012
2	<p>2</p>	<p>Component Accounting Following the introduction of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, Local Authorities are now required to implement component accounting across their asset base (both general fund assets and HRA assets). This requires components to be separately recognised subject to appropriate materiality thresholds. Whilst the Code refrains from outlining prescriptive measures for implementing componentisation it does state a number of guiding principles in relation to ensuring that a component is recognised if it has a significant cost and if there is a material difference between the existing depreciation charge and that which would apply if it were recognised. The Authority undertook an exercise, with appropriate advice from the internal valuation team, to identify any potentially significant components across both general fund and HRA buildings.</p>	<p>The council will review all capital spend at the end of each year under its established accounting policy for components. Responsible officer: Principal accountant Corporate Financial Management. Implementation date: closedown 2011/12. The council is closely following the ongoing consultations on changes to HRA asset valuation and depreciation arrangements, and will review its own approach once the national requirements and guidance have been finalised. Responsible officer: Principal accountant Corporate Financial Management. Implementation date: As and when accounting standards are amended.</p>	<p>We identified component accounting as a critical accounting matter in the <i>External Audit Plan 2011/12</i>, presented to you in February 2012. Our detailed audit response to this key risk has been set out on page nine in section three to this report. We are satisfied with the Authority's approach to component accounting for 2011/12 and its decision not to apply component accounting to its HRA assets (other than by recognising land and buildings separately). We have confirmed that the Authority will continue to consider the appropriateness of this policy going forwards and in light of any new guidance issued.</p>
		<p><i>Continued overleaf.</i></p>		

Appendix 2: Follow up of prior year recommendations (continued)

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2012
2	2	<p>As such the Authority concluded that only a small number of specialised items of plant in some of its general fund buildings met its materiality criteria for separate recognition.</p> <p>At our request the authority also carried out an exercise to estimate the impact on depreciation across the HRA of recognising the largest components it had identified, even though these were not individually significant. The impact on depreciation was found not to be material.</p> <p>We have reviewed the appropriateness of the Council's policy against the requirements of the Code of Practice and IAS 16. In doing so we have outlined a number of considerations that the Authority should keep under review to ensure the policy is appropriate. These considerations include:</p> <p><i>Continued overleaf.</i></p>		

Appendix 2: Follow up of prior year recommendations (continued)

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2012
2	2	<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 would need to consider whether the policy is still appropriate or whether the amount spent over the class of asset should be separately accounted for as an individual component; and The impending changes to the HRA. The consultation paper issued by CIPFA in February 2011 outlined the proposed abolition of the Housing Subsidy and the MRA. This will increase the importance of an accurate depreciation charges in the HRA to ensure that suitable provisions are in place to fund major repairs to housing stock. For example, if the total replacement cost for an asset over the 30 year business plan is £33,000 then for business planning purposes, an annual depreciation charge of £1,100 would be expected. 		

This appendix sets out the significant audit differences. We have only identified one such audit difference during the course of the audit. It is our understanding that this will be adjusted.

The audit difference relates to the transfer of a school to Academy status. The deemed disposal was accounted for in 2011/12 but due to administrative errors on the legal paperwork, the transfer was delayed until after year-end and as such, should be accounted for in 2012/13.

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

Corrected audit differences

The following table sets out the significant audit difference identified by our audit of Leeds City Council's financial statements for the year ended 31 March 2012. It is our understanding that this will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

No.	Impact				Basis of audit difference	
	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities		Reserves
1	Cr Loss on disposal of fixed assets £16.6 million	Cr Statutory adjustments between accounting and funding basis £16.6 million	Dr Property, plant and equipment £16.6 million		Cr Capital Adjustment Account £11.5 million Cr Revaluation Reserve £5.1 million	The Authority accounted for disposal in 2011/12 of a school which was transferring to Academy status. However, the transfer actually took place after year-end.
	Cr £16.6 million	Dr £16.6 million	Dr £16.6 million	Dr/Cr £0	Cr £16.6 million	Total impact of adjustments

