



---

## **CORPORATE GOVERNANCE AND AUDIT COMMITTEE**

---

Meeting to be held in Civic Hall, Leeds, LS1 1UR on  
Tuesday, 19th March, 2013  
at 10.00 am

---

### **MEMBERSHIP**

#### **Councillors**

|               |           |        |           |
|---------------|-----------|--------|-----------|
| P Grahame     | J Bentley | C Fox  | J Elliott |
| N Taggart     |           | R Wood |           |
| T Hanley      |           |        |           |
| G Hussain     |           |        |           |
| T Murray      |           |        |           |
| E Taylor      |           |        |           |
| J Illingworth |           |        |           |

# A G E N D A

| Item No | Ward | Item Not Open |  | Page No |
|---------|------|---------------|--|---------|
| 1       |      |               | <p><b>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</b></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><b>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</b></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><b>RESOLVED</b> – 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><b>LATE ITEMS</b></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><b>DECLARATION OF DISCLOSABLE PECUNIARY AND OTHER INTERESTS'</b></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 13-16 of the Members' Code of Conduct.</p>                |         |
| 5       |      |               | <p><b>APOLOGIES</b></p> <p>To receive any apologies for absence.</p>   |         |
| 6       |      |               | <p><b>MINUTES - 9TH NOVEMBER 2012</b></p> <p>To confirm as a correct record the minutes of the meeting held on 9<sup>th</sup> November 2012.</p>   | 1 - 6   |
| 7       |      |               | <p><b>INTERNAL AUDIT QUARTERLY REPORT</b></p> <p>To receive a report of the Director of Resources providing a summary of Internal Audit Activity for the period October 2012 and January 2013 and highlight the incidence of any significant control failings or weaknesses.</p> | 7 - 32  |
| 8       |      |               | <p><b>ANNUAL AUDIT PLAN</b></p> <p>To receive a report of the Director of Resources presenting the Committee with the Annual Audit Plan.</p>   | 33 - 60 |

| Item No | Ward | Item Not Open |  | Page No   |
|---------|------|---------------|--|-----------|
| 9       |      |               | <p><b>ANNUAL AUDIT FEE 2012/13</b></p> <p>To receive a report of the Director of Resources informing Members of the cost of external audit work relating to the 2012/13 financial year.</p>  | 61 - 70   |
| 10      |      |               | <p><b>KPMG CERTIFICATION OF GRANTS AND RETURNS 2011/12</b></p> <p>To receive a report of the Director of Resources informing the Committee of the result of the work KPMG have carried out on the certification of grant claims in respect of 2011/12.</p>   | 71 - 86   |
| 11      |      |               | <p><b>SCHOOL ACADEMY AND TRUST CONVERSIONS</b></p> <p>To receive a report of the Asset Management Service providing details of the due diligence processes undertaken for the conversions of schools to academies or trusts, particular around governance, insurance and financial management.</p> | 87 - 100  |
| 12      |      |               | <p><b>TRANSFORMING PROCUREMENT UPDATE</b></p> <p>To receive a report of the Chief Officer PPPU and Procurement informing the Committee of the progress made with respect to the Transforming Procurement Programme.</p>  | 101 - 110 |
| 13      |      |               | <p><b>LICENSING DECISION MAKING FRAMEWORK</b></p> <p>To receive a report of the Head of Licensing and Registration which details the decision making framework for licensing decisions.</p>  | 111 - 128 |
| 14      |      |               | <p><b>WORK PROGRAMME</b></p> <p>To receive a report of the Director of Resources notifying and inviting comment from the Committee on the work programme.</p>  | 129 - 134 |

# Agenda Item 6

## Corporate Governance and Audit Committee

Friday, 9th November, 2012

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

### **27 Appeals Against Refusal of Inspection of Documents**

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

### **28 Exempt Information - Possible Exclusion of the Press and Public**

There were no resolutions to exclude the public.

### **29 Late Items**

There were no late items submitted to the agenda.

### **30 Declaration of Disclosable Pecuniary and Other Interests'**

There were no declarations made.

### **31 Apologies For Absence**

There were no apologies.

### **32 Minutes of the Previous Meeting**

The minutes of the meeting held on 28<sup>th</sup> September 2012 were approved as a correct record.

### **33 Matters Arising**

#### Minute No. 21 Decision Making Framework; Annual Assurance Report

In response to Member queries about the arrangements for Licensing Decisions taken by officers it was confirmed by the Chief Officer (Audit and Risk) that this issue had not been considered by the Committee. Members agreed that this would be a piece of work that they would like to look further into.

**RESOLVED** – The Committee resolved to request a paper that considers the arrangements in place for licensing decisions taken by officers.

Minute No. 24 Report to those Charged with Governance from KPMG

Members sought to understand the arrangements that are in place when assets are transferred by the authority that appropriate due diligence processes are in place to ensure that those ‘receiving’ an asset have appropriate governance, insurance and financial management arrangements in place.

**RESOLVED** – The Committee resolved to request a report outlining the due diligence processes in place in respect of asset transfers.

**34 Internal Audit Report April to September 2012**

The Head of Internal Audit presented a report of the Director of Resources. The report provided a summary of Internal Audit activity for the period 1<sup>st</sup> April to 20<sup>th</sup> September 2012 and highlighted the incidence of significant control failings or weaknesses.

The Head of HR (Resources) was also in attendance.

Members discussed the report in detail, particularly in respect of:

- arrangements to ensure that CRB checks are in place for Private Hire and Hackney carriage drivers. Members being of the view that such checks should be undertaken on an annual basis in order to provide reassurance to the public;
- The capital programme central controls – particularly the extent to which Chief Officer approval is given (and where relevant Call In processes having expired) prior to a contractual commitment being given;
- the Head of Internal Audit confirmed that 734 cards have been issued and undertook to provide the additional information concerning use to the committee by way of correspondence;
- Overtime payments made by the Council, where the Head of HR (Resources) confirmed the arrangements for the payment of overtime to staff over scale point 29 and outlined the issues that had been identified in respect of compliance with those arrangements by recent Internal Audit work. Members expressed concern with the shortcomings identified by the audit, commenting that;
  1. it was unacceptable that staff had received payments contrary to the council’s policies;
  2. the rules governing planned overtime were out of date as they do not reflect modern working practices
  3. that the guidelines for claiming overtime appeared to have been not well enough communicated to managers and other staff.

Members were informed about the outcome of a Scrutiny Board (Resources and Council Services) report on overtime and agency staff, considered at the meeting on 3<sup>rd</sup> September 2012. The inquiry resolved, among other things, to support the improvement measure to set clearer guidelines and protocols on the use of overtime and agency staffing. Members were assured that this would be followed up by the Scrutiny Board and that the findings of Internal Audit would be taken into consideration.

- The apparent under-use of Council owned buildings by the public for community benefit. Members requested that Internal Audit undertake a Value For Money review of buildings owned by the Council to explore the scope for greater access and use by the public and community groups.

**RESOLVED** – The Committee resolved:

- (a) To note the work undertaken by Internal Audit during the period covered by the report;
- (b) To inform the Chief Officer Democratic and Central Services of the views of this Committee with regards to taxi drivers obtaining an annual CRB check;
- (c) To note that Scrutiny Board Resources and Council Services will follow up their previous recommendation that HR set clear guidelines and protocols on the use of overtime and agency staff;
- (d) To request that HR liaise with Internal Audit to help ensure the revised guidelines and protocols address the control issues highlighted in the Internal Audit Report;
- (e) To note that the Head of Internal Audit will supply further details to Members with regards to which services are using purchasing cards; and
- (f) that Internal Audit conduct a VFM review of buildings owned by the Council.

### **35 KPMG report - Annual Audit Letter 2011/12**

The Senior Financial Manager (Corporate) presented a report of the Director of Resources which provided a summary of the key external audit findings in respect of the 2011/12 financial year.

Heather Garrett from KPMG was in attendance to answer Member questions.

It was noted that the report provided assurance that the consolidation pack for the Whole of Government Accounts produced by the Council was consistent with the audited financial statements.

Members considered the report asking the KPMG representative what if anything the Council needed to be concerned about in relation to its financial management. It was confirmed to Members that KPMG undertake a risk

assessment before each audit to ensure that any areas considered a risk are reviewed to establish that the controls in place are effective and complied with. It was also noted that KPMG have identified two key value for money risk areas; plans for assuming responsibility for public health on 1/4/13 and savings plans to achieve a balanced budget.

**RESOLVED** – The Committee resolved to note the conclusions and recommendations arising from the 2011/12 audit process.

### **36 Treasury Management Governance Report**

The Principal Finance Manager (Treasury Management) presented a report of the Director of Resources. The report outlined the governance framework for the management of the Council's Treasury Management function. The report also reviewed compliance with the revised Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on treasury management and guidance notes and a revised prudential code. These were issued in November 2009 and revised in 2011.

Members discussed the report asking specific questions about the treasury advisors used by the Council, how they are selected and how their performance is monitored. It was confirmed to Members that Sector (treasury advisors) were procured using a central procurement process which measured both value for money and the quality of service provided. Sector's performance is monitored on an ongoing basis through quarterly Treasury Strategy meetings.

Members also asked about the money that has been saved by Treasury Management and congratulated the service on its work which has resulted in significant savings for the Council.

Members were informed that implementation of the treasury strategy over recent years had resulted in savings for the Council of over £70 million which had been achieved through efficient debt management and investment.

**RESOLVED** – The Committee resolved to:

- (a) note the delegations in respect to treasury management as outlined in Appendix A to the report;
- (b) note the assurance provided by Treasury Management adopting and complying with the revised CIPFA Code of Practice and guidance notes and the Prudential Code; and
- (c) note that the Treasury Management Policy Statement has been updated.

### **37 Local Public Audit; an update**

The Chief Officer (Audit and Risk) presented a report of the Director of Resources which provided the Committee with a progress report on the Local



Public Audit Bill, including provision in the Bill for independent audit appointment panels.

**RESOLVED** – The Committee resolved to note the update provided on the progress of the Local Audit Bill.

### **38 Work Programme**

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

The Committee reviewed its forthcoming work programme. Members requested a further report on the arrangements in place to manage the City's traditional York paving stone assets.

**RESOLVED** – The Committee resolved to note the forthcoming reports to the committee and requested that Internal Audit review arrangements in place to manage the City's traditional York paving stone assets.

This page is intentionally left blank

## Report of the Director of Resources and Deputy Chief Executive

### Report to Corporate Governance and Audit Committee

**Date: 19th March 2013**

**Subject: Internal Audit Report October 2012 – January 2013**

|  |                              |  |
|--|------------------------------|--|
| Are specific electoral Wards affected?<br>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?<br>If relevant, Access to Information Procedure Rule number:<br>Appendix number: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

### Summary of main issues

1. The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements. Reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.
2. This report provides a summary of internal audit activity for the period 1<sup>st</sup> October 2012 to 31<sup>st</sup> January 2013 and highlights the incidence of any significant control failings or weaknesses.

### Recommendations

3. The Corporate Governance and Audit Committee is asked to receive the Internal Audit October 2012 to January 2013 report and note the work undertaken by Internal Audit during the period covered by the report.

## **1 Purpose of this report**

- 1.1 This purpose of this report is to provide a summary of internal audit activity for the period 1<sup>st</sup> October 2012 to 31<sup>st</sup> January 2013 and highlight the incidence of any significant control failings or weaknesses.

## **2 Background information**

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

## **3 Main issues**

- 3.1 The report details the work undertaken by the Internal Audit Section. The report also contains a summary of completed reviews along with their individual audit opinions.
- 3.2 There are no issues identified by Internal Audit in the October 2012 to January 2013 Internal Audit Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.
- 3.3 Internal Audit will continue to undertake a follow up audit on reports with limited or no assurance 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 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 October 2012 to January 2013 Internal Audit Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.

## **6 Recommendations**

6.1 The Corporate Governance and Audit Committee is asked to receive the Internal Audit October 2012 to January 2013 report and note the work undertaken by Internal Audit during the period covered by the report.

## **7 Background documents<sup>1</sup>**

7.1 None.

---

<sup>1</sup> 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.

This page is intentionally left blank

# **LEEDS CITY COUNCIL**

## **Internal Audit Report 1<sup>st</sup> October 2012 to 31<sup>st</sup> January 2013**

**2012/13**

# **CONTENTS**

## ***Section***

---

### **1. INTRODUCTION**

**The reporting Process**

**Background**

**Progress against the 2012/13 Operational Plan**

**How Internal Control is Reviewed**

---

### **2. SUMMARY OF AUDIT ACTIVITY AND KEY ISSUES**

---

### **3. AUDIT PERFORMANCE**

---

**Appendix A – Self assessment against the requirements of  
'Protecting the Public Purse 2012'**



Section 1

## INTRODUCTION

### 1.1 The Reporting Process

1.1.1 This quarterly report provides stakeholders, including the Corporate Governance & Audit Committee, with a summary of internal audit activity for the period 1<sup>st</sup> October 2012 to 31<sup>st</sup> January 2013.

### 1.2 Background

1.2.1 The changing public sector environment continues to necessitate an ongoing re-evaluation of the type & level of coverage required to give stakeholders the appropriate level of assurance on the control environment of the Council. This report outlines the work completed in the 4 month period to 31<sup>st</sup> January 2013.

### 1.3 Progress against the 2012/13 Operational Plan – High Level

1.3.1 The following table shows the progress against the operational plan for the first 10 months of the financial year, broken down by assurance block. Coverage is still anticipated to provide the evidence to support the annual audit opinion.

| Assurance Block                         | Total Days per Audit Plan 2012/13 | Days spent at 31 <sup>st</sup> January 2013 | % completion at 31 <sup>st</sup> January 2013 |
|---|-----------------------------------|---|---|
| Financial and Other Key Systems         | 800                               | 632   | 79%   |
| Compliance Reviews                      | 800                               | 747   | 93%   |
| Procurement, Monitoring and Improvement | 595                               | 360   | 61%   |
| Risk Based Audits                       | 650                               | 422   | 65%   |
| Spending Money Wisely                   | 525                               | 380   | 72%   |
| Counter Fraud and Corruption            | 869                               | 603   | 70%   |
| Update, Communication and Monitoring    | 55                                | 24  | 44%   |
| Head of Audit Assurances                | 50                                | 58  | 116%  |
| Contingency                             | 480                               | 119   | 25%   |
| Professional Liaison                    | 43                                | 5   | 12%   |
| <b>Total Audit Days</b>                 | <b>4867</b>                       | <b>3350</b>                                 | <b>69%</b>                                    |

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

| Audit Area             | Days per Audit Plan 2012/13 | Days spent at 31 <sup>st</sup> January 2013 | % completion at 31 <sup>st</sup> January 2013 |
|------------------------|-----------------------------|---|---|
| Business Analysis      | 1626                        | 1187  | 73%   |
| Data Analytics Project | 400                         | 226   | 57%   |
| External Contracts     | 840                         | 439   | 52%   |
| <b>Total Days</b>      | <b>2866</b>                 | <b>1852</b>                                 | <b>65%</b>                                    |

## 1.4 How Internal Control is reviewed

- 1.4.1 There are three elements to each internal audit review. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to give an assurance on the control environment.
- 1.4.2 However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.
- 1.4.3 Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.
- 1.4.4 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 will be reported as either major, moderate or minor. All reports with major organisational impacts will be reported to CLT along with the appropriate directorate's agreed action plan.

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

1.4.5 Specifically for the compliance reviews undertaken, the following definitions have been used to assess the level of compliance in each individual area reviewed:

| Opinion for Compliance Audits – Levels of Compliance |             |   |
|--|-------------|---|
| Level  | Definitions |   |
| 1  | HIGH        | There was significant compliance with agreed policy and/or procedure with only minor errors identified.   |
| 2  | MEDIUM      | There was general compliance with the agreed policy and/or procedure. Although errors have been identified these are not considered to be material. |
| 3  | LOW         | There was limited compliance with agreed policy and/or procedure. The errors identified are placing system objectives at risk.                      |

## 1.5 *Progress against the 2012/13 Operational Plan – Individual Reviews*

1.5.1 The individual reports, and the opinions given within those reports, are detailed in the following table. Not all audit reviews will have an opinion in each of the boxes as this is dependant on the type of review undertaken. The following table includes reports issued between 1<sup>st</sup> October 2012 and 31<sup>st</sup> January 2013.

| Report Title   | Audit Opinion       |                |                       | Directorate | Date Issued |
|--|---------------------|----------------|-----------------------|-------------|-------------|
|  | Control Environment | Compliance     | Organisational Impact |             |             |
| <b>Financial and Other Key Systems</b>                           |                     |                |                       |             |             |
| Housing Benefit Counter Fraud                                    | Good Assurance      | Good Assurance | Minor Impact          | Resources   | 29/10/2012  |
| Central Financial Controls of Local Authority Maintained Schools | Good Assurance      | N/A            | Minor Impact          | Resources   | 21/11/2012  |

**Internal Audit Report 1<sup>st</sup> October 2012 to 31<sup>st</sup> January 2013**

| Compliance Area         | Report Title   | Level of compliance | Directorate         | Date Issued |
|-------------------------|--|---------------------|---------------------|-------------|
| Policies and Procedures | Policies and Procedures: External Consultants – Compliance with CPRs | Medium              | City Development    | 14/11/2012  |
| Policies and Procedures | Policies and Procedures: External Consultants – Compliance with CPRs | Medium              | Adult Social Care   | 14/11/2012  |
| Policies and Procedures | Policies and Procedures: External Consultants – Compliance with CPRs | Medium              | Children's Services | 03/12/2012  |
| Policies and Procedures | Travel and Subsistence– (Memo on overarching issues)                 | N/A                 | Resources           | 17/01/2013  |

| Report Title   | Audit Opinion   |                      |                       | Directorate                             | Date Issued |
|--|---|----------------------|-----------------------|---|-------------|
|  | Control Environment   | Compliance           | Organisational Impact |   |             |
| <b>Compliance Reviews</b>                                |   |                      |                       |   |             |
| Swarcliffe Primary School – follow up review             | Acceptable Assurance  | Acceptable Assurance | Minor Impact          | Children's Services                     | 12/10/2012  |
| <b>Risk Based Reviews</b>                                |   |                      |                       |   |             |
| Car Loans  | Substantial Assurance   | Good Assurance       | Minor Impact          | Resources                               | 12/10/2012  |
| Insurance  | Good Assurance  | Good Assurance       | Minor Impact          | Resources                               | 24/10/2012  |
| Children's Centre Fee Income – Central Controls          | Acceptable Assurance  | N/A                  | Minor Impact          | Children's Services                     | 30/10/2012  |
| Mortgages  | Good Assurance  | N/A                  | Minor Impact          | Environment & Neighbourhoods /Resources | 06/11/2012  |
| Strategy and Commissioning                               | Good Assurance  | Good Assurance       | Minor Impact          | Environment and Neighbourhoods          | 15/11/2012  |
| Schools Trading Follow Up Review                         | Acceptable Assurance  | N/A                  | Minor Impact          | Children's Services                     | 14/12/2012  |
| <b>Spending Money Wisely Reviews</b>                     |   |                      |                       |   |             |
| ICT Software Licences                                    | Spending Money Wisely Review – standard assurance opinion not provided. Recommendations made to improve controls to ensure there is a system in place that can appropriately manage and monitor software licences throughout the Council. |                      |                       | Resources                               | 21/12/2012  |
| <b>Strategic Landlord Assurance Framework</b>            |   |                      |                       |   |             |
| Information Governance - East North East Homes           | Good Assurance  | Good Assurance       | Minor Impact          | Environment and Neighbourhoods          | 11/12/2012  |
| Information Governance – West North West Homes           | Good Assurance  | Good Assurance       | Minor Impact          | Environment and Neighbourhoods          | 10/01/2013  |
| <b>Head of Audit Assurances</b>                          |   |                      |                       |   |             |
| Building Hope Charity                                    | N/A   |                      |                       | Resources                               | 12/10/2012  |
| Temple Moor High School Science College – Voluntary Fund | N/A   |                      |                       | Children's Services                     | 25/10/2012  |

**Internal Audit Report 1<sup>st</sup> October 2012 to 31<sup>st</sup> January 2013**

| Report Title   | Audit Opinion       |            |                       | Directorate                     | Date Issued |
|--|---------------------|------------|-----------------------|---------------------------------|-------------|
|  | Control Environment | Compliance | Organisational Impact |                                 |             |
| Boston Spa School – Voluntary Fund   |                     | N/A        |                       | Children’s Services             | 29/10/2012  |
| Holy Name Catholic Primary School – Voluntary Fund                                     |                     | N/A        |                       | Children’s Services             | 23/11/2012  |
| Whitecote Primary School – Voluntary Fund  |                     | N/A        |                       | Children’s Services             | 23/11/2012  |
| Oakwood Primary School – Voluntary Fund  |                     | N/A        |                       | Children’s Services             | 23/11/2012  |
| Bus Operators Grant Claim  |                     | N/A        |                       | Resources                       | 17/12/2012  |
| Leeds City Region - Growing Places Grant Declaration 2012                              |                     | N/A        |                       | Customer Access and Performance | 21/12/2012  |
| Troubled Families Programme Review including the Troubled Families Grant Claim 2012/13 |                     | N/A        |                       | Children’s Services             | 22/01/2013  |

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

Section 2

---

## **SUMMARY OF AUDIT ACTIVITY AND KEY ISSUES**

---

A summary of reports issued within each assurance block is included in the table in Section 1. The following section highlights any key issues and outcomes within each assurance block.

### **2.1 Financial and Other Key Systems**

#### Central financial controls of local authority maintained schools

- 2.1.1 The purpose of the audit was to review the systems in operation for the central financial oversight of local authority maintained schools. The review concluded that a good framework is in place that supports financial management in schools.
- 2.1.2 There are some gaps in independent monitoring and assurance processes in respect of ensuring compliance with the Leeds Scheme for Financing Schools, Financial Procedure Rules and Contract Procedure Rules, which places greater emphasis on the school's own compliance monitoring arrangements. In previous years, Internal Audit conducted a programme of schools audits to provide independent assurance in these areas. In accordance with the 2012/13 agreed Internal Audit Plan, the role of providing specific assurances in respect of compliance with the framework has changed. The Internal Audit plan does not include provision to undertake a similar programme for auditing schools for 2012/13. The absence of a regular programme of audits may increase the risk that issues with the propriety of spending remain undetected. However, the good control environment, support framework and existing monitoring arrangements in place provide a 'system of audit for schools' that is required.
- 2.1.3 Internal Audit has written to all LEA maintained schools to offer a paid consultative service to cover the systems that are not currently subject to independent review.

#### Reviews of Financial and Other Key Systems

- 2.1.4 The reviews of the key financial systems are usually undertaken between November and March so are currently in progress. Results from these will be reported in the next Internal Audit report to Corporate Governance and Audit Committee.

### **2.2 Compliance Reviews**

- 2.2.1 As part of the annual audit plan, compliance audits are being undertaken against the Council's various policies and procedures. This is to provide assurance to the

relevant Directorates and the Section 151 Officer that services are complying with existing procedures.

### Travel and Subsistence

- 2.2.2 As part of the Compliance Assurance block, Internal Audit has reviewed compliance with the Travel and Subsistence Policy. An audit of the 20 highest travel and subsistence payments made in 2011-12 has been completed. This was to give assurance that the travel and subsistence agreed to supporting documentation, was accurately processed and claimed in accordance with the policy. The detailed results, by Directorate, will be reported in the next quarter.
- 2.2.3 The purpose of this audit report was to highlight the key overarching issues that were identified and offer proposals for improvement.
- 2.2.4 The Directorate reviews concluded that some of the key requirements of the Travel and Subsistence Policy as they currently stand do not easily facilitate high levels of compliance. In particular, the approving officers in the sample tested each advised that no checks were undertaken on the claims. The key explanation provided for this was a lack of resources. Internal Audit proposed several options for amendments to how the Travel and Subsistence policy can be applied to retain the required level of control and reduce bureaucracy. The following option was recommended by Internal Audit and agreed with the Director of Resources:

*Retain the requirement for the travel expense claim to be authorised by a second person, but reduce this to a reasonableness check, and implement independent sample checking of claims. The regular sample checking of claims will be undertaken by Internal Audit as part of compliance reviews on a risk basis, including trends analysis. This will continue to act as a deterrent for fraudulent claims. A 'zero tolerance' approach will need to be introduced and where people are found to be fraudulently claiming, this should result in disciplinary action.*

The following benefits should be derived from this approach:

- Managers that currently perform comprehensive checks will benefit from the reduced bureaucracy;
  - Sample checking undertaken by Internal Audit will act as a deterrent for fraudulent claims.
- 2.2.5 Several other recommendations were made to improve the existing policy and guidance by reducing bureaucracy and facilitating higher levels of compliance.

### Procurement Cards

- 2.2.6 At the request of the Committee, an analysis of procurement card holders has been carried out. There are 676 live procurement cards split by Directorate as follows:

| Area                            | Number of Procurement Cards |
|---------------------------------|-----------------------------|
| ALMOs                           | 3                           |
| Adult Social Care               | 32                          |
| Customer Access and Performance | 22                          |
| City Development                | 77                          |
| Children's Services             | 108                         |
| Environment and Neighbourhoods  | 32                          |
| Resources                       | 102                         |
| Schools                         | 289                         |
| Lodged cards with suppliers     | 11                          |
| <b>Total Number of Cards</b>    | <b>676</b>                  |

### Swarcliffe Primary Follow Up

- 2.2.7 Further to previous reports, the Office Manager at the school has recently appeared in court on charges of theft of dinner monies and other funds at the school. She pleaded not guilty but was found guilty of the theft of approximately £31,000. Following this fraud, Internal Audit reviewed the internal control environment.
- 2.2.8 The audit found that revised systems and procedures have been introduced at the school for the receipting and recording of income and the banking of the After School Club (Night Owl) income and these are operating satisfactorily.

## 2.3 *Spending Money Wisely*

### Spending Money Wisely Challenge

- 2.3.1 Internal Audit is reviewing a sample of transactions – from the monthly published payments list - on a regular basis and challenging the expenditure in order to identify whether services are spending money wisely. The samples of transactions from the July and August 2012 published payments lists have been reviewed.
- 2.3.2 The majority of responses provided showed that officers had a good understanding of how to obtain value for money and had considered this for the transactions selected for review. In addition, a number of instances of good practice were identified. The review also identified potential areas where savings could be made, for example, in the use of external venues when council facilities could have been considered. The review identified that the hire of external venues is still occurring in some areas of the council and made the recommendation that external venues must only be hired in exceptional circumstances where suitable Council facilities are not available. This should help to reduce the level of external spend in this area. These findings have been highlighted in reports to members of Corporate Leadership Team and Directorate Heads of Finance and areas such as external venue costs will



continue to be monitored as part of the Spending Money Wisely challenge process.

- 2.3.3 The aim of this exercise is not only to find savings but also to raise awareness of spending money wisely across the Council.

Spending Money Wisely Ideas Service ([ideas@leeds.gov.uk](mailto:ideas@leeds.gov.uk))

- 2.3.4 Internal Audit continues to carry out work to find savings, improve services, and raise awareness about how to spend money wisely. For some time, Internal Audit has had an ideas service for staff to share their suggestions for savings and service improvements. It was recently agreed with the Communications team that Internal Audit would incorporate their staff suggestion scheme into the ideas service. This will give staff one consistent point of contact for ideas and advice, and will make sure that Internal Audit can get the most out of the ideas received. For example, part of Internal Audit's work involves carrying out reviews to find savings or service improvements, and the ideas received will be considered for future potential review areas.
- 2.3.5 The Communications team have passed over the suggestions received to date and staff have now been informed about the changes through the 'Essentials' email updates. Internal Audit are urgently corresponding, personally, with all colleagues who have submitted ideas so far (about 250 to date) to acknowledge receipt and thank them for their ideas. The InSite intranet page will be regularly updated to highlight the types of positive suggestions being received and the action taken.
- 2.3.6 Staff are also able post their ideas on the Spending Money Wisely InSite page on the intranet, where Internal Audit has a blog that will be used to share staff ideas and good practice.

## *2.4 Counter Fraud and Corruption*

### Referrals

- 2.4.1 22 new referrals were received by the Internal Audit Fraud and Corruption team between the 1<sup>st</sup> October 2012 and 31<sup>st</sup> January 2013. Eleven of these were received under the Council's Whistleblowing and Raising Concerns Policies and the remaining 11 were received from Directorates/Services.
- 2.4.2 8 cases have been investigated and closed in the same period. There are a total of 25 on-going investigations:
- 15 cases are currently being investigated by the Fraud team;
  - 8 have been referred to the relevant Directorate for action; and,
  - 2 have been referred to Human Resources to consider disciplinary action.

### Protecting the Public Purse

- 2.4.3 Every year the Audit Commission publishes details of all reported fraud and corruption within the public sector. Protecting the Public Purse 2012 was published in November 2012 and included a self-assessment checklist for those who have responsibility in this area.
- 2.4.4 Internal Audit has reviewed Leeds City Council's arrangements against this checklist and confirmed compliance. Full details of the evaluation are included at Appendix A.

### Reports Issued

- 2.4.5 A list of investigation reports issued to directorates and services from 1<sup>st</sup> October 2012 to 31<sup>st</sup> January 2013 is shown in the table below:

| Report Title                     | Date Issued |
|----------------------------------|-------------|
| Primary School                   | 09-Nov-12   |
| Fuel Card                        | 21-Nov-12   |
| Procurement                      | 11-Jan-13   |
| Reclaimed stone                  | 22-Jan-13   |
| Inefficient use of resources     | 29-Jan-13   |
| Rotas, Overtime, Use of Vehicles | 30-Jan-13   |

## *2.5 Data Analytics Project*

- 2.5.1 The Single Person Discount (SPD) exercise - initially being done by Internal Audit - is now being undertaken by the Council Tax team. For the period October 2012 – January 2013, 108 SPDs have been cancelled at a net estimated value of £24,200.

## *2.6 Head of Audit Assurances*

- 2.6.1 A number of assignments have been carried out including grant claims and school voluntary fund audits.

## *2.7 External Clients*

### Housing Partnerships

- 2.7.1 The Assurance Framework audit programme is progressing according to the timetable agreed with the clients. Regular updates are provided to Housing Partnerships and the ALMOs/BITMO through the Performance Review Group and Audit Committees. Early discussions have taken place regarding the scope of work for 2013/14. This will be further developed over the next couple of months.

## Contracts

- 2.7.2 Work on the individual ALMO/BITMO contracts is continuing and is being reported to the individual Audit Committees. Discussions on next year's plan will take place once the Assurance Framework for 2013/14 has been agreed.
- 2.7.3 Work has concluded on three follow up reports (BITMO and WNW Lettings and ENE Construction Services). These have all resulted in an improvement in opinion from limited to either good or acceptable.

## *2.8 Business Process Re-engineering*

- 2.8.1 As previously reported, the first 6 months of 2012 saw the successful implementation of a change in the way in which the Internal Audit BPR team was deployed which saw them working on a long term basis directly for major projects throughout the Council. Since then some of the team have taken up direct positions within the projects they were working on. A review of the working arrangements in place for the remainder of the team identified that projects were keen to recruit directly onto their projects rather than utilise a central BPR function. Arrangements have therefore been made with projects to transfer the posts for the remaining central BPR team members to the projects they are working on. It does however mean that there is no central BPR team with projects now required to source their own BPR resource directly. This has removed the risk of over recruiting a BPR resource, reduced the tensions between competing projects when deploying finite central resources and will ensure that projects only recruit BPR analysts to where they are needed.
- 2.7.2 However, Internal Audit will continue to promote good standards and good guidance to all project teams across the organisation. Work is underway to create a BPR 'centre of excellence' intranet page which will be a valuable source of information and best practice methodology for business analysts working directly for Directorates throughout the council. The aim of this intranet page is to provide users with a toolkit for undertaking different types of business analysis along with standardised reporting documentation. In addition, there will be guidance on training and development opportunities – including a programme of internal seminars and external qualifications, a guide to key competencies required of a business analyst.

Section 3

## AUDIT PERFORMANCE 2012/2013

### 3.1 ENSURING QUALITY

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

All our work is undertaken in accordance with our quality management system; we have now been ISO accredited for over fourteen years.

A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditees opinion on a range of issues and asks for 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 of the questionnaires are reported to the Audit Leadership Team and 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.

Also shown in the table are the percentage scores of 4 or above (good and excellent) to further identify marginal areas for improvement.