Appendix 4: Declaration of independence and objectivity

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

Requirements

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

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

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

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

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

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

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

General procedures to safeguard independence and objectivity

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

Appendix 4: Declaration of independence and objectivity (continued)

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

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

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

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

Auditor declaration

In relation to the audit of the financial statements of Leeds City Council for the financial year ending 31 March 2012, we confirm that there were no relationships between KPMG LLP and Leeds City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

Dear Sirs

This representation letter is provided in connection with your audit of the Leeds City Council and Group financial statements, for the year ended 31 March 2012, for the purpose of expressing an opinion as to whether these:

- i. give a true and fair view of the financial position of Leeds City Council and its Group as at 31 March 2012 and of its income and expenditure for the year then ended; and
- ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

These financial statements comprise the Authority and Group Movement in Reserves Statement; the Authority and Group Comprehensive Income and Expenditure Statement; the Authority and Group Balance Sheet; the Authority and Group Cash Flow Statement; the Housing Revenue Account Income and Expenditure Statement; the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
 - give a true and fair view of the financial position of Leeds City Council and its Group as at 31 March 2012 and of its income and expenditure for the year then ended;

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom require adjustment or disclosure have been adjusted or disclosed.
4. In respect of the restatement for heritage assets made to correct a material misstatement in the prior period financial statements, the Authority confirms that the restatement is appropriate.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority and Group from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

Appendix 5: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

7. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
8. The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.
9. The Authority has disclosed to you all information in relation to:
- a) Fraud or suspected fraud that it is aware of and that affects the Authority and its Group and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Authority and Group financial statements communicated by employees, former employees, analysts, regulators or others.
10. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements. Further, the Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.
12. The Authority further confirms that:
- a) all significant retirement benefits, including any arrangements that:
- are statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - are funded or unfunded; and
 - are approved or unapproved,
- have been identified and properly accounted for; and
- b) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Corporate Governance and Audit Committee on 28 September 2012.

Yours faithfully,

[Chair of the Audit Committee] , [Chief Financial Officer]



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Report of Director of Resources

Report to Corporate Governance and Audit Committee

Date: 28th September 2012

Subject: Annual Governance Statement

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 Council has a duty to undertake an annual review of the effectiveness of its system of internal control. Following that review a committee, in our case the Corporate Governance and Audit Committee, must approve an annual governance statement.

2. The review of effectiveness of the Council's Governance arrangements, has been informed by matters considered by;
 - Executive Board
 - Corporate Governance and Audit Committee (particularly assurance reports from officers reporting to the committee)
 - Reports and opinions from;
 - Internal Audit
 - External Audit
 - Inspectorates
 - Local Government Ombudsman
 - Appropriate enquiries of management and staff with relevant knowledge and experience.

3. The attached Annual Governance Statement has been prepared in accordance with proper practices specified by the Accounts and Audit Regulations 2011.

Recommendations

4. Corporate Governance and Audit Committee is asked to approve the attached Annual Governance Statement; and recommend that the Leader of Council, Chair of Corporate Governance and Audit Committee, Chief Executive and Director of Resources sign the document on behalf of the Council.

1 Purpose of this report

- 1.1 The purpose of this report is to present the Annual Governance Statement (AGS) to the committee for approval.

2 Background information

- 2.1 The Annual Governance Statement is a public statement on the adequacy of the Council's governance arrangements, and, as directed by the Accounts and Audit (England) Regulations 2011, must accompany the statement of accounts.
- 2.2 The Regulations, specifically Regulation 4(3), requires authorities to conduct a review at least once a year of the effectiveness of its systems of internal control in accordance with 'proper practices'¹. These proper practices have not been reviewed since 2007 and aspects, for example references to 'direction of travel statements, are outdated. However they remain broadly fit for purpose as a basis for preparing the AGS which appears at Appendix 1.