#### Results from Customer Satisfaction Questionnaires

| Question               | Actual to<br>31 <sup>st</sup> January 2013<br>%<br>Score 3 or above | Actual to<br>31 <sup>st</sup> January 2013<br>%<br>Score 4 or above |
|------------------------|---|---|
| Notice                 | 100%  | 92%   |
| Scope                  | 96%   | 83%   |
| Understanding          | 96%   | 75%   |
| Efficiency             | 92%   | 92%   |
| Consultation           | 100%  | 92%   |
| Professional/Objective | 100%  | 92%   |
| Accuracy of Draft      | 96%   | 80%   |
| Opportunity to comment | 96%   | 92%   |

| <b>Question</b>                      | <b>Actual to<br/>31<sup>st</sup> January 2013<br/>%<br/>Score 3 or above</b> | <b>Actual to<br/>31<sup>st</sup> January 2013<br/>%<br/>Score 4 or above</b> |
|--------------------------------------|--|--|
| Final Report - Clarity & Conciseness | 96%  | 96%  |
| Final Report – Prompt                | 92%  | 76%  |
| Recommendations                      | 96%  | 92%  |
| Added Value                          | 96%  | 88%  |

Internal Audit Report 1<sup>st</sup> October 2012 to January 2013

Appendix A – Self-assessment against the requirements of ‘Protecting the Public Purse 2012’

Appendix A

| Question   | Comply (Yes or No?) | Comments  | Action required  |
|--|---------------------|---|--|
| <b>General</b>   |                     |   |  |
| Do we have a zero tolerance policy towards fraud?  | Yes                 | Currently being reviewed.   | To consider the benefits of publicising successful prosecutions. |
| Do we have the right approach, effective counter-fraud strategies, policies and plans?                             | Yes                 | Based upon the guidance contained within the CIPFA Red Book (Managing the risk of fraud).<br><br>Policies are based upon good practice guidance including ‘Fighting Fraud Locally’ and ‘Protecting the Public Purse’. | No action required.  |
| Have we aligned our strategy with ‘Fighting Fraud Locally’?  | Yes                 | Existing strategies and policies have been reviewed against ‘fighting fraud locally’ guidance.  | No action required.  |
| Do we have dedicated counter-fraud staff?  | Yes                 | 3 qualified staff within Internal Audit.<br><br>Also separate Fraud Team (in partnership with DWP) to investigate HB fraud. Their arrangements are reviewed on an annual basis by Internal Audit.                     | No action required.  |
| Do counter-fraud staff review all the work of our investigation.   | Yes                 | All referrals are risk assessed by Internal Audit Counter-Fraud Team.<br><br>Directorates are required to refer all cases of suspected fraud and corruption to Internal Audit.  | No action required.  |
| Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes? | Yes                 | Fraud work is included in Internal Audit Reports to CG&AC.<br><br>Quarterly updates are made to the Fraud and corruption risk.  | No action required.  |

**Internal Audit Report 1<sup>st</sup> October 2012 to 31<sup>st</sup> January 2013**

| Question   | Comply (Yes or No?) | Comments  | Action required     |
|--|---------------------|---|---------------------|
| Have we assessed our management of counter-fraud work against good practice?   | Yes                 | Reviewed against CIPFA Red Book 2, Protecting the Public Purse and Fighting Fraud Locally.  | No action required. |
| Do we raise awareness of fraud risks with:<br><ul style="list-style-type: none"> <li>§ New staff (including agency staff);</li> <li>§ Existing staff;</li> <li>§ Elected Members;</li> <li>§ Contractors.</li> </ul> | Yes                 | Examples of compliance include:<br><ul style="list-style-type: none"> <li>§ The induction process includes reference to the Code of Conduct.</li> <li>§ There are modern policies &amp; procedures in place to combat fraud.</li> </ul>   | No action required. |
| Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?  | Yes                 | Attend a local benchmarking group – the South and West Yorkshire Fraud Investigation Group.<br><br>Attend fraud awareness events and receive alerts from relevant organisations (National Fraud Authority, Price Waterhouse Cooper).  | No action required. |
| Do we work well with other organisations to ensure we effectively sharing of knowledge and data about fraud and fraudsters?  | Yes                 | See above.<br><br>Leeds City Council participates in the National fraud Initiative. Progress against matches is co-ordinated through Internal Audit.<br><br>Internal Audit will work with directorates to ensure compliance with fair processing of data requirements and data protection issues. | No action required. |

**Internal Audit Report 1<sup>st</sup> October 2012 to 31<sup>st</sup> January 2013**

| Question   | Comply (Yes or No?) | Comments   | Action required     |
|--|---------------------|--|---------------------|
| Do we identify where our internal controls may not be performing as well as intended? How quickly do we then take action?  | Yes                 | <p>Any significant issues identified during planned audits reported to management for immediate attention.</p> <p>Agreed timescales within which audit reports should be issued.</p> <p>Follow up audits within 6 months where a limited assurance opinion is provided.</p>                                    | No action required. |
| Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?   | Yes                 | <p>Leeds City Council fully complies with the requirements of the NFI exercise.</p> <p>Internal Audit monitors progress against the outcomes. This is reported to the Audit Commission.</p>  | No action required. |
| Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?  | Yes                 | Designated money laundering officer is Neil Hunter (Head of Audit).  | No action required. |
| <p>Do we have effective arrangements for:</p> <ul style="list-style-type: none"> <li>§ Reporting fraud;</li> <li>§ Recording fraud; and</li> <li>§ Whistle-blowing?</li> </ul> | Yes                 | <p>Whistle-blowing Policy in place and posters have been distributed to all the main Council buildings.</p> <p>Dedicated whistleblowing telephone number within Internal Audit.</p> <p>All referrals recorded and risk assessed.</p> <p>Frauds over the value of £10,000 reported to the Audit Commission.</p> | No action required. |



| Question   | Comply (Yes or No?) | Comments  | Action required     |
|--|---------------------|---|---------------------|
| Do we have effective fidelity insurance arrangements?  | Yes                 | Leeds City Council has in force Crime Insurance which provides a wider form of cover than traditional fidelity guarantee policy wording. This covers losses of up to £10 million with LCC liable for the first £1 million. This follows the principle by which large organisations achieve savings in insurance premium expenditure by insuring catastrophe losses only and providing for attritional losses within existing revenues budgets'. | No action required. |
| <b>Fighting fraud with reduced resources</b>   |                     |   |                     |
| Have we re-assessed our fraud risks since the change in the financial climate?   | Yes                 | Fraud risks reviewed throughout the year.   | No action required. |
| Have we amended our counter-fraud action plan as a result?   | Yes                 | The pro-active fraud strategy reviewed on an on-going basis factoring in any national and local trends.   | No action required. |
| Have we re-allocated staff as a result?  | Yes                 | Internal Audit has a dedicated Counter-fraud team. The work has links to the compliance audits and this has resulted in the teams merging. This will allow additional resources to be provided to investigations.<br><br>All work will continue to be monitored by a qualified investigator.  | No action required. |
| <b>Current risks and issues</b>  |                     |   |                     |
| <u>Housing Tenancy</u><br>Do we take proper action to ensure that we only allocate social housing to those who are eligible? | Yes                 | The Housing Partnership Team (Environment and Neighbourhoods) has developed a self-assessment that should be completed by each ALMO to give assurance in this area.   | No action required. |

**Internal Audit Report 1<sup>st</sup> October 2012 to 31<sup>st</sup> January 2013**

| Question  | Comply (Yes or No?) | Comments   | Action required   |
|---|---------------------|--|---|
|   |                     | The returns will then be reviewed by the Housing Partnership Team and sample checks to supporting evidence will be undertaken by Internal Audit.   |   |
| Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?  | Yes                 | See above.<br><br>Various data matches are undertaken to identify potentially fraudulent cases.  | No action required.   |
| <u>Procurement</u><br>Are we satisfied that our procurement controls are working as intended?   | Yes                 | A yes/no answer for such an activity as diverse as procurement is not appropriate and continual improvements are made in this area. The key controls are subject to Internal Audit Review on an annual basis and assurances given, hence the yes answer. In 2011/12 a number of key recommendations for control environment improvement, and compliance were agreed and developed into an Action Plan. | Audit will review progress against the agreed action plan in the final quarter of 2012/13 |
| Have we reviewed our contract letting procedures since the investigations by the Office of Fair Trading into cartels, and compared them with best practice? | Yes                 | Procedures reviewed by the then Deputy Chief Procurement Officer and found to comply with best practice.   | No action required.   |

| Question   | Comply (Yes or No?) | Comments  | Action required     |
|--|---------------------|---|---------------------|
| <p><u>Recruitment</u><br/>                     Are we satisfied our recruitment procedures:</p> <ul style="list-style-type: none"> <li>§ Prevent us employing people working under false identities;</li> <li>§ Confirm employment references effectively;</li> <li>§ Ensure applicants are eligible to work in the UK; and,</li> <li>§ Require agencies supplying us with staff to undertake the checks that we require.</li> </ul> | Yes                 | Example of existing controls include: <ul style="list-style-type: none"> <li>§ Pre-employment checks such as health, CRB and references;</li> <li>§ Checks to ensure that the person has the right to work in the UK (passport, national Insurance Number etc);</li> <li>§ Legal requirements, including the Asylum and Immigration Act 1996;</li> <li>§ Recruitment and Safeguarding for children and vulnerable people;</li> <li>§ The need to take up and assess references.</li> </ul>  | No action required. |
| <p><u>Personal Budgets</u><br/>                     Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice.</p>  | Yes                 | A number of good controls are in place within Adult Social Care and Children’s Services, including: <ul style="list-style-type: none"> <li>§ Guidance on direct payments and personal budgets;</li> <li>§ Direct Payment Agreements, detailing what customers should spend the direct payment on;</li> <li>§ Financial reviews to ensure that expenditure is in accordance with the approved care.</li> <li>§ Scheduled reviews within 3 months and annual thereafter to ensure eligible needs are continuing to be met.</li> </ul> | No action required  |

**Internal Audit Report 1<sup>st</sup> October 2012 to 31<sup>st</sup> January 2013**

| Question  | Comply (Yes or No?) | Comments  | Action required     |
|---|---------------------|---|---------------------|
| <p><u>Council Tax discount</u><br/>Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?</p>  | Yes                 | <p>Discounts are reviewed on an annual basis.</p> <p>Data matching exercise continuing in partnership with a credit agency to identify potential undeclared adults in a property that has a 25% sole occupiers discount.</p>  | No action required. |
| <p>In tackling housing and council tax benefit fraud do we make full use of the following?</p> <ul style="list-style-type: none"> <li>§ National Fraud Initiative (NFI)?</li> <li>§ Department for Work and Pensions Housing Benefit matching service?</li> <li>§ Internal data matching?</li> <li>§ Private sector data matching?</li> </ul> | Yes                 | <p>The Housing Benefit Fraud Investigations Team works in partnership with the DWP. Also participate in the NFI data matching exercise.</p> <p>The team is also currently in the early stages of data matching with selected private sector data employers payroll systems to proactively identify potentially fraudulent claims for investigation.</p> | No action required. |

## Report of the Director of Resources

## Report to Corporate Governance and Audit Committee

Date: 19<sup>th</sup> March 2013

Subject: KPMG External Audit Plan 2012/13

|  |                              |  |
|--|------------------------------|--|
| Are specific electoral Wards affected?<br>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?<br>If relevant, Access to Information Procedure Rule number:<br>Appendix number: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

## Summary of main issues

1. In order to discharge its statutory duties, KPMG has issued an audit plan which covers both the Council's 2012/13 accounts and the process for assessing the Authority's arrangements to secure value for money in the use of resources. The attached report identifies the key stages of the audit, the planned timetable and the key risks identified.

## Recommendations

2. Members of the Corporate Governance and Audit Committee are asked to agree the nature and scope of the external audit plan.

### 1 Purpose of this report

- 1.1 To inform members of KPMG's audit plan for the audit of the Council's accounts and Value for Money arrangements. The attached report from KPMG highlights the risk based approach to the audit and the main risks they have identified for 2012/13.

### 2 Background information

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

required to conclude as to whether the Council has arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

### **3 Main issues**

3.1 The attached report from KPMG identifies the four key stages for the audit of the Council's financial statements:

- Planning,
- Evaluation of controls (Interim Audit),
- Substantive testing,
- Finalisation (audit opinion and reporting the main findings).

Any findings from the interim audit will, if significant, be the subject of a separate report to this Committee in June. The main audit work (substantive testing) is timetabled for July and August, with the resulting audit opinion and findings due to be reported back to this Committee in September.

3.2 In respect of the Council's Value for Money arrangements, KPMG will structure their approach around two key criteria:

- The Council has proper arrangements in place for securing financial resilience,
- The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

3.2.1 The main risk identified in KPMG's overall audit plan is whether the Council can achieve the savings target and the potential impact of our contingent liabilities as identified in the 2012/13 accounts.

### **4 Corporate Considerations**

#### **4.1 Consultation and Engagement**

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

#### **4.2 Equality and Diversity / Cohesion and Integration**

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

#### **4.3 Council Policies and City Priorities**

4.3.1 Under the Committee's terms of reference members are required to agree the nature and scope of the external audit plan.

#### **4.4 Resources and Value for Money**

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

#### **4.5 Legal Implications, Access to Information and Call In**

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

#### **4.6 Risk Management**

- 4.6.1 The risks identified in the KPMG audit plan are recognised within the Council's risk register and incorporated into the level of the Council's risk based reserves.

#### **5 Conclusions in relation to the financial statements**

- 5.1 KPMG have provided the Council with a plan for discharging their responsibilities in respect of the external audit of the Council's 2012/13 accounts and for assessing the Council's arrangements for securing value for money. They have also identified what they see as the main risks.
- 5.2 KPMG will inform this Committee in June if there are any significant issues arising from their interim audit. They will then report on their final VFM conclusion and the opinion on the accounts to this Committee in September.

#### **6 Recommendations**

- 6.1 Members are asked to agree the nature and scope of the external audit plan.

#### **7 Background documents**

- 7.1 None.

This page is intentionally left blank



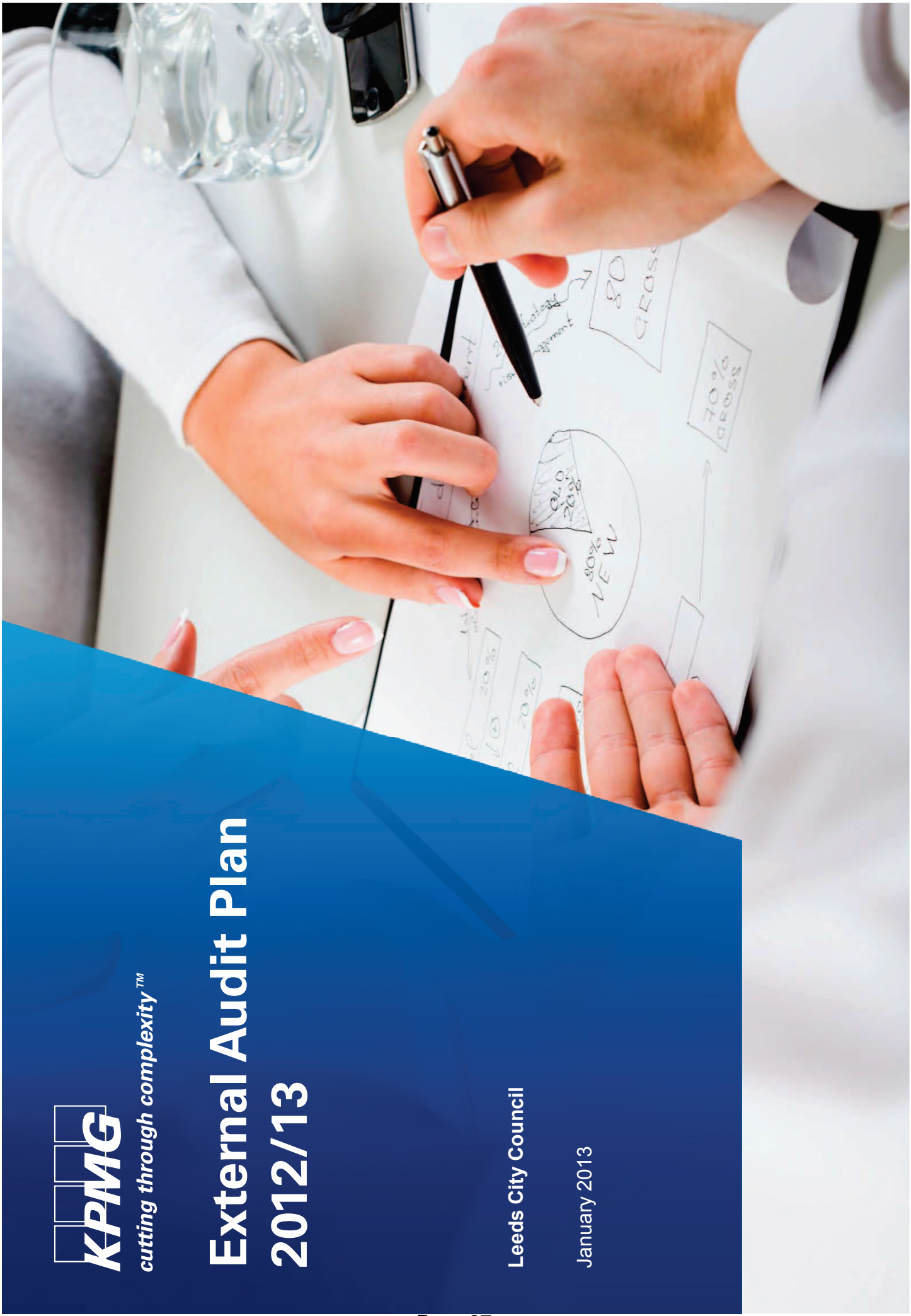


*cutting through complexity™*

# External Audit Plan 2012/13

Leeds City Council

January 2013



The contacts at KPMG in connection with this report are:

**Mike McDonagh**  
*Partner*  
*KPMG LLP (UK)*

Tel: + 44 (0) 207 694 5546  
Mob: + 44 (0) 7901 580525  
michael.a.mcdonagh@kpmg.co.uk

**Heather Garrett**  
*Senior Manager*  
*KPMG LLP (UK)*

Tel: +44 (0) 161 246 4294  
Mob: + 44 (0) 7771 912 816  
heather.garrett@kpmg.co.uk

**Deborah Rumsey**  
*Assistant Manager*  
*KPMG LLP (UK)*

Tel: +44 (0) 113 231 3069  
Mob: +44 (0) 7824 498 184  
deborah.rumsey@kpmg.co.uk

## Page

### Report sections

- Introduction 2
- Headlines 3
- Our audit approach 4
- VFM audit approach 10
- Key audit risks 14
- Audit team, deliverables, timeline and fees 16

### Appendices

1. Independence and objectivity requirements 20
2. Quality assurance and technical capacity 21

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://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](mailto: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](mailto:complaints@audit-commission.gov.uk). Their telephone number is 0844 798 3131, telephone (minicom) 020 7630 0421.