3 Main issues

- 3.1 Members may recall that last year, in light of the current financial climate, and the drive to reduce unnecessary bureaucracy, the Head of Governance Services further refined and streamlined the drafting process for the AGS.
- 3.2 This year, as last, the review of effectiveness has been undertaken on an ongoing basis including internal and external audit of our internal control processes, and matters that have been the subject of reports to Corporate Governance and Audit Committee, the Executive Board and other member forums. In addition Directors have reviewed the attached statement and have confirmed that, to the best of their knowledge and belief, all matters of significance have been disclosed.
- 3.3 Members will note that Section 5 of the AGS, the section dealing with significant governance issues, continues to directly link to areas for improvement identified in the Council Business Plan 2011 - 15. This reflects the extent to which governance issues have been embedded into corporate planning and performance management processes and provides a streamlined and sustainable structure to monitor identified areas for improvement.
- 3.4 KPMG have confirmed, in their report to those charged with governance (also on the agenda for committee today), that, having reviewed the Annual Governance Statement, they are of the opinion that the statement complies with Delivering Good Governance: A Framework, published by CIPFA/SOLACE in June 2007; and is not misleading or inconsistent with other information that they are aware of.
- 3.5 Corporate Governance and Audit Committee is asked to approve the attached Annual Governance Statement; and recommend that the Leader of Council, Chair of Corporate Governance and Audit Committee, Chief Executive and Director of Resources sign the document on behalf of the Council.

¹ CIPFA/SOLACE - Delivering Good Governance in Local Government Framework 2007

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The Corporate Leadership Team has been consulted on content of the Annual Governance Statement, particularly to ensure that there are no omissions or misrepresentations.
- 4.1.2 The Annual Governance Statement links to the objectives of the Council Business Plan relating to consultation– specifically that all major decisions affecting the lives of communities can evidence that appropriate consultation has taken place.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The Annual Governance Statement links to the objectives of the Council Business Plan relating to Equality – specifically that all major decisions needing to evidence that appropriate consideration has been given to equality issues.

4.3 Council Policies and City Priorities

- 4.3.1 The Annual Governance Statement reports that whilst progress has been made in agreeing policies and implementing procedures to govern the management of data and information, a number of incidents of data loss have occurred during the year.
- 4.3.2 Following approval of the statement a review of the Council’s Code of Corporate Governance will be undertaken.

4.4 Resources and Value for Money

- 4.4.1 The Annual Governance Statement makes links to the objectives of the Council Business Plan relating to the budget and financial planning and management – specifically that all directorates work within their approved budget and that arrangements ensure the Council maintains revenue reserves.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The Annual Governance Statement is a public statement on the adequacy of the Council’s governance arrangements, and as directed by the Accounts and Audit (England) Regulations 2011, must accompany the statement of accounts.

4.6 Risk Management

- 4.6.1 The Accounts and Audit (England) Regulations 2011, specifically Regulation 4(3), requires authorities to conduct a review at least once a year of the effectiveness of its systems of internal control in accordance with proper practices. The system of internal control, including arrangements for the management of risk, assists the Council in effectively exercising its functions.
- 4.6.2 In addition the committee and the Executive Board have received regular reports which demonstrate that there is an on-going process for identifying, evaluating and managing risks.

5 Conclusions

- 5.1 The Annual Governance Statement concludes that key systems are generally operating soundly and, where weaknesses have been identified arrangements, arrangements are in place to resolve them.

6 Recommendations

- 6.1 Corporate Governance and Audit Committee is asked to approve the attached Annual Governance Statement; and recommend that the Leader of Council, the Chair of Corporate Governance and Audit Committee, the Chief Executive and the Director of Resources sign the document on behalf of the Council.

7 Background documents

- 7.1 None



Annual Governance Statement 2012

1. SCOPE OF RESPONSIBILITY

Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.

Our ambition is to be at the forefront of those local authorities that are able to demonstrate that they have the necessary corporate governance to excel in the public sector. We aspire to be the best local authority in UK, in the best City.

The changing needs of our citizens and communities, significant reductions in resources and central government reforms, present a challenge to all councils. In addressing these challenges we must ensure that governance arrangements support the effective delivery of services and management of risk.

By applying the principles in our Code of Corporate Governance (summarised below) and applying the Nolan Principles of Standards in Public Life, we commit to devising and delivering services to the citizens of Leeds in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.

Our Code of Corporate Governance outlines our governance principles;

1. Focussing on the Council's purpose and community needs;
2. Having clear responsibilities and arrangements for accountability;
3. Good conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
5. Developing the capacity and capability of members and officers to be effective;
6. Engaging with local people and other stakeholders.

This statement describes how we have complied with our Code of Corporate Governance and how we have met the requirements of the Accounts and Audit Regulations 2011. The statement should be read alongside our planning, performance management and accountability arrangements described in;

- The Vision for Leeds 2011-2030
- Our City Priority Plans 2011-2015
- Our Council Business Plan 2011-2015

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

Our governance arrangements are designed to manage risk to a reasonable level. The arrangements cannot eliminate all risks but can provide reasonable assurance of our effectiveness.

The governance framework has been in place for the year to the date of approval of this Annual Governance Statement.

3. THE GOVERNANCE FRAMEWORK

Our governance framework in Leeds comprises the systems and processes, and culture and values that allow us to achieve our strategic objectives and establish the extent to which services are delivered in an appropriate and cost effective way.

These are summarised below;

- Our vision; that is our shared priorities and intended outcomes for citizens and service users documented in the Vision for Leeds, Council Business Plan and other documents contained in our Budget and Policy Framework;
- The committees, boards and panels we have established to ensure democratic engagement and accountability is central to our key and other important decisions;
- Our arrangements for the oversight and scrutiny of decisions and policy development by councillors;
- Delegation and sub delegation arrangements which document the roles and responsibilities of executive and non-executive councillors and our statutory (and other senior) officer functions;
- Our risk, performance and accountability arrangements that measure the quality of services; ensuring they are delivered in accordance with our objectives and that they represent the best use of resources;
- Our People Plan, Member Development Strategy, Values and codes of conduct which underpin how Members and employees work;
- Our arrangements for consultation and engagement with the community, particularly focussed to help ensure inclusivity;
- Our arrangements to safeguard our most vulnerable citizens including fully embracing the role of independent chairs of safeguarding boards for children and adults;
- A high performing and independent Internal Audit service that is well regarded by our External Auditors;
- Independent oversight and challenge provided by our External Auditors, Government Inspectorates and the Local Government Ombudsman;
- Our procedure rules and internal management processes for;
 - Financial management
 - Procurement
 - Information governance and data security
 - Health and safety
 - Decision making
 - Whistleblowing and complaints handling
 - Anti fraud & corruption

4. REVIEW OF EFFECTIVENESS

We have a responsibility for conducting, at least annually, a review of the effectiveness of our governance arrangements. We consider this best practice and a fundamental component of high performing organisations,

Our review of effectiveness considers decisions taken and matters considered by Full Council and committees appointed by Full Council, the Executive Board, Corporate Leadership Team (and Directors knowledge of the operation of governance arrangements within their directorates), the work of the Corporate Governance and Audit Committee, internal auditors, service managers, work undertaken by external auditors and inspectorates and the opinion of the Local Government Ombudsman.

A self-assessment of our effectiveness

Our planning and performance and risk management framework has enabled us to **Focus effectively on the Council's Purpose and Community Needs**. Our new approach, incorporating both risk and performance management, has been successfully introduced in-year and provides the Executive and Scrutiny with the information to check and challenge attainment of our priorities.

A number of improvements have been implemented most notably the joint analysis and reporting of risk and performance information and better linkages to the appraisal processes. These arrangements have also been documented into a formal Performance Management Framework and the updated Risk Management Policy and over the coming year will see performance and risk management processes linking closely with the People Plan, e.g. through appraisals.

Executive Board has reviewed the corporate risk register of the significant business risks facing the council and this Board and the Corporate Governance and Audit Committee have received positive assurances about the operation of the arrangements for identifying and managing risk.

Effective financial planning and management – the 2011/12 budget represented a major challenge for the Council and required the Council to find savings of £90m. Whilst not all planned savings were fully achieved, other savings were identified and additional income secured, with the final outturn being an under-spend against the budget of £1.5m. The Section 151 Officer has ensured that effective budget monitoring and reporting arrangements, involving the Executive Board and Scrutiny have been put in place. Given the scale of the financial challenges, the Corporate Governance and Audit Committee reviewed the arrangements in March 2012, noting that there were appropriate systems and procedures in place to ensure sound financial planning and management.