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

### **Scope of this report**

This document supplements our *Audit Fee Letter 2012/13* and describes how we will deliver our financial statements audit work for Leeds City Council ('the Authority'). It also sets out our approach to value for money (VFM) work for 2012/13.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

### **Statutory responsibilities**

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

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to review and report on your:

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

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Authority.

### **Structure of this report**

This report is structured as follows:

- Section 2 includes our headline messages, focusing on the key risks identified this year for the financial statements audit.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 explains our approach to VFM work.
- Section 5 provides further detail on the key VFM risks.
- Section 6 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

### **Acknowledgements**

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

We have identified one key risk that we will focus on as part of our work on VFM in 2012/13, which relates to the Authority's financial standing and savings plans.

This is described in more detail on pages 14 and 15.

We have no identified any significant audit risks from the perspective of the financial statements.

The remainder of this document provides information on our:

- approach to the audit of the financial statements;
- approach to VFM work; and
- audit team, proposed deliverables, timescales and fees for our work.

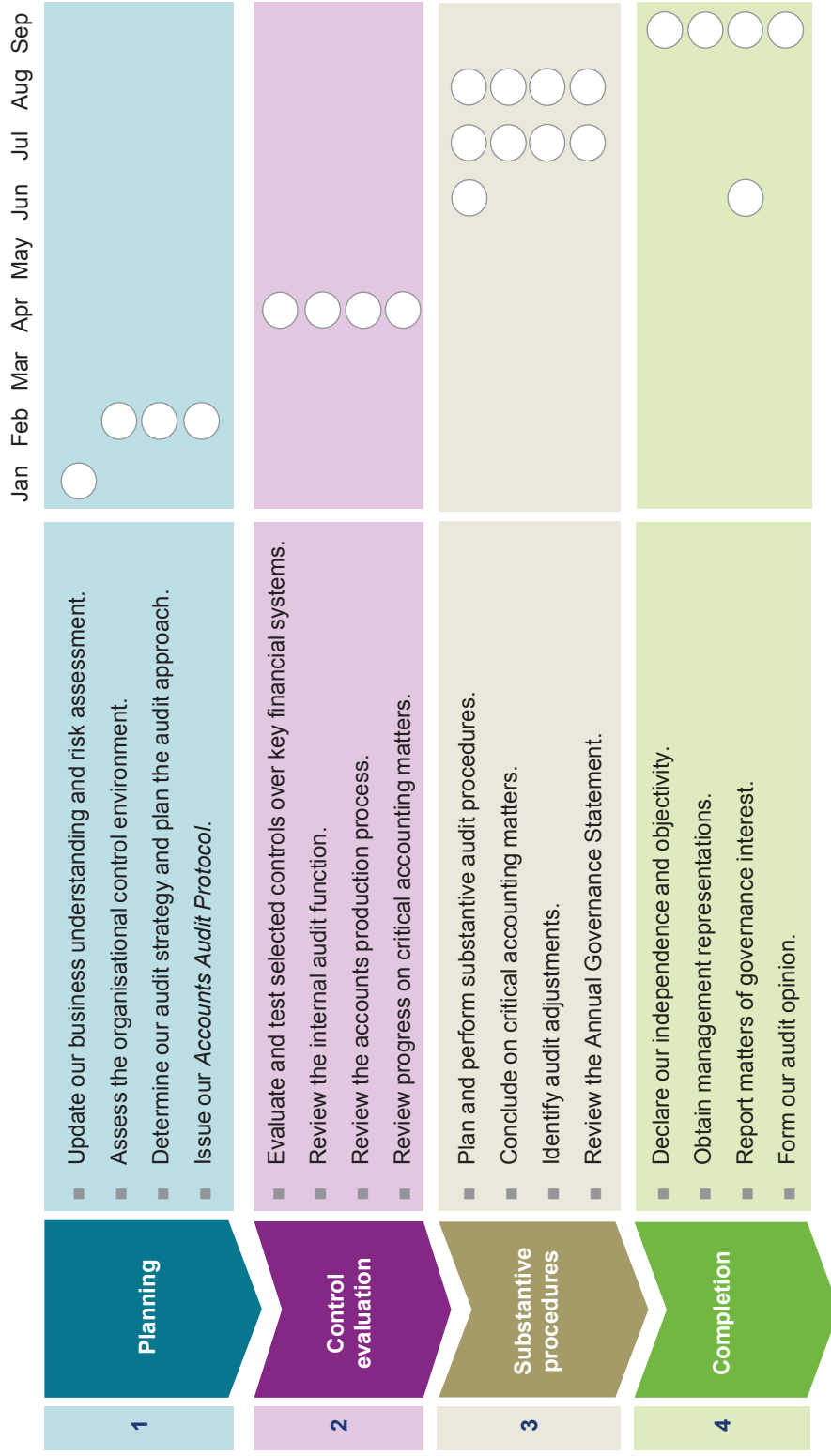
| Area          | Risk   | Audit work   |
|---------------|--|--|
| Savings plans | <p>The Authority currently estimates that it will need to deliver further savings of £55 million during 2013/14 to address further reductions to local authority funding and continued cost pressures. This includes a net reduction in staffing equivalent to 388 full-time equivalent posts by the end of 2013/14.</p> <p>The Authority will need to establish and manage its savings plans to secure longer term financial and operational sustainability and ensure that any related liabilities are accounted for in its 2012/13 financial statements as appropriate.</p> | <p>As part of our approach to VFM we will critically assess the controls the Authority has in place to ensure a sound financial standing. We will consider how the Authority is managing its savings plans and will review key performance indicators to assess whether this has had an unintended adverse impact on service delivery.</p> <p>We will also review the Strategic and Financial Plan 2013/14 to 2016/17 to ensure that it has duly taken into consideration the future potential funding reductions and that it is sufficiently robust to ensure that the Authority can continue to provide services effectively.</p> <p>We will also consider the Authority's assessment of potential liabilities and any provisions in its 2012/13 financial statements.</p> |

## Section three Our audit approach

We undertake our work on your financial statements in four key stages during 2013:

- **Planning**  
(January to February).
- **Control Evaluation**  
(April).
- **Substantive Procedures**  
(July to August).
- **Completion** (September).

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



## Section three

# Our audit approach - planning

During January and February 2013 we complete our planning work.

We assess the key risks affecting the Authority's financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes, including the Authority's IT systems, that would impact on our audit.

We determine our audit strategy and approach, and agree a protocol for the accounts audit, specifying what evidence we expect from the Authority to support the financial statements.

Our planning work takes place in January and February 2013. This involves the following aspects:

### Planning

- Update our business understanding and risk assessment.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

### Business understanding and risk assessment

We update our understanding of the Authority's operations and identify any areas that will require particular attention during our audit of the Authority's financial statements.

We identify the key risks affecting the Authority's financial statements. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. The risks identified to date are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Authority's responsibility to adequately address these issues. We encourage the Authority to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the finance team on a regular basis to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

### Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit. In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of their work of your internal auditors also informs our risk assessment.

The Authority relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations. Whilst we may undertake some general IT controls work, we also focus on testing the specific applications and reports that are pivotal to the production of the financial statements.

### Audit strategy and approach

The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities.

We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Lead.

### Group audit

To support our audit work on the Authority's group accounts, we seek to place reliance on the work of BDO who are the auditors to the ALMOs. We will liaise with them in order to confirm that their programme of work is adequate for our purposes and they satisfy professional requirements.

### Accounts audit protocol

At the end of our planning work we will issue our Accounts Audit Protocol. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide during our interim and final accounts visits.

We met with the finance team to discuss mutual learning points from the 2011/12 audit. These will be incorporated into our work plan for 2012/13. We will revisit progress against areas identified for development as the audit progresses.

## Section three

# Our audit approach – control evaluation

**During April 2013 we will complete our interim audit work.**

**We assess if controls over key financial systems were effective during 2012/13. We work with your Internal Audit team to avoid duplication.**

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

**We will present our *Interim Report* to the Corporate Governance and Audit Committee in July.**

Our interim visit on site will be completed during April. During this time we will complete work in the following areas:

- Control Evaluation
- Evaluate and test controls over key financial systems identified as part of our risk assessment.
  - Review the work undertaken by the internal audit function on controls relevant to our risk assessment.
  - Review the accounts production process.
  - Review progress on critical accounting matters.

### Review of internal audit

Where we intend to rely on internal audit's work in respect of the key financial systems identified as part of our risk assessment, auditing standards require us to review aspects of their work. This includes re-performing a sample of tests completed by internal audit. We will provide detailed feedback to the Head of Internal Audit at the end of our interim visit.

We also use the results of internal audit's work to inform our risk assessment.

### Accounts production process

As highlighted in our *Report to Those Charged with Governance (ISA 260 Report) 2011/12*, the quality of the accounts and supporting working papers has historically been strong and officers dealt efficiently with our audit queries.

We will assess the Authority's progress in preparing for the closedown and accounts preparation for 2012/13.

### Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

Following our interim visit we will issue our *Interim Report* which will set out the findings of our planning and interim work. This will be discussed at the Corporate Governance and Audit Committee meeting in July.

### Controls over key financial systems

We update our understanding of the Authority's key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Where our audit approach is to undertake controls work on financial systems, we seek to rely on any relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place reliance on their work. We meet with Internal Audit regularly during the year to discuss progress against our respective audit plans. We met with Internal Audit in November 2012 to discuss the principles and timetables for the managed audit process for 2012/13.

## Our audit approach – substantive procedures

During July and August 2013 we will be on site for our substantive work.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report to the Corporate Governance and Audit Committee in September 2013*.

Our final accounts visit on site has been scheduled for the period July to August 2013. During this time, we will complete the following work:

### Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Corporate Governance and Audit Committee. 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.

### Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue to the Corporate Governance and Audit Committee in September 2013.

### Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Authority's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

### Critical accounting matters

We conclude our testing of the key risk areas as identified at the planning stage and any additional issues that may have emerged since. We will discuss our early findings of the Authority's approach to address the key risk areas with the finance team in August 2013, prior to reporting to the Corporate Governance and Audit Committee in September 2013.

### Audit adjustments

During our on site work, we will meet with the finance team on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.



**In addition to the financial statements, we also audit the Authority's Whole of Government Accounts pack.**

**We may need to undertake additional work if we receive objections to the accounts from local electors.**

**We will communicate with you throughout the year, both formally and informally.**

#### **Whole of government accounts (WGA)**

We are required to review and issue an opinion on your WGA consolidation to confirm that this is consistent with your financial statements. The audit approach has been agreed with HM Treasury and the National Audit Office.

#### **Electoral challenge**

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

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

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to questions or objections raised by electors are not covered by the set fee. This work will be charged in accordance with the Audit Commission's fee scales.

#### **Reporting and communication**

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Corporate Governance and Audit Committee. Our deliverables are included on page 17.

#### **Use of off-shore audit resources**

During our audit work we may make use of our KPMG Global Services (KGS Audit) team in India to undertake certain basic audit tasks and functions. Use of this 'off-shore' team is one of many initiatives we employ to deliver a cost-effective audit service for our clients. Although based in India, the KGS Audit team works closely with our local audit teams to undertake certain audit procedures remotely. We have provided our UK teams with guidance on the types of audit procedures and other tasks that it is suitable and permissible to use KGS Audit for - we do not use KGS Audit for any audit procedures that involve access to personal, confidential or sensitive information. Audit tasks are then allocated by our UK-based engagement teams to dedicated teams in India, allowing local staff to control what work KGS Audit undertakes and what information is accessed. They operate to our same quality standards and all work undertaken by KGS Audit is reviewed by the UK team.

The KGS Audit team operates in a paperless environment and we apply robust processes to control how data is accessed and used:

- all work is conducted electronically;
- all data files are maintained on servers in the UK with restricted access and only viewed on screen in India. These servers are governed by established KPMG IT controls;
- policy and technology restrictions are in place to protect data, for example locked down USB ports, no external emailing, no printing;
- KGS Audit staff are based in an office with restricted access and security; and
- the team members adhere to global KPMG ethics and independence standards, along with requirements governing the non-disclosure of client information.

## Our audit approach - other

**Our independence and objectivity responsibilities under the Code are summarised in Appendix 1. We confirm our audit team's independence and objectivity is not impaired.**

### **Independence and objectivity confirmation**

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

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

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

### **Confirmation statement**

We confirm that as of January 2013 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

**Our approach to VFM work follows guidance provided by the Audit Commission.**

**Background to approach to VFM work**

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

| Specified criteria for VFM conclusion  | Focus of the criteria  | Sub-sections  |
|--|--|---|
| The organisation has proper arrangements in place for securing <b>financial resilience</b> .                           | The organisation has robust systems and processes to: <ul style="list-style-type: none"> <li>■ manage effectively financial risks and opportunities; and</li> <li>■ secure a stable financial position that enables it to continue to operate for the foreseeable future.</li> </ul> | <ul style="list-style-type: none"> <li>■ Financial governance</li> <li>■ Financial planning</li> <li>■ Financial control</li> </ul> |
| The organisation has proper arrangements for challenging how it <b>secures economy, efficiency and effectiveness</b> . | The organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> <li>■ achieving cost reductions; and</li> <li>■ improving efficiency and productivity.</li> </ul>  | <ul style="list-style-type: none"> <li>■ Prioritising resources</li> <li>■ Improving efficiency and productivity</li> </ul>         |

## Section four VFM audit approach (continued)

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

### Overview of the VFM audit approach

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



Each of these stages are summarised further below.

| VFM audit stage                  | Audit approach  |
|----------------------------------|---|
| <b>VFM audit risk assessment</b> | <p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> <li>the Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li> <li>information from the Audit Commission's VFM profile tool and financial ratios tool;</li> <li>evidence gained from previous audit work, including the response to that work; and</li> <li>the work of the Audit Commission, other inspectorates and review agencies.</li> </ul> |

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit. We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

| VFM audit stage   | Audit approach   |
|---|--|
| <p><b>Linkages with financial statements and other audit work</b></p> | <p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities. We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>  |
| <p><b>Assessment of residual audit risk</b></p>                       | <p>It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria. Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Authority may prepare against the characteristics. To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion. At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.</p> |
| <p><b>Identification of specific VFM audit work</b></p>               | <p>If we identify residual audit risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> <li>■ considering the results of work by the Authority, the Audit Commission, other inspectorates and review agencies; and</li> <li>■ carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>   |


Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We will report on the results of the VFM audit through our *Interim Audit Report* and our *Report to those charged with governance*.

| VFM audit stage                          | Audit approach  |
|--|---|
| <p>Delivery of local risk based work</p> | <p>Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> <li>■ local savings review guides based on selected previous Audit Commission national studies; and</li> <li>■ update briefings for previous Audit Commission studies.</li> </ul> <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p> |
| <p>Concluding on VFM arrangements</p>    | <p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>   |
| <p>Reporting</p>                         | <p>We will report on the results of the VFM audit through our <i>Interim Audit Report</i> and our <i>Report to those charged with governance</i>. These reports will summarise our progress in delivering the VFM audit, the results of the risk assessment and any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>   |

For each key risk area we have outlined the impact on our VFM approach.

We will provide an update on how the Authority is managing these risks in our *Interim Audit Report*.

| Key audit risks   | Impact on audit   |
|---|---|
| <div style="text-align: center;">  <p><b>Savings plans</b></p> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>■ Reserves and balances</li> <li>■ Provisions</li> </ul> </div> | <p><b>Risk</b></p> <p>The 2012/13 budget includes a savings programme totalling £55.4 million. Although the majority of the planned savings are on track to be delivered at this stage, there is still some risk that these will not be achieved in full. All directorates are continuing to monitor their financial performance closely and are aware of the need to deliver a balanced budget.</p> <p>As at February 2013, the Authority is forecasting that it will underspend by £576,000 on its 2012/13 budget which reflects a net overspend of £1.3 million across the directorates, offset by £1.8 million of savings in finance costs.</p> <p>Both City Development and Environment and Neighbourhoods have overspent compared to budget (£1.3 million and £1 million respectively).</p> <p>City Development has experienced a shortfall in income from planning and building fees, advertising and markets. There is also a risk that the forecast from rents, surveyor fees and legal fees may not be realised if the number of property transactions completing by the end of the year is less than expected. Energy costs within this directorate are also currently projected to be overspent by almost £650,000</p> <p>The overspend in Environment and Neighbourhoods is largely within Waste Management. Refuse collection is almost £430,000 over budget due to additional staff and vehicle costs and rising fuel prices, among other variations. There is also an overspend of £610,000 within Waste Strategy and Policy, the majority of which relates to additional waste disposal costs.</p> <p>Prior to the announcement of the Local Government Finance settlement on the 19<sup>th</sup> December 2012, the Authority estimated that another £54.9 million in savings would need to be achieved during 2013/14 to address the further reductions to local authority funding. Against a backdrop of continued demographic and 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>If there are any related liabilities at year end, these will need to be accounted for in the 2012/13 financial statements as appropriate.</p> |

Section five  
**Key audit risks (continued)**

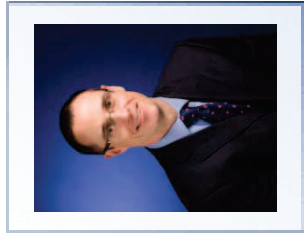
For each key risk area we have outlined the impact on our VFM approach.