Effective arrangements for accountability - Our governance arrangements continue to evolve. In this respect Members have reviewed the structure and format of the full Council meeting. This has included the introduction of State of the City meetings, that have enabled all Members to have oversight and involvement in the significant challenges facing the City and understand first hand the role played by partners in the city. Council has also been reconfigured to enable backbench Members, from all political groups, to bring forward 'Community Concerns' for consideration in the full Council meeting.

The delegation scheme for Council and Executive responsibilities has been regularly reviewed and updated to reflect various legislative and organisational changes. Sub delegation arrangements are in place and provide a clear description of decision-making responsibilities below director level.

The strategic landlord has presented, to our Corporate Governance and Audit Committee, details of the performance management framework to oversee the functions that have been delegated to the Arms Length Management Organisations and the Belle Isle Tenant Management Organisation. Currently the assurances available are based upon a programme of audit work undertaken by internal audit.

The strategic landlord is moving towards a position where they themselves can provide an assurance based on their own tailored performance management framework with internal audit providing independent verification.

Delegations have also been made to Birmingham City Council to enable that authority to effectively co-ordinate efforts to prevent illegal money lending nationwide. Positive assurances have been received by the Executive Board from Birmingham about how that delegation has operated during the year.

The leadership and governance arrangements for the city region and the Leeds initiative continue to evolve. Democratic accountability and reporting arrangements are an emerging theme. At the Annual Council Meeting it was agreed that all minutes from Joint Committees (including the Leeds City Region) and the Leeds Initiative Strategy Groups be presented to Council for consideration and thereby improve the links between ward members and these regional structures.

The Director of Children's Services reported to Executive Board on a review of an overspend which had occurred on a Primary School capital scheme; the review reported on issues that the project had encountered and provided assurances on the improvements which had been made to prevent a re-occurrence of the issues which led to the overspend on, and delay of the project.

The Executive Board emphasised the need to ensure that the necessary lessons were learned from the situation detailed within the submitted report. In addition, it was highlighted that a more cohesive approach between directorates was required and in respect of future Design and Cost Reports relating to similar developments, it was noted that such reports would not be submitted to Executive Board until design freeze and costs were understood, so that Members were in possession of all relevant facts when determining such matters.

Effective Conduct Arrangements - Our Conduct arrangements for Members have been substantially reviewed and amended due to changes in statutory requirements. The changes to the Members' Code of Conduct have been heavily influenced by the Nolan Principles of Standards in Public life and changes to our complaint handling arrangements now place greater emphasis on a speedy informal resolution of concerns, rather than on lengthy, more protracted arrangements dictated by the previous statutory regime.

Registers of Interest for Elected Members and Employees have been maintained and arrangements are in place for the declaration of appropriate interests when decisions are taken. We have also appointed an Independent Person in accordance with our statutory responsibilities.

The Standards Committee has operated in accordance with legislative requirements, and ceased its formal statutory functions (in line with legislation) on the 1st July. Since July a new Standards and Conduct Committee has been appointed by full council to provide oversight and leadership for the new arrangements.

The Code of Conduct for employees is due to be revised in 2012, providing an opportunity to align the Member and employee arrangements more closely and again reinforce our commitment to the Nolan Principles.

Effective decision making arrangements - Our decision-making arrangements are one of our significant governance controls, linking to all the governance principles that are set out in our Code of Corporate Governance.

We have reviewed the effectiveness of our decision-making framework more generally – the result of which has been full Council agreeing changes to the Executive Decision Making arrangements. The changes have included an amendment to the definition of Key Decisions – providing a greater focus on significant decisions within single electoral wards; simplifying other decision categories; and removing the Call In requirements for Area Committee Decisions and thereby, amongst other things, speeding up the process by which Community Groups could be in receipt of grants.

Positive assurances have been given by the Chief Planning Services Officer (in respect of planning functions), the Director of Resources relating to compliance with the council's executive decision making framework, access to information processes, and financial management procedures, and from the Scrutiny Officer in relation to the Council's Overview and Scrutiny arrangements.