We will provide an update on how the Authority is managing these risks in our *Interim Audit Report*.

| Key audit risks | Impact on audit   |
|-----------------|---|
|                 | <p><b>Our audit work</b></p> <p>As part of our approach to VFM we will consider how the Authority is managing its savings plans and will review key performance indicators to assess whether this has had an unintended adverse impact on service delivery. We will also confirm that the Strategic and Financial Plan 2013/14 to 2016/17 has duly taken into consideration potential funding reductions and has been adequately updated to take account of the Local Government Finance settlement which was announced in December 2012.</p> <p>As part of our final accounts audit we will review the Authority's assessment of any potential liabilities arising from its savings plans (for example as a result of the Early Leavers' Initiative) against the Code. If applicable, we will review the Authority's provisions, including the methodology, assumptions and calculations.</p> <p>We will assess the level of reserves available at 31<sup>st</sup> March 2013 against the Authority's reserves policy, taking into account any contingent liabilities which could have a significant impact on the Authority's financial standing if they were to crystallise.</p> |



Our audit team were all part of the Leeds City Council audit last year. Contact details are shown on page 1. The audit team will be assisted by other KPMG specialists as necessary.



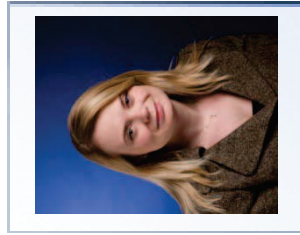
Mike McDonagh  
**Partner**

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



Heather Garrett  
**Senior Manager**

“I will direct and coordinate the audit . I am responsible for the management, review and delivery of the whole audit and providing quality assurance for any technical accounting areas. I will liaise with the Director of Resources, the Principal Accountant within Corporate Financial Management and the Head of Internal Audit.”



Deborah Rumsey  
**Assistant Manager**

“I will be responsible for the on-site delivery of our work. I will liaise with the Senior Financial Manager within Corporate Financial Management and the Principal Audit Manager within Internal Audit. I will also supervise the work of our audit assistants.”

At the end of each stage of our audit we issue certain deliverables, including reports and opinions. Our key deliverables will be delivered to a high standard and on time. We will discuss and agree each report with the Authority's officers prior to publication.

| Deliverable   | Purpose   | Committee dates          |
|---|---|--------------------------|
| <b>Planning</b>   |   |                          |
| <b>External Audit Plan</b>                                      | <ul style="list-style-type: none"> <li>Outline audit approach.</li> <li>Identify areas of audit focus and planned procedures.</li> </ul>  | <b>27 March 2013</b>     |
| <b>Control evaluation</b>                                       |   |                          |
| <b>Interim Report (if necessary)</b>                            | <ul style="list-style-type: none"> <li>Details and resolution of control and process issues.</li> <li>Identify improvements required prior to the issue of the draft financial statements and the year-end audit.</li> </ul>  | <b>10 July 2013</b>      |
| <b>Substantive procedures</b>                                   |   |                          |
| <b>Report to Those Charged with Governance (ISA 260 Report)</b> | <ul style="list-style-type: none"> <li>Details the resolution of key audit issues.</li> <li>Communication of adjusted and unadjusted audit differences.</li> <li>Performance improvement recommendations identified during our audit.</li> <li>Commentary on the Authority's value for money arrangements.</li> </ul> | <b>20 September 2013</b> |
| <b>Completion</b>   |   |                          |
| <b>Auditor's report</b>   | <ul style="list-style-type: none"> <li>Providing an opinion on your accounts (including the Annual Governance Statement).</li> <li>Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).</li> </ul>                               | <b>20 September 2013</b> |
| <b>Annual Audit Letter</b>                                      | <ul style="list-style-type: none"> <li>Summarises the outcomes and the key issues arising from our audit work for the year.</li> </ul>  | <b>13 January 2014</b>   |

We will be in continuous dialogue with you throughout the audit.

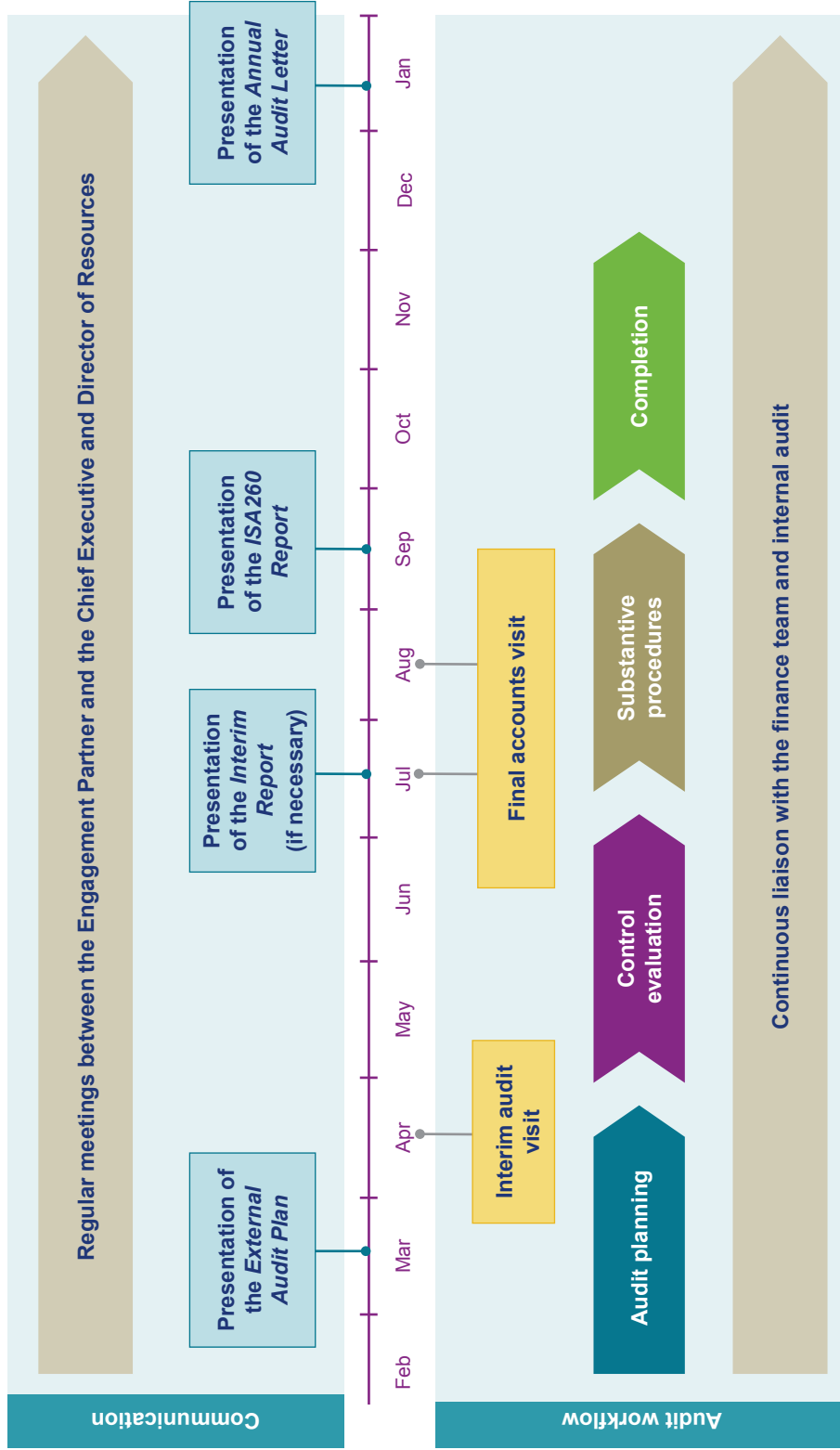
Key formal interactions with the Corporate Governance and Audit Committee are:

- March – Financial Statements Audit Plan;
- July – Interim Report;
- September – ISA 260 Report;
- January – Annual Audit Letter.

We work with the finance team and internal audit throughout the year.

Our main work on site will be our:

- Interim audit visit during April.
- Final accounts audit during July and August.



Key: ● Corporate Governance and Audit Committee meetings.

The main fee for 2012/13 audit of the Authority is £307,800. The fee has not changed from that set out in our *Audit Fee Letter 2012/13* issued in January 2013.

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

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

**Audit fee**

Our *Audit Fee Letter 2012/13* presented to you in January 2013 first set out our fees for the 2012/13 audit. We have not considered it necessary to make any changes to the agreed fees at this stage.

| Element of the audit | 2012/13 (planned) | 2011/12 (actual) |
|----------------------|-------------------|------------------|
| Gross audit fee      | £307,800          | £513,000         |

Our audit fee includes our work on the VFM conclusion and our audit of the Council's financial statements. The fee for 2012/13 is £307,800. This is a reduction of 40 percent compared to the 2011/12 fee.

**Audit fee assumptions**

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2012/13* within your 2012/13 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
  - the financial statements are made available for audit in line with the agreed timescales;
  - good quality working papers and records will be provided at the start of the final accounts audit;

- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our agreed work programme and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors.

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

The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee low. Future audit fees can be kept to a minimum if the Authority achieves an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

**Changes to the audit plan**

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

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Director of Resources.

## Appendix 1: Independence and objectivity requirements

### This appendix summarises auditors' responsibilities regarding independence and objectivity.

#### Independence and objectivity

Auditors are required by the Code to:

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

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

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

- Any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner.
- Audit staff are expected not to accept appointments as lay school inspectors.
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned.

- Auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on each audit at least once every five years (subject to agreed transitional arrangements). Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- The Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.

## Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG. We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

**Tone at the top:** We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drivers of quality through a focused and consistent voice. Mike McDonagh as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

**Association with right clients:** We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

**Clear standards and robust audit tools:** We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudit application has significantly enhanced existing audit functionality. eAudit enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

**Recruitment, development and assignment of appropriately qualified personnel:** One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

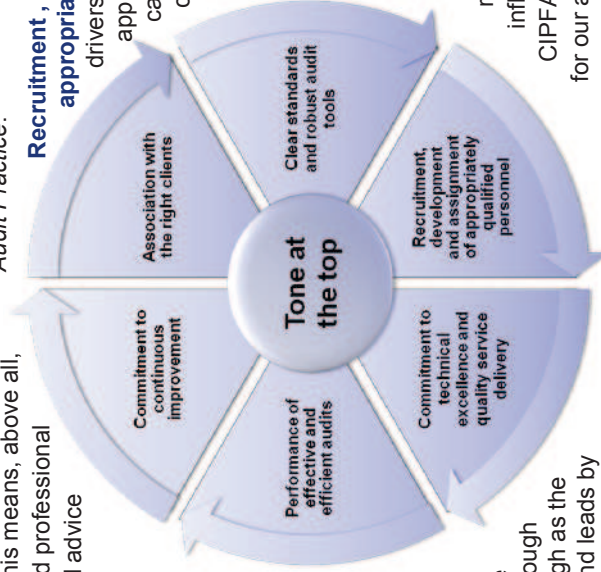
We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based bi-monthly technical training.



## Appendix 2: KPMG Audit Quality Framework (continued)

**We continually focus on delivering a high quality audit.**

**This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.**

**Quality must build on the foundations of well trained staff and a robust methodology.**

**Commitment to technical excellence and quality service delivery:** Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes. I

**Performance of effective and efficient audits:** We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

**Commitment to continuous improvement:** We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

### **Our quality review results**

We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The results of the Audit Commission's annual quality review process is made publicly available each year ([http://www.audit-commission.gov.uk/audit-regime/Pages/qualityreviewprocess\\_copy.aspx](http://www.audit-commission.gov.uk/audit-regime/Pages/qualityreviewprocess_copy.aspx)). The latest report dated October 2012 showed that we performed highly against all the Commission's criteria.



*cutting through complexity™*

© 2013 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).



## Report of the Director of Resources

## Report to Corporate Governance and Audit Committee

Date: 19<sup>th</sup> March 2013

Subject: Annual Audit Fee 2012/13

|  |                              |  |
|--|------------------------------|--|
| Are specific electoral Wards affected?<br>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?<br>If relevant, Access to Information Procedure Rule number:<br>Appendix number: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

### Summary of main issues

1. KPMG have confirmed their audit fee for 2012/13 as £307,800.
2. The fee for Grant certification is estimated at £35,950.

### Recommendations

3. Members are asked to note the external audit fees for work relating to the 2012/13 financial year.

#### 1 Purpose of this report

- 1.1 To inform members of the cost of external audit work relating to the 2012/13 financial year.

#### 2 Background information

- 2.1 At this Committee on the 28<sup>th</sup> September 2012, KPMG assured Members that there would be a 40% reduction in the audit fee for 2012/13.

#### 3 Main issues

- 3.1 KPMG's audit letter attached, confirms that the annual audit fee will be £307,800 (plus VAT). This is a reduction of 40% on the final fee for 2011/12. This fee assumes that there is no change to the general level of risk in relation to the financial

statements and that the Council provides KPMG with complete and accurate financial statements accompanied by good quality working papers.

3.2 The letter also estimates that the fee for the 2012/13 certification of grants and returns will be £35,950. This fee is based on those grants and returns currently identified by the Audit Commission as requiring external inspection.

3.3 Any proposed amendment to the fees will be discussed with the Council and the reason for any change would be reported to this Committee.

#### **4 Corporate Considerations**

##### **4.1 Consultation and Engagement**

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

##### **4.2 Equality and Diversity / Cohesion and Integration**

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

##### **4.3 Council Policies and City Priorities**

4.3.1 Under the Committee's terms of reference, members are required to receive external audit reports.

##### **4.4 Resources and Value for Money**

4.4.1 Members should note the reductions in both the annual audit fee and the fee for certifying grants and returns in relation to the 2012/13 financial year.

##### **4.5 Legal Implications, Access to Information and Call In**

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

##### **4.6 Risk Management**

4.6.1 The final level of fees will depend upon whether there is any change in the general level of risk in relation to the financial statements. This risk will be assessed in the external audit plan which KPMG will present to this Committee in March.

#### **5 Conclusions in relation to the financial statements**

5.1 As outline by KPMG to this Committee in September, the Council has received a significant reduction in the external audit fees. The level of the fees is not fixed and depends upon:

§ the quality of the financial statements and related working papers;

§ the final number of auditable grants and returns;

- § the quality of all supplied evidence and working papers;
- § the audit assessment as to the level of risk inherent in the Council's financial statements.

5.2 If there is any reason to amend the fees, KPMG will discuss them with officers of the Council and report back to this Committee with the reasons for the change.

## **6 Recommendations**

6.1 Members are asked to note the external audit fees for work relating to the 2012/13 financial year.

## **7 Background documents**

7.1 None.

This page is intentionally left blank



**KPMG LLP**  
**Audit**  
St James Square  
Manchester  
M2 6DS  
United Kingdom

Tel +44 (0) 141 246 4294  
Fax +44 (0) 161 838 4040  
DX 724620 Manchester 42  
heather.garrett@kpmg.co.uk

Mr Alan Gay  
Deputy Chief Executive & Director of  
Resources  
Leeds City Council  
Civic Centre  
Leeds  
LS1 1UR

Our ref HG/mmc/016/let2095

Contact Heather Garrett  
0161 246 4294

5 December 2012

Dear Alan

#### **Annual audit fee 2012/13**

I am writing to confirm the audit work and fee that we propose for the 2012/13 financial year at Leeds City Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission.

The proposed indicative fee for the audit for 2012/13 is £307,800 (plus VAT). This compares to the final fee of £513,000 for 2011/12.

The proposed audit fee represents a 40% reduction compared to the previous audit year and is in line with the scale fee recommended by the Audit Commission.

The indicative fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work, especially in light of the significant reductions in scale fees for this year. My assumptions are set out in more detail in Appendix 1 to this letter.

From 2012/13, the Audit Commission is replacing the previous schedule of hourly fee rates with a composite indicative fee for certification work for each body. The Commission has calculated an indicative fee is based on actual certification fees for 2010/11, adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating the general reduction to its fee scales. Based on these changes, I estimate that the fee for the certification of 2012/13 grants and returns will be £35,950 (plus VAT). This based on the Council requiring the following schemes to be certified:

- Housing and Council Tax Benefits;

- Teachers' Pensions; and
- NNDR.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified in 2011/12. A separate plan for the audit of the 2011/12 financial statements will be issued later this year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

I expect to issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 2.

The proposed fee excludes any additional work we may agree to undertake at the request of Leeds City Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

The key members of our audit team for the 2012/13 audit are:

| Name            | Role              | Contact details   |
|-----------------|-------------------|---|
| Mike McDonagh   | Partner           | <a href="mailto:michael.a.mcdonagh@kpmg.co.uk">michael.a.mcdonagh@kpmg.co.uk</a><br>0207 694 5546 |
| Heather Garrett | Senior Manager    | <a href="mailto:heather.garrett@kpmg.co.uk">heather.garrett@kpmg.co.uk</a><br>0161 246 4294       |
| Deborah Rumsey  | Assistant Manager | <a href="mailto:deborah.rumsey@kpmg.co.uk">deborah.rumsey@kpmg.co.uk</a><br>0113 231 3069         |

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees ([trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)).

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)) or on request.



*KPMG LLP*  
*Annual audit fee 2012/13*  
*5 December 2012*

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Mike McDonagh'.

Mike McDonagh  
Partner

cc: Tom Riordan, Chief Executive

## Appendix 1 – Audit fee assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2012/13 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and materially accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes;
- the grant claims and returns requiring certification are as listed above; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the financial statements audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by the Audit Commission, KPMG or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.



## Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

| <b>Planned output</b>   | <b>Indicative date</b> |
|---|------------------------|
| Financial Statements audit plan   | January 2013           |
| Interim audit report (if appropriate)   | April 2013             |
| Report to those charged with governance (ISA260 report)   | September 2013         |
| Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate | September 2013         |
| Opinion on Whole of Government Accounts return  | September 2013         |
| Annual audit letter   | November 2013          |
| Certification of grant claims and returns   | March 2014             |

This page is intentionally left blank

**Report of the Director of Resources**

**Report to Corporate Governance and Audit Committee**

**Date: 19<sup>th</sup> March 2013**

**Subject: KPMG Certification of grants and returns 2011/12**

|  |                              |  |
|--|------------------------------|--|
| Are specific electoral Wards affected?<br>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?<br>If relevant, Access to Information Procedure Rule number:<br>Appendix number: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

**Summary of main issues**

1. KPMG have stated that the Council has effective arrangements for the central co-ordination and communication of grant claims. Of the eight claims and returns audited, one claim was qualified and one required an audit adjustments.
2. As in previous years the Housing & Council Tax Benefit Return was qualified due to minor reconciliation issues. This qualification had no financial impact on the Council.
3. The audit adjustment amounted to £3k and was also in respect of the Housing Subsidy Claim.

**Recommendations**

4. Members are asked to note the results of the 2011/12 audit of grants and returns.

**1 Purpose of this report**

- 1.1 To inform members on the result of the work KPMG have carried out on the certification of grant claims in respect of 2011/12.

**2. Background information**

- 2.1 Each year the Government determines which grant claims require audit certification. The external auditors of each Local Authority are informed of these auditable grants by way of a register supplied by the Audit Commission. Corporate Financial Management provide a central coordination role to ensure all relevant working

papers and grant returns are available for the Council's external auditors in order to meet the Government timetables.

### **3 Main issues**

- 3.1 The attached report highlights the audit issues identified in respect of the 2011/12 grants and returns. In addition it reports on any issues relating to 2010/11 returns which had not been completed when the 2010/11 report was presented to this Committee in February.
- 3.2 KPMG's report confirms that the Council has effective arrangements for the central co-ordination and communication of grant claims and that a large majority of these claims were submitted on time and with a good standard of working papers.
- 3.3 The report does however identify one qualification:
  - 3.3.1 As was the case last year, the Housing & Council Tax Benefit return was qualified due to minor reconciliation differences and a number of small processing errors. Members should note that KPMG are required to qualify a return if the systems used to support the claim are not fully reconciled. System improvements continue to be made but it should be recognised that the variance on the reconciliation amounted to £342 within a total claim of £321m. This variance had no impact on the claim received by the Council.
- 3.4 KPMG's report also highlights areas where significant adjustment were required to a claim or return. An audit adjustment is determined as significant if it impacts on the amount of money the Council would otherwise receive. For 2011/12 there was only one such adjustments, namely a £3k adjustment to the Housing & Council Tax Benefit return. This small adjustment related to a number of minor errors identified by the Council and an underpaid HRA rent rebate case found by KPMG.
- 3.5 None of the other audit findings had any impact on the amount claimed by the Council. Officers have however, been informed as to all the findings in the report to help ensure improvements continue to be made in the compiling of grant returns.

### **4 Corporate Considerations**

#### **4.1 Consultation and Engagement**

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

#### **4.2 Equality and Diversity / Cohesion and Integration**

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

#### **4.3 Council Policies and City Priorities**

- 4.3.1 Under the Committee's terms of reference, members are required to receive external audit reports in order to gain the necessary assurance regarding

governance. The report from KPMG provides assurance that all grant claims received to date have been certified by the auditors and any audit adjustments actioned.

#### **4.4 Resources and Value for Money**

4.4.1 Members should note the audit fee of £61k for certification of grants and returns for the financial year 2011/12.

#### **4.5 Legal Implications, Access to Information and Call In**

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

#### **4.6 Risk Management**

4.6.1 All recommendations contained within the Certification of Grants and Returns 2011/12 report have been considered and appropriate actions agreed.

### **5 Conclusions**

5.1 All grant claims and returns have been successfully completed and final approved claims submitted to the relevant granting organisation.

5.2 The audit process identified one qualification issues and only one return required an adjustment to the amount claimed.

5.3 Weaknesses in the control environment have been evaluated and changes have been introduced where appropriate.

5.4 External audit certification remains a valuable part of the control process and helps ensure that correct money is received by the Council.

### **6 Recommendations**

6.1 Members are asked to Members are asked note the results of the 2011/12 audit of grants and returns.

### **7 Background documents**

7.1 None.

This page is intentionally left blank



*cutting through complexity™*

# Certification of grants and returns 2011/12

Leeds City Council

January 2013

**The contacts at KPMG in connection with this report are:**

**Mike McDonagh**  
*Partner*  
*KPMG LLP (UK)*

Tel: + 44 (0) 207 694 5546  
michael.a.mcdonagh@kpmg.co.uk

**Steve Clark**  
*Director*  
*KPMG LLP (UK)*

Tel: + 44 (0) 113 254 2910  
stephen.clark@kpmg.co.uk

**Heather Garrett**  
*Senior Manager*  
*KPMG LLP (UK)*

Tel: + 44 (0) 161 246 4294  
heather.garrett@kpmg.co.uk

**Charlotte George**  
*Assistant Manager*  
*KPMG LLP (UK)*

Tel: +44 (0) 0113 254 2836  
charlotte.george@kpmg.co.uk

|   | <b>Page</b> |
|---|-------------|
| ■ <b>Headlines</b>                              | <b>2</b>    |
| ■ <b>Summary of certification work outcomes</b> | <b>4</b>    |
| ■ <b>Fees</b>                                   | <b>7</b>    |
| ■ <b>Recommendations</b>                        | <b>8</b>    |
| ■ <b>Prior year recommendations</b>             | <b>10</b>   |

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

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Mike McDonagh, who is the engagement leader to the Authority (telephone (0) 207 694 5546, e-mail michael.a.mcdonagh@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail trevor.rees@kpmg.co.uk) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, telephone (minicom) 020 7630 0421.



|   |   |                           |
|---|---|---------------------------|
| <p><b>Introduction and background</b></p> | <p><b>This report summarises the results of work on the certification of the Council's 2011/12 grant claims and returns.</b></p> <ul style="list-style-type: none"> <li>■ For 2011/12 we certified: <ul style="list-style-type: none"> <li>– Three grants with a total value of £8.4 million (one of which related to 2010/11); and</li> <li>– Five returns with a total value of £657.8 million.</li> </ul> </li> <li>■ We also recertified two returns in respect of prior years with a total value of £7.7 million. These were recertified as additional eligible expenditure had been identified by the Authority.</li> </ul>   | <p>-</p>                  |
| <p><b>Certification results</b></p>       | <p><b>Of the eight grants and returns certified in 2011/12 we issued unqualified certificates for seven, but we qualified one return. This compares to three qualifications and 18 unqualified grants and returns in the prior year.</b></p> <p>The qualification was in respect of the Housing &amp; Council Tax Benefit Return. There were minor reconciliation differences between the benefit granted and the benefit paid for Rent Rebates and Rent Allowances. The total value of this was £342. We identified that one Non-HRA Rent Rebate case was found to have been underpaid as a result of the Authority inputting the eligible rent incorrectly, however this did not impact upon subsidy. The claim was also qualified for these same two reasons in 2010/11.</p> | <p><b>Pages 4 – 6</b></p> |
| <p><b>Audit adjustments</b></p>           | <p><b>Adjustments affecting the final amount on the grants or return were necessary to one of the Council's grants and returns as a result of our certification work this year.</b></p> <ul style="list-style-type: none"> <li>■ Housing &amp; Council Tax Benefit Return - the return was amended for: <ul style="list-style-type: none"> <li>■ a duplicate payment identified by the Council;</li> <li>■ a correction of a system error on Council Tax Benefit overpayment types identified by the Council;</li> <li>■ a reconciliation difference identified by the Council; and</li> <li>■ an inputting error identified by KPMG.</li> </ul> </li> <li>■ The result of these amendments was an overall net increase of the subsidy by £3,460.</li> </ul>                    | <p><b>Pages 4 – 6</b></p> |
| <p><b>The Council's arrangements</b></p>  | <p><b>The Council has adequate arrangements for preparing its grants and returns and supporting our certification work. Our findings were that:</b></p> <ul style="list-style-type: none"> <li>■ the Authority has effective central co-ordination and communication</li> <li>■ a large majority of claims and returns were submitted on time</li> <li>■ the majority of working papers were of a good standard, however, for some of the grants and returns improvements could be made to identify all eligible costs in year. This would reduce the likelihood of required adjustments to grants and returns in future years.</li> </ul>  |                           |

|             |   |               |
|-------------|---|---------------|
| <b>Fees</b> | <p><b>Our overall fee for the certification of grants and returns completed to date for 2011/12 is £60,742 compared to £94,904 of fees raised for 2010/11.</b></p> <ul style="list-style-type: none"><li>■ The main reason for this decrease since prior year is due to the decrease in the number of claims audited.</li><li>■ A detailed breakdown of the fees for each claim is included on page 7 of this report.</li></ul> | <b>Page 7</b> |
|-------------|---|---------------|

Overall, we certified 8 grants and returns in 2011/12:

- Four were unqualified with no amendment;
- Three were unqualified but required some amendment to the final figures; and
- One required a qualification to our audit certificate.

We also recertified two returns from prior years which had been adjusted by the Authority:

- Both were unqualified with no further audit amendments.

Detailed comments are provided overleaf.

Detailed below is a summary of the key outcomes from our certification work on the Council's 2011/12 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

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

| Comments overleaf | Qualified certificate | Significant adjustment | Minor adjustment | Unqualified certificate |
|-------------------|-----------------------|------------------------|------------------|-------------------------|
| 1                 | 1                     | 1                      |                  |                         |
| 2                 |                       |                        | 2                | 2                       |
| 3                 |                       |                        | 3                | 3                       |
| 4                 |                       |                        | 4                | 4                       |
|                   |                       |                        |                  | 5                       |
|                   |                       |                        |                  | 6                       |
|                   |                       |                        |                  | 7                       |
|                   |                       |                        |                  | 8                       |
|                   | 1                     | 1                      | 2                | 7                       |

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

| Ref      | Summary observations   | Amendment  |
|----------|--|--|
| <b>1</b> | <p><b>Housing &amp; Council Tax Benefit</b></p> <ul style="list-style-type: none"> <li>■ The return was amended due to four issues. The three following issues were identified by the Authority: <ul style="list-style-type: none"> <li>■ a duplicate payment which had not correctly been picked up by system reports;</li> <li>■ system errors on Council Tax Benefit overpayment types; and</li> <li>■ a reconciliation difference between benefit granted and benefit paid per the subsidy system.</li> </ul> </li> <li>■ KPMG also identified an inputting error.</li> <li>■ The return was qualified to due two issues: <ul style="list-style-type: none"> <li>■ there were minor reconciliation differences between the benefit granted and the benefit paid for Rent Rebates and Rent Allowances; and</li> <li>■ an underpayment of Non HRA Rent Rebate was identified in our testing. This was caused by processing errors. This had no impact on subsidy.</li> </ul> </li> <li>■ Both qualification issues were also present in the prior year.</li> </ul> | <p><b>+£3,460</b></p>  |
| <b>2</b> | <p><b>Pooling of Housing Capital Receipts</b></p> <ul style="list-style-type: none"> <li>■ The Authority identified additional costs which were eligible as allowable deductions after the 2009/10 and 2010/11 returns had already been prepared. For 2009/10 this comprised of £13,891 of improvement costs. For 2010/11 this comprised of £560 improvement costs and £1,832 of administration expenditure. This resulted in an amendment to the original return submissions.</li> <li>■ The Authority needs to ensure that such costs are identified on a more timely basis in the future to ensure that the current year pooling liability payments are made accurately and on time.</li> <li>■ This issue was also identified in the prior year.</li> <li>■ We also identified that the number of dwellings disposed of under the right to buy scheme on the 2011/12 claim form had been understated by 2 properties. This amendment did not have an impact on the amount claimed.</li> </ul>  | <p><b>-£1,794<br/>(2010/11)</b><br/> <b>-£10,418<br/>(2009/10)</b><br/> <b>-£0<br/>(2011/12)</b></p> |

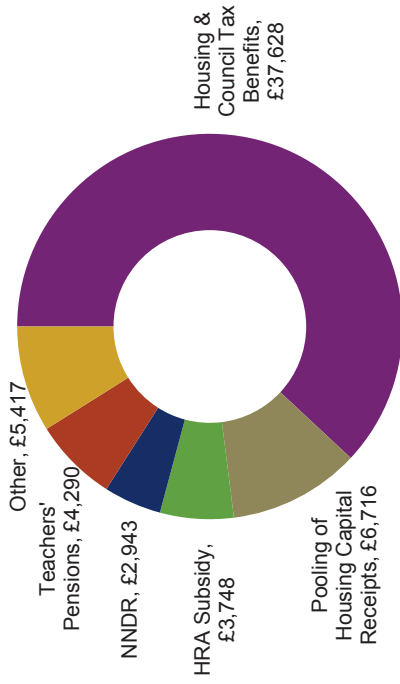
Certification of grants and returns 2011/12  
**Summary of certification work outcomes (continued)**

| Ref | Summary observations   | Amendment |
|-----|--|-----------|
| 3   | <p><b>HRA Subsidy</b></p> <ul style="list-style-type: none"> <li>■ A minor amendment was required as the number of dwellings at 1 April 2011 and 31 March 2012 had been overstated by 6 properties.</li> <li>■ This did not have any impact on the level of subsidy and the claim was unqualified.</li> <li>■ This issue was not identified in the prior year.</li> </ul>  | £0        |
| 4   | <p><b>Leeds Arena</b></p> <ul style="list-style-type: none"> <li>■ The Authority identified that the claim form did not include all eligible expenditure on the project during 2011/12. The amendment resulted in an increase of £1,295,450.19 to the amount of eligible expenditure reported and to the amount of funding provided by the Authority.</li> <li>■ There was no impact on the amount claimed from Yorkshire Forward as the maximum amount had already been claimed.</li> <li>■ This was the first year that the claim has been audited.</li> </ul> | £0        |

This chart and table summarises our overall fee for the certification of grants and returns completed as at 31 December 2012 for 2011/12.

Our overall fee for the certification of grants and returns is £60,742 and has been contained within the original estimate.

Breakdown of certification fees 2011/12



| Breakdown of fee by grant/return    |               |               |
|-------------------------------------|---------------|---------------|
|                                     | 2011/12 (£)   | 2010/11 (£)   |
| Housing and Council Tax Benefit     | 37,628        | 38,494        |
| Pooling of Housing Capital Receipts | 6,716         | 8,836         |
| HRA Subsidy                         | 3,748         | 4,163         |
| NNDR                                | 2,943         | 4,676         |
| Teachers' Pensions                  | 4,290         | 6,081         |
| Leeds Film Festival                 | 1,812         | 1,933         |
| Transport (A65 Bus Initiative)      | 1,408         | 5,170         |
| Other grants and returns            | 2,197         | 25,551        |
| <b>Total fee</b>                    | <b>60,742</b> | <b>94,904</b> |

The main reasons for the fee difference between 2011/12 and 2010/11 are shown below:

- Less detailed testing was required over the NNDR return and Transport grant as we were able to place reliance on the control environment and the results of our testing in previous years;
- Only one Teachers' Pensions return required audit in 2011/12 (compared to two in the prior year) as a result of Education Leeds coming back within the Authority; and
- Due to the wind-down of Yorkshire Forward only one grant required audit in 2011/12 compared to 10 in 2010/11.