Effectively developing skills and capacity - The Chief Human Resources Officer – working closely with the Scrutiny Board (Central and Corporate Functions), has established a People Plan for the Organisation. This has been an important step in ensuring that our workforce has the skills, capability and capacity to meet the challenges facing the City. The arrangements for monitoring progress against targets in the People Plan were reported to Corporate Governance and Audit committee in June 2012. Action plans are in place to address the themes emerging from the engagement surveys.

Of particular significance has been progress on Appraisals - with 92% of staff receiving an appraisal in 2011/12, and Engagement – where a cross council survey has measured the level of staff engagement.

As community leaders, it is vital that our Councillors are supported to be as effective as possible. A variety of learning programmes have been in place which have been continually monitored and evaluated by Councillors to ensure that where needed new initiatives have been implemented quickly and effectively.

Effective Engagement - Our Council Business Plan identified improvement as being required in both consultation and quality considerations in the decisions that we take. Our end of year report (reported to Executive Board) found 97% of decisions evidenced that **consultation and engagement had taken place with local people and other stakeholders** whilst the equivalent outturn for equality was that 85% of decisions evidenced that equality considerations had been taken account of.

All our directorates have, or are in the process of, introducing sign off processes to ensure continued improvements in this area.

Of significance for this statement, the annual internal audit report concluded that the internal control environment, including the key financial systems, is well established and continues to generally operate well in practice.

An Independent opinion of effectiveness

In July 2012, KPMG's Interim Audit Report assessed our organisational control environment as effective overall with no issues or areas for improvement. In addition KPMG specifically reported that;

- the controls over all of the key financial system are generally sound;
- full reliance can be placed on Internal Audit's work¹ on the key financial systems and that Internal Audit are compliant with the *Code of Practice for Internal Audit in Local Government*.

In our external auditor's annual report to those charged with governance, KPMG reported that this Annual Governance Statement complies with the CIPFA/SOLACE framework and that it is not misleading or inconsistent with other information they are aware of from their audit of the financial statements

The Annual Letter from the Local Government Ombudsman highlighted four cases of Maladministration². One further case was drawn to the Council's attention by the Ombudsman where there were shortcomings in service provision.

Although these cases are presented against a generally positive picture of Ombudsman investigation decisions during the course of the year (where in over 70% of cases the Council was found to be not at fault), the Council deeply regrets the shortcomings in service provision which the Ombudsman has reported. Apologies have been given to those affected and the remedies proposed by the Ombudsman have either been implemented, are soon to be implemented or are to form part of a longer term action plan

The Executive Board has received a number of reports from Ofsted, the most recent being an improved annual assessment of Children's Services in December 2011. The findings and recommendations from Ofsted have been carefully considered and arrangements put in place to address and monitor the implementation of the recommendations arising.

5. SIGNIFICANT GOVERNANCE ISSUES

The independent opinion of our External Auditors, provides considerable assurance in respect of the Council's arrangements. The External Auditor's recent Interim Audit assessed our organisational control environment as effective overall, with no significant issues or areas for improvement.

The outlook for local government over the next few years is a very challenging one. We have outcome focussed plans which set out our ambitions, that Leeds will become the best city in the United Kingdom by 2030. However in the short to medium term these ambitions are set against a context of declining resources and an uncertain economic outlook. It is therefore important that we take a longer term view and we are therefore undertaking a 'Budget + exercise' predicated on what our organisation may look like in 2016/17.

We though remain determined to do all we can to ensure all available resources are directed to supporting front line services, that further consideration be given to

¹ The Council's Head of Internal Audit function reports to the Corporate Governance & Audit Committee, quarterly on significant matters arising in respect of the control environment.

² three of which were reported to Members in the AGS last year

enabling 'Areas' to better influence decisions that impact on them and seeking innovative ways of further securing Value for Money.

To support this a number of significant developments are under way which have implications for our governance arrangements and how we go about delivering our ambitions.