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

**Priority rating for recommendations**

|  |   |   |
|--|---|---|
| <p><b>1</b> Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p> | <p><b>2</b> Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> | <p><b>3</b> Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> |
|--|---|---|

| Issue   | Implication   | Recommendation  | Priority        | Comment  | Responsible officer and target date  |
|---|---|---|-----------------|--|--|
| <p><b>System Errors</b></p> <p><b>Reconciliation of HRA Rent Rebates and Rent Allowances</b></p> <p>We found minor reconciliation differences between the benefit granted and the benefit paid for Rent Rebates and Rent Allowances. The total value of which was £342.</p> | <p>If the benefit paid and the benefit granted per the subsidy system cannot be reconciled we must qualify our audit certification which may lead to recovery of monies by the granting body.</p> | <p><b>1</b></p> <p>The Authority should review this reconciliation within the Capita system and endeavour to liaise with Capita in order to prevent this error from re-occurring.</p> | <p><b>3</b></p> | <p>Regular meetings are held with Capita to try and identify causes of the reconciliation differences. From these meetings there has been a number of additional system reconciliations introduced, along with a regular review of system program outputs.</p> | <p>Officer: D Jackman (Compliance manager, Leeds revenues and benefits service)</p> <p>Date: ongoing</p> |

| Issue  | Implication   | Recommendation   | Priority | Comment   | Responsible officer and target date   |
|--|---|--|----------|---|---|
| <b>Procedural Errors</b><br><br><b>Pooling of Housing Capital Receipts</b><br>The Authority made adjustments to returns dating back four years to include allowable deductions which had been overlooked previously. | Making several adjustments to prior year claims can be complicated and can result in errors being made. | 2<br><br>Quality assurance arrangements should be implemented to ensure that grant claim forms are complete and finalised prior to submission for certification. This will assist in the delivery of an efficient certification process. | 3        | System improvements have allowed costs to be more accurately recorded against individual properties. As the claim allows costs over the last 3 years to be offset against the capital receipts, officers have been reviewing such costs to improve the accuracy of the return. Further improvements to the adequacy of supporting documentation and quality assurance have now been introduced. Officer: Senior Financial Manager, Financial Administration, E&N. | Officer: Senior Financial Manager, Financial Administration, E&N.<br><br>Date: 4 <sup>th</sup> quarter return |



We made 7 recommendations in our 2010/11 Certification of Grants and Returns report. Where recommendations have not yet been implemented fully we have detailed their current status below.

| Prior year recommendation |   | Priority | Status as at January 2013   | Management comments               |
|---------------------------|---|----------|---|-----------------------------------|
| <b>System Errors</b>      |   |          |   |                                   |
| 1                         | <p><b>Reconciliation of HRA Rent Rebates and Rent Allowances</b></p> <p>We found minor reconciliation differences between the benefit granted and the benefit paid for HRA Rent Rebates and Rent Allowances. The total value of which was £126.</p> <p>The Authority should review this reconciliation within the Capita system and endeavour to liaise with Capita in order to prevent this error from re-occurring.</p>   | 3        | We have raised this recommendation again in the current period. See page 9 for further details. | See current year recommendations. |
| <b>Procedural Errors</b>  |   |          |   |                                   |
| 2                         | <p><b>Pooling of Housing Capital Receipts</b></p> <p>The Authority made adjustments to returns dating back four years to include allowable deductions which had been overlooked previously.</p> <p>Making several adjustments to prior year claims can be complicated and can result in errors being made.</p> <p>Quality assurance arrangements should be implemented to ensure that grant claim forms are complete and finalised prior to submission for certification. This will assist in the delivery of an efficient certification process.</p> | 3        | We have raised this recommendation again in the current period. See page 9 for further details. | See current year recommendations. |



*cutting through complexity™*

© 2012 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).



Report author: D C Wilding  
Tel: 2477831

**Report of Asset Management Service**

**Report to Corporate Governance and Audit Committee**

**Date: 19<sup>th</sup> March 2013**

**Subject: School Academy and Trust Conversions**

|  |   |
|--|---|
| Are specific electoral Wards affected?<br>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?<br>If relevant, Access to Information Procedure Rule number:<br>Appendix number: | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

**Summary of main issues**

The report sets out arrangements that are in place to ensure due diligence for the land transfers associated with the conversions of schools to academies or trusts, particularly in relation to governance, insurance and financial management.

**Recommendations**

Corporate Governance and Audit Committee is requested to note the contents of the report.

**1 Purpose of this report**

1.1 The report provides details of the due diligence processes undertaken when dealing with land issues arising from the conversions of schools to academies or trusts, particular around governance, insurance and financial management.

**2 Background information**

2.1 The Council has provided property leases on a 'less than best consideration' (actually nil consideration) basis to schools becoming academies. This is in

pursuance of legislation contained in the Academies Act 2010. An academy gains a 125 year lease of a school site from the local authority at nil consideration.

- 2.2 A report of the Chief Executive of Education Leeds to the Executive Board on 14 December 2011 set out the Council's obligations under this legislation.
- 2.3 The Education and Inspections Act 2006, the Schools Standards and Framework Act 1998 and The School Organisation (Prescribed Alterations to Maintained Schools) (England) Regulations 2007 sets out the basis upon which assets are to be transferred from a Local Authority to a school seeking trust or foundation status. The Council transfers the freehold interest at nil consideration to a school becoming a trust.
- 2.4 A report of the Chief Executive of Education Leeds to the Executive Board on 5 September 2012 set out the Council's obligations under this legislation.
- 2.5 Corporate Governance and Audit Committee has requested a report setting out the arrangements that are in place when assets are transferred, particularly in relation to governance, insurance and financial management.

### **3 Main issues**

#### **3.1 Governance**

- 3.1.1 Maintained schools may be converted into academies by an Academy Order made under section 4 of the Academies Act 2010, provided that the governing body of the school has applied under section 3 or if the school is eligible for intervention under sections 60-62 of the Education and Inspections Act 2006.
- 3.1.2 Under the School Standards & Framework Act 1998 and The Schools Organisation (Prescribed Alterations to Maintained Schools) (England) Regulations 2007 the Council is required to transfer land (other than playing fields) which is held or used by a local authority for the purposes of the school to the trustees of a school which has changed category to a voluntary aided school or a foundation school. Land includes the building structures attached to it.
- 3.1.3 The local authority is unable to challenge a transfer under the Academies Act 2010 as long as it has been applied for by a school's governing body and has been approved by the Secretary of State for Education or has been directed by the Secretary of State for Education. The decision as to whether a school wishes to establish a Trust lies with the school's governing body and the parents. A local authority cannot challenge the decision of a school which wants to establish a Trust. nor can it oppose an application by a diocese.
- 3.1.4 Schools which intend to convert to trust or academy status notify Children's Services. Instructions are sent to Development Department which, in turn, instructs Legal Services.
- 3.1.5 Development Department and Legal Services check site and title issues. Legal Services incorporates within any documentation provisions to protect the rights of third parties which may be in occupation of school sites at the point of transfer. Where appropriate caretaker's houses which are located on the edges of sites are

made subjects of separate leases enabling them to revert to the Council should they become vacant. This would facilitate marketing and sale. Endeavours are made to ensure that the Council is not left with inaccessible areas of land, which could form a maintenance liability, after a transfer has taken place.

## 3.2 **Insurance**

- 3.2.1 Schools which convert to academy status are responsible for their own insurance.
- 3.2.2 Schools which convert to trust status remain insured by the Council. The Council will continue to insure the premises on behalf of a trust and recharge the cost of premiums.

## 3.3 **Financial Management**

- 3.3.1 The land to be leased to an academy or trust school will, in usual circumstances, include the land and buildings used by the school prior to the consultation period.

## 3.4 **Academies:**

- 3.4.1 Academies can take two forms – a sponsored academy or a converter academy.

### 3.4.2 ***Sponsored academies:***

- 3.4.3 In the case of a sponsored academy the DfE identifies a school it deems to be in need of improvement by way of conversion. The DfE notifies the local authority and both the DfE and the local authority inform the school, outlining the local authority support role.
- 3.4.4 Children's Services Governor Support Team updates cross-departmental electronic correspondence to show a school in process. A spreadsheet is sent to the Director of Children's Services and is included on a meeting agenda for briefing the Executive Member for Children's Services (every 2 weeks).
- 3.4.5 Governor Support Team issues notification of a school in process to: Finance; School Improvement; Built Environment; Capacity Planning and Sufficiency; Legal Services; City Development; PPPU procurement; Early Years ; Human Resources schools; Special Educational Needs.
- 3.4.6 The Governing Body identifies a sub-group for the sponsor selection process supported by the School Improvement Team. The Governing Body approves a selected sponsor.
- 3.4.7 The Secretary of State approves a sponsor, issues an Academy Order (with target date for conversion).
- 3.4.8 The local authority processes a lease of the land and assets.
- 3.4.9 The local authority gathers land ownership and registration documentation. It also conducts an initial case meeting regarding any land and asset implications. (Work is co-ordinated with PPPU on the commercial transfer agreement if required (PFI schools)).

3.4.10 Within the project team different issues are dealt with to facilitate a conversion as follows:

- BUILT ENVIRONMENT - in terms of land issues the Built Environment Lead will commission City Development to progress the collation of ownership and registration documentation and copy Legal Services (Property and Finance) in to forewarn them that the process has begun. (Built Environment also commissions PPPU's legal section to prepare a CTA if one is required.)
- CITY DEVELOPMENT - commissions Legal Services (Property and Finance) to carry out the drafting of the lease and any other transfer documents as required. City Development will also write to local ward members to notify them of a proposed lease or transfer. The lease or transfer will be submitted to the City Development Panel for approval.
- LEGAL SERVICES - each legal team deals with its own area. Employment and Education deals with the transfer of staff and compliance with TUPE. Property and Finance deals with all property and land related issues. PPPU deals with all contract and commercial documentation. Each team is commissioned separately.
- HR SERVICES - is involved in Academy conversions to varying degrees depending upon whether the school has purchased a service and at what level. If a school does not purchase the HR service the Head of HR will write to the school to outline its legal duties under TUPE and collate and transport any personnel files. BSC will liaise directly in relation to payroll.
- FINANCE - must calculate a school's balances at the point of transfer. It monitors the spending up to the point of conversion, recovers all LCC finance documentation and monies where necessary, calculates re-coupmnt and completes returns for EFA.
- EARLY YEARS - if there is a Children's Centre on site the Early Years team will negotiate with the sponsor to establish the degree of involvement in the future running of the Centre. This will feed into HR and land agreements.
- COMPLEX NEEDS - if a school hosts either resourced or partnership provision for students with disabilities or learning difficulties the Complex Needs Service will negotiate the continuation of the service with the sponsor. This will feed into HR and land agreements.

3.4.11 The local authority (School Improvement) signs the Academy Action Plan agreement.

3.4.12 The Secretary of State approves the funding agreement and the sponsor becomes operational. The date of this approval ties in with the date the land and property is transferred to the academy.

### 3.4.13 **Converter academies:**

- 3.4.14 In the case of a converter academy, a Governing Body makes a decision to convert and passes a resolution and informs the local authority of the intention to convert.
- 3.4.15 Children's Services Governor Support Team updates cross-departmental electronic correspondence to show a school in process. A spreadsheet is sent to the Director of Children's Services and is included on a meeting agenda for briefing the Executive Member for Children's Services (every 2 weeks).
- 3.4.16 Governor Support Team issues notification of a school in process to: Finance; School Improvement; Built Environment; Capacity Planning and Sufficiency; Legal Services; City Development; PPPU procurement; Early Years ; Human Resources schools; Special Educational Needs.
- 3.4.17 The School registers with the DfE.
- 3.4.18 The School undertakes a statutory consultation (with staff, parents, pupils, interested parties, etc.).
- 3.4.19 The school governing body passes a resolution in favour of conversion.
- 3.4.20 The Secretary of State approves the academy proposal and issues an Academy Order.
- 3.4.21 A school receives from the DfE a £25,000 grant to cover costs associated with a conversion and finalises documents based on DfE model. The local authority receives an information request from solicitors acting on behalf of a school.
- 3.4.22 The local authority processes a lease of the land and assets.
- 3.4.23 The local authority gathers land ownership and registration documentation. It also conducts an initial case meeting regarding any land and asset implications. (Work is co-ordinated with PPPU on the commercial transfer agreement if required (PFI schools).
- 3.4.24 Within the project team different issues are dealt with to facilitate a conversion as follows:
- BUILT ENVIRONMENT - in terms of land issues the Built Environment Lead will commission City Development to progress the collation of ownership and registration documentation and copy Legal Services (Property and Finance) in to forewarn them that the process has begun. (Built Environment also commissions PPPU's legal section to prepare a CTA if one is required.)
  - CITY DEVELOPMENT - commissions Legal Services (Property and Finance) to carry out the drafting of the lease and any other transfer documents as required. City Development will also write to local ward members to notify them of a proposed lease or transfer. The lease or transfer will be submitted to the City Development Panel for approval.

- LEGAL SERVICES - each legal team deals with its own area. Employment and Education deals with the transfer of staff and compliance with TUPE. Property and Finance deals with all property and land related issues. PPPU deals with all contract and commercial documentation. Each team is commissioned separately.
- HR SERVICES - is involved in Academy conversions to varying degrees depending upon whether the school has purchased a service and at what level. If a school does not purchase the HR service the Head of HR will write to the school to outline its legal duties under TUPE and collate and transport any personnel files. BSC will liaise directly in relation to payroll.
- FINANCE - must calculate a school's balances at the point of transfer. It monitors the spending up to the point of conversion, recovers all LCC finance documentation and monies where necessary, calculates re-coupmnt and completes returns for EFA.
- EARLY YEARS - if there is a Children's Centre on site the Early Years team will negotiate with the sponsor to establish the degree of involvement in the future running of the Centre. This will feed into HR and land agreements.
- COMPLEX NEEDS - if a school hosts either resourced or partnership provision for students with disabilities or learning difficulties the Complex Needs Service will negotiate the continuation of the service with the sponsor. This will feed into HR and land agreements.

3.4.25 A school submits its funding agreement to DfE and identifies a target opening date.

3.4.26 The Secretary of State approves the funding agreement and the sponsor becomes operational. The date of this approval ties in with the date the land and property is transferred to the academy.

3.4.27 ***Post-conversion:***

3.4.28 An academy will be responsible for insuring the school and for internal and external repair and maintenance. There is a bar on assignment of the lease unless with the consent of the Secretary of State. Any lease will limit a site to use as a non profit making academy and state that, if during the term of the lease the land ceases to be used as an academy, it will revert to the Council.

3.4.29 In the cases of PFI schools converting to academy status, the schools remain in Council ownership and are leased to the PFI company for the term of the PFI contract. Conversion can not be prevented just because they are PFI.

3.4.30 For schools that form part of a closed Private Finance Initiative (PFI) contract, becoming an academy requires additional documentation to be put in place, and amendments made to the Department's standard form funding agreement and articles of association to take account of the underlying PFI structure and the terms of the PFI project agreement.



3.4.31 An Academy will be responsible for insuring a school and for internal and external repair and maintenance of the school (in the case of a PFI school, the Academy will only be responsible for repair and maintenance on expiry of the PFI contract, but will remain liable for the cost of rectifying deliberate damage / vandalism for the duration of the PFI contract).

### 3.5 **Trusts:**

3.5.1 In the case of a trust, a Governing Body makes a decision to convert and passes a resolution and informs the local authority of the intention to convert. The statutory process is initiated. The local authority is informed through an initial consultation process of the intention to convert and Children's Services's Head of Learning Improvement meets with representatives of the school to consider the benefits of conversion.

3.5.2 Children's Services Governor Support Team updates cross-departmental electronic correspondence to show a school in process. A spreadsheet is sent to the Director of Children's Services and is included on a meeting agenda for briefing the Executive Member for Children's Services (every 2 weeks).

3.5.3 Governor Support Team issues notification of a school in process to: Finance; School Improvement; Built Environment; Capacity Planning and Sufficiency; Legal Services; City Development; PPPU procurement; Early Years ; Human Resources schools; Special Educational Needs.

3.5.4 If, following initial consultation, a school decides to proceed it must advise the DfE and the local authority.

3.5.5 No information required from the local authority at this stage (very few proposers have been appointing solicitors to pursue land or property issues).

3.5.6 The local authority processes a lease of the land and assets.

3.5.7 The local authority gathers land ownership and registration documentation. It also conducts an initial case meeting regarding any land and asset implications. (Work is co-ordinated with PPPU on the commercial transfer agreement if required (PFI schools).

3.5.8 Within the project team different issues are dealt with to facilitate a conversion as follows:

- BUILT ENVIRONMENT - in terms of land issues the Built Environment Lead will commission City Development to progress the collation of ownership and registration documentation and copy Legal Services (Property and Finance) in to forewarn them that the process has begun. (Built Environment also commissions PPPU's legal section to prepare a CTA if one is required.)
- CITY DEVELOPMENT - commissions Legal Services (Property and Finance) to carry out the drafting of the lease and any other transfer documents as required. City Development will also write to local ward members to notify them of a proposed

lease or transfer. The lease or transfer will be submitted to the City Development Panel for approval.

- LEGAL SERVICES - each legal team deals with its own area. Employment and Education deals with the transfer of staff and compliance with TUPE. Property and Finance deals with all property and land related issues. PPPU deals with all contract and commercial documentation. Each team is commissioned separately.
- HR SERVICES - the transfer of staff is not covered by TUPE but instead the School Organisation Regulations. Only BSC is involved for payroll.
- FINANCE - not necessary as a trust continues to be maintained by a local authority.
- EARLY YEARS - if there is a Children's Centre on site the Early Years team will negotiate with the sponsor to establish the degree of involvement in the future running of the Centre. This will feed into HR and land agreements but depends upon any land claim from the trustees.
- COMPLEX NEEDS - if a school hosts either resourced or partnership provision for students with disabilities or learning difficulties the Complex Needs Service will negotiate the continuation of the service with the sponsor. This will feed into HR and land agreements but depends upon any land claim from the trustees.

3.5.9 Once the period for representation has passed the governing body will decide whether to proceed to trust status with a right to refer to the School Adjudicator if there are objections.

3.5.10 A Governing Body informs a local authority and the Secretary of State (to include whether there are any land and asset claims). It is expected that formal transfer agreements will be completed within six months of the effective date of transfer.

**3.5.11 *Post conversion:***

3.5.12 A trust school remains a local authority maintained school that is funded on the same basis as other local authority maintained schools, and funding will be delegated to the governing body, not the trust. There will be no additional funding from the local authority for a trust school, and there is no expectation that the Trust will provide the school with additional funding. Trusts are not required or expected to make any financial contribution to the schools they support.

3.5.13 In the cases of PFI schools wishing to establish a trust, the freehold of the land and buildings still passes to the trustees of the trust school. The maintenance of a PFI trust school continues to be the responsibility of the PFI contractor for the term of the PFI contract (usually 25 years). When the PFI contract no longer exists - responsibility for maintenance then reverts back to the trust school. The local authority's responsibility for payments to the contractor remains. Although the local authority remains responsible for payment of the unitary charge under the project agreement, it can recover such amounts or contributions from the governing body via the governors' agreement.

## 3.6 **Other protections**

- 3.6.1 A trust school can dispose of the land and buildings subject to strict provisions. The disposal of land by a trust is governed by legislation and DfE guidelines. A trust has to notify the council of a disposal under the School Standards and Framework Act and the procedure for how that is dealt with is contained in the guidelines as follows: “The governing body, foundation body or trustees of a foundation, voluntary or foundation special school shall notify the local authority in writing of their intention to dispose of publicly funded non-playing field land which has been acquired or enhanced in value by public funding. This includes disposal by trustees of publicly funded land following discontinuance of a school. In the event that the local authority objects to the disposal, the proposed use of the proceeds or wishes to claim a share of the proceeds in as much as they result from public funding, it should inform the school and both parties should discuss the matter with the aim of reaching agreement... [where] it is not possible for the school and the authority to agree an amount of the proceeds of disposal that should be paid to the authority, either party may refer the matter to the Adjudicator”.
- 3.6.2 The local authority can object to proposals if it feels that they are not in the interests of the school in the long term or would disadvantage the wider community. The local authority will also be able to object to re-investment proposals and to claim a share of the proceeds attributable to public investment in the land.
- 3.6.3 Trust schools will be able to benefit directly from the disposal of land but all proceeds must be used for capital investment in educational assets in either the school itself or the maintained sector including schools outside the local authority area according to the Trust’s Memorandum and Articles and the trust school itself will not be able to profit from any such disposal.
- 3.6.4 A trust school must inform the local authority of its plans to dispose of any non-playing field land.
- 3.6.5 Where local agreement cannot be reached on any of the above issues they are referred to the Schools Adjudicator for determination in accordance with the Regulations and Guidance.

## 4 **Corporate Considerations**

### 4.1 **Consultation and Engagement**

- 4.1.1 All consultations regarding a proposed academy or trust conversion are undertaken by the governing body of the proposed academy or trust school and it is for the governing body to decide upon a level of consultation which is deemed appropriate under the circumstances.
- 4.1.2 The governing body informs the Council when it proposes to establish an academy or trust in order to commence the transfer process. When the Council is made aware it will inform the following:

- a) the Ward Members for the ward in which the trust school is situated.
- b) the Director of Children's Services
- c) the Executive Member for Children's Services.

## **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 There are no specific implications for equality and diversity / cohesion and integration.

## **4.3 Council policies and City Priorities**

4.3.1 The report relates directly to Transfer of Council owned land and buildings to trust schools approved at Executive Board in September 2012 and the Transfer of Council owned land and buildings to academies approved at Executive Board in December 2011.

## **4.4 Resources and value for money**

4.4.1 A local authority must transfer properties either by way of 125 year leases (academies) or freehold (trusts) to schools wishing to convert.

4.5 Leeds City Council's asset register values for the schools which have already converted are shown in the appendix.

4.6 An academy becomes autonomous of local authority finances (see 3.4.31 above), though can purchase services from a local authority.

4.7 A trust remains a local authority maintained school (see 3.5.12 above).

## **4.8 Legal Implications, Access to Information and Call In**

4.8.1 This report is not eligible for Call In.

## **4.9 Risk Management**

4.9.1 There are no risk management issues in this report.

## **5 Conclusions**

5.1 A thorough appraisal system is in place for all school site transfer projects, consultations are conducted throughout the conversion process. Safeguards are built in to the legislation to protect education (including operational) interests. Ultimately a local authority cannot prevent a school converting to trust or academy status, nor a faith school from claiming land at a faith school, if correct procedures have been followed.

## **6 Recommendations**

6.1 Corporate Governance and Audit Committee is requested to note the contents of the report.

## **7 Background documents<sup>1</sup>**

- 7.1 Report of the Chief Executive of Education Leads to the Executive Board on 14 December 2011 and report of the Chief Executive of Education Leads to the Executive Board on 5 September 2012.

---

<sup>1</sup> 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.

This page is intentionally left blank

| <u>2011/12</u>                                  | Value at disposal |
|---|-------------------|
| <b>GF schools transferred to Trusts</b>         |                   |
| Cockburn High                                   | 10,433,000.00     |
| Westwood PS                                     | 2,474,000.00      |
| Hugh Gaitskell PS                               | 3,536,603.70      |
| Middleton PS                                    | 5,095,000.00      |
| <b>GF schools transferred to Academy</b>        |                   |
| Morley Academy                                  | 14,479,347.81     |
| Woodkirk Academy                                | 8,853,012.05      |
| Leeds East Academy                              | 6,184,477.09      |
| Prince Henry's Otley                            | 13,599,711.34     |
| Horsforth School                                | 7,918,085.17      |
| Farnley Academy                                 | 31,198,351.82     |
| Leeds West Academy                              | 25,852,000.00     |
| <br>  |                   |
| <u>2010/11</u>                                  |                   |
| <b>GF schools transferred to Trusts/Academy</b> |                   |
| Brigshaw High School                            | 17,229,000.00     |
| Allerton Bywater PS                             | 1,591,324.30      |
| Swillington PS                                  | 1,499,412.43      |
| Kippax Greenfield PS                            | 1,281,077.35      |
| Kippax Ash Tree PS                              | 3,589,957.72      |
| Kippax North PS                                 | 2,090,737.40      |
| Pudsey Crawshaw                                 | 9,146,200.72      |
| Temple Moor High School                         | 14,922,738.56     |
| Templenewsam Halton PS                          | 3,178,131.42      |
| Whitkirk PS                                     | 2,898,603.61      |
| Meadowfield PS                                  | 4,133,594.39      |
| Austhorpe PS                                    | 1,274,145.65      |
| Colton PS                                       | 1,382,275.53      |
| Pudsey Grangefield                              | 12,271,873.00     |
| <br>  |                   |
| <u>2009/10</u>                                  |                   |
| <b>GF schools transferred to Trusts/Academy</b> |                   |
| Boston Spa                                      | 12,736,411.39     |
| Wetherby  | 8,446,781.51      |
| South Leeds                                     | 14,243,237.28     |
| <br>  |                   |
| <u>2008/09</u>                                  |                   |
| <b>GF schools transferred to Trusts/Academy</b> |                   |
| None  |                   |
| <br>  |                   |
| <u>2008/09</u>                                  |                   |
| <b>GF schools transferred to Trusts</b>         |                   |
| Garforth Community College                      | 17,500,898.99     |
| East Garforth Primary School                    | 2,350,535.21      |
| Garforth Green Lane Primary                     | 2,365,607.53      |
| Garforth Ninelands Primary                      | 3,243,653.28      |
| Strawberry Fields Primary School                | 2,810,366.31      |

This page is intentionally left blank



## Report of the Chief Officer PPPU and Procurement

## Report to Corporate Governance and Audit Committee

**Date: 19 March 2013**

## Subject: Transforming Procurement Update

|   |                              |  |
|---|------------------------------|--|
| Are specific electoral Wards affected?<br>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?                     | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

### Summary of main issues

1. Leeds City Council is seeking to reduce expenditure and to improve outcomes and value for money from the goods, works and services that it buys.
2. A Transforming Procurement Programme has reviewed how the council undertakes procurement, with extensive research and consultation to capture best practice and to understand stakeholder aspirations.
3. The programme is proposing that the council adopts a refreshed procurement policy, centred on a category management and a whole lifecycle approach to procurement, with clear accountabilities, structured governance and assurance, and incorporating openness and transparency.
4. The refreshed approach seeks to secure a range of benefits for the council – improved outcomes, improved value for money and savings, improved governance and assurance, improved engagement and transparency, and improved support for the council's wider ambitions. The approach has identified savings in excess of £6m in 2012/13 and a further £4m in 2013/14. When taken over the life of the contracts to which these figures relate, the forecast savings are £20 million.
5. The refreshed approach is planned to be presented to Executive Board in April 2013.

### Recommendations

6. That members of the Corporate Governance and Audit Committee note and comment on the contents of this report in advance of its submission to Executive Board.

## **1 Purpose of this report**

- 1.1 To inform members of the Corporate Governance and Audit Committee of progress with respect to the Transforming Procurement Programme and invite comments on the contents of this report in advance of its submission to Executive Board.

## **2 Background information**

- 2.1 The council is seeking to reduce expenditure and to improve outcomes and value for money in the goods, works and services that it buys.
- 2.2 The council currently spends £800 million externally each year. It has 3,000 recorded contracts and makes payments to 5,000 providers. Some contracts are with a single provider, while others are frameworks with multiple providers. There is also some expenditure which is undertaken through simple purchase orders.
- 2.3 The council procures a very wide range of goods, works and services, including amongst others, foster care, home care, homelessness support, energy, vehicles, catering products, seeds, building works, highways, and IT software.
- 2.4 Each Directorate undertakes the procurements they need to deliver the services and outcomes that they are responsible for, including in some cases joint procurement with partners such as the health service. They prepare the specification and the evaluation criteria, and take the decisions on the proportion of the budget to be allocated to the contract and which organisation to award the contract to. They are then responsible for managing the contract.
- 2.5 The Corporate Procurement Unit provides support to Directorate colleagues undertaking procurements and provides advice on good practice in procurement and contract management, and on council policy and legislation relating to public procurement.
- 2.6 Following the transfer of the Corporate Procurement Unit to Resources Directorate in 2011, a Transforming Procurement Programme was formed, to review how the council undertakes procurement, with the aim of establishing sustainable economy, efficiency and effectiveness, and to ensure also that procurement activity takes account of the council's wider ambitions.
- 2.7 The programme has sought to capture and build upon expertise and examples of best practice which are available within the council, locally and nationally, and to respond to feedback received through wide ranging consultation. This has included discussions with the public, private and third sectors, and a review of recommendations contained in scrutiny reports and internal audit reports relating to the council's procurement practices.
- 2.8 The programme has been twin-tracking strategy development with pilot projects to speed up the implementation of change, whilst also ensuring lessons learned are fed back in a timely manner.

### **3 Main issues**

#### **Strategy**

3.1 The current draft ambition is for the council to “deliver the best commissioning, procurement and contracting in the country, where:

- We achieve value for money for the public;
- We support the delivery of quality outcomes for service users;
- We support the wider ambitions of the council and its partners;
- Providers of all sizes and from all sectors want to deliver for Leeds;
- Procurement professionals want to work for Leeds; and
- We are recognised nationally as a centre of excellence”.

3.2 A refreshed procurement policy has been developed to support the delivery of the ambition. It proposes:

- A category management approach, where related purchasing is grouped together to take advantage of better intelligence of buying needs and of what providers have to offer, and to support bulk buying where appropriate, in order to improve quality, savings and efficiency;
- A whole lifecycle approach, which starts from assessing needs and analysing options, through preparation and procurement, to mobilisation, contact management and exit, to ensure quality outcomes and value for money are achieved;
- All categories work to common principles and rules, but outputs are tailored to meet the needs of the specific category, reflecting the service area, stakeholder needs and the market place, to ensure quality outcomes and value for money are achieved;
- Building on expertise within directorates and providing appropriate central support and check and challenge, ensuring lessons are learned and shared, in order to ensure continuous improvement in the council’s procurement activities;
- Clear ownership and accountability, structured governance, and assurance to support timely and auditable decision making;
- Openness and transparency, with a visible and accessible contracts register and procurement pipeline, robust management information, and clear tender processes and documentation, to ensure a positive and professional relationship between the council and its procurement partners and confidence in our approach from the people of Leeds;

- Consultation and engagement, to ensure procurements properly reflect need and opportunity, and take account of the wider context, including the council's plans and strategies, locality working and collaboration with others;
- Develop the procurement skills and capacity of our people, to ensure we deliver a world class service.

3.3 The strategy set out in paragraphs 3.1 to 3.2 above was considered by Corporate Governance and Audit Committee at its meeting on 27 February 2012. Since then, officers have been testing this approach through pilots and developing supporting documents to assist in implementation.

### **Documents**

3.4 The programme has developed a suite of recommended template documents and toolkits. These reflect the strategy outlined above, capture current best practice and are designed to replace more traditional guidance documents. They are recommended to be used as tools to assist in the process, and to be used at a level which is proportionate to the value, complexity and risk of the category or procurement being delivered. They can assist those undertaking procurements to plan and deliver procurements and contract management in a robust and structured manner, supporting improved outcomes and value for money.

3.5 Where directorates already have equivalent documents in place, or where the council is undertaking a procurement jointly with another partner such as health, or where the procurement is subject to specific equivalent requirements from funders such as central government, the chief officer accountable for the procurement will take the decision whether to use those alternative documents or the council's recommended documents, or a combination.

3.6 Each of the planning and delivery documents includes management of risk, benefits and lessons, has clear accountabilities and governance, and includes for consultation with relevant elected members and identified stakeholders appropriate to the category.

### **Pilots**

3.7 The programme has been twin-tracking strategy and process development with live pilot projects to speed up the implementation of change, whilst also ensuring lessons learned are fed back in a timely manner.

3.8 Pilots have now been established for each area of the council's expenditure: Children and Young People, Adults and Health, Construction and Housing, Facilities Management and Transport, Environmental, and Business and Professional. Each pilot is being resourced through pooled teams of staff from PPPU and Procurement Unit, who work with commissioning colleagues in directorates. Each category team reviews service needs and pressures, and current expenditure and procurements, in the category. Opportunities, issues and risks are identified, forward plans are resourced and prioritised, and action is taken to address identified priorities.

- 3.9 The Children's Category Team was the first pilot to start. Working with colleagues in Children's Services the team has mapped current contracts and known future procurements, agreeing priorities and resourcing. Working in this way the team, together with directorate colleagues, has secured a number of 'quick wins', reducing in-year expenditure and procuring new contracts which aim to secure better outcomes for looked after children at reduced cost. The newest teams (Environmental and Business and Professional) are at the initial mapping and planning stage.

### **Regional Working**

- 3.10 Opportunities are being taken to share best practice and lessons learned with procurement colleagues from across the region. In addition to regular monthly meetings hosted in Leeds, opportunities for collaborative procurement continue to be explored and implemented where this is found to improve value for money. Highlights include the 'Public Service Network' IT project and combined procurements for children's social care including fostering and residential care. These opportunities are delivering benefits for Leeds and the wider region, and have been welcomed by the organisations tendering for the work.

### **Business Information**

- 3.11 In order to drive improved value for money, it is important for the council to have a clear understanding of its procurement activity and performance, to benchmark against others and to identify and respond to key trends.
- 3.12 The programme has piloted a suite of management information tools to support this and will develop and roll out the approach in the new financial year. This includes a savings tracker, a procurement calendar, a contracts register, a supplier database, and an off-contract spend tracker. These tools are still in development, but are already helping staff to identify and take action on key trends and priorities, for example in reducing off-contract spend to less than 2.5% of the value of orders placed.
- 3.13 The council is now using a new, improved, electronic tender system. 'YORtender' is a regional facility shared with all local authorities in the Yorkshire and Humber region. Work to migrate to the new system is complete, including training and registration for suppliers. Further training and fine tuning is currently underway.
- 3.14 Work is also being undertaken to review and refresh the council's approaches to information publishing and also data protection with respect to procurement.

## **4 Benefits**

- 4.1 In delivering the ambition we will seek to realise a range of benefits for the council from its procurement activities: improved outcomes, improved value for money and savings, improved governance and assurance, improved engagement and transparency, and improved support for the council's wider ambitions. Specific targets are currently being developed for inclusion in the proposed report to Executive Board.

### **Value for money**

- 4.2 To support categories and procurements to secure best value for money, the programme outputs place focus on planning ahead and understanding the required outcomes, risks and benefits, and the budget, 'market place', and cost drivers.
- 4.3 Working jointly with directorates, effective procurement advice and expertise can result in significant opportunities to realise cashable savings. The approach has identified potential cashable savings in excess of £6.3m in 2012/13 and a further £4.4m in 2013/14. When taken over the life of the contracts to which these figures relate, the forecast savings are £20.2 million. Targets for future years will continue to be developed as part of the annual budget cycle, and savings opportunities