We have led the Commission on the Future of Local Government. The Commission brought together a variety leading thinkers and doers from the public, private and voluntary sectors to examine how local government can adapt, survive and thrive in leading, and empowering, local people to both shape local services and have a real stake in their communities. Our challenge is to work in a spirit of civic enterprise, underpinned by strong values of trust and transparency.

An immediate response to the work of the Commission is our review of the arrangements for area working, particularly how Member involvement and leadership at an area level can be improved and enhanced.

Running alongside this Executive Board are also overseeing the introduction of arrangements to support our new responsibilities around neighbourhood planning. The objective being to ensure both these better support the delivery of services, whilst also maintaining internal control standards that have public confidence.

Executive Board has also agreed a Customer Access Strategy (2012-15) to help further enhance service user access to services.

A business continuity review of all services has ensured that there is an accurate list of critical services within the organisation. Our plans to link business continuity, industrial action and disaster recovery arrangements were reported to the Corporate Governance and Audit Committee in March 2012 and is a priority for implementation over the next 12 months to further ensure the organisation remains resilient.

The achievement of our objectives around health and wellbeing rely heavily on our working relationships with the NHS, private providers and the third sector. Working differently across these boundaries is central to the achievement of our goals.

The Leader of Council has already established a new Executive Member Portfolio for Health and Wellbeing and our plans for a Health and Wellbeing board are well advanced as are our plans to integrate new Public Health functions from April 2013.

This changing face of service delivery, with greater emphasis on partnership working with local and regional bodies and in a variety of settings raises issues concerning governance and financial accountability and control. This will also be a significant feature in work planned for 2012/13 to progress the creation of a West Yorkshire Combined Authority as envisaged in our recently agreed City Deal.

These are big challenges and the Director of Resources has undertaken to review our Partnership Advisory Note to ensure that is fit for purpose. The document will be reissued to Directors before the end of the calendar year.

We also recognise we need to do more to achieve the aspirations set out in our Council Business Plan. In particular we believe further improvement is needed to meet our objective that every year 100% of staff have an appraisal and each member of staff will have a personal development plan; thereby supporting staff in having a clear understanding of their role as well as clear objectives and performance targets.

We will also strive to ensure that we meet our aspirations for;

- all major decisions affecting the lives of communities evidence that appropriate consultation has taken place.
- all major decisions evidence that appropriate consideration of equality issues has taken place.

Action plans have been drawn up to address recommendations arising from external and internal audit reports, findings from Ofsted and issues identified and reported by the Local Government Ombudsman.

ASSURANCE SUMMARY

Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making - collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people's needs. It is fundamental to showing public money is well spent. Without good governance councils will struggle to improve services.

From the review, assessment and on-going monitoring work undertaken and supported by the ongoing work undertaken by Internal Audit, we have reached the opinion that, overall, key systems are operating soundly and that there are no fundamental control weaknesses.

We can confirm, to the best of our knowledge and belief, and there having been appropriate enquiries made, that this statement provides an accurate and fair view.

Signed

Signed

Date

Date

**Councillor Keith Wakefield
Leader of the Council**

**Tom Riordan
Chief Executive**

Signed

Signed

Date

Date

**Councillor Tom Murray
Chair, Corporate Governance
and Audit Committee**

**Alan Gay
Director of Resources**

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Report of Director of Resources

Report to Corporate Governance and Audit Committee

Date: 28 September 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
9th November 2012		
* Member Development to take place before the meeting		
MEMBER DEVELOPMENT	<p>Before the meeting at 1pm the following will be presented to members:</p> <ul style="list-style-type: none"> • Interpretation of the HRA within the Accounts; and • The role of the Corporate Governance and audit Committee in reviewing Treasury Management at the Council 	
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
Treasury Management	To receive a report providing the Committee with assurance on the treasury management function	Chief Officer (Financial Development) Maureen Taylor
Six Monthly Internal Audit Report	To receive a report providing the Committee with an update on the work of the Internal audit Service	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

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Internal Audit quarterly report	To receive the Internal Audit quarterly report	Chief Officer (Audit and Risk) Tim Pouncey
27th March 2013		
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
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
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		
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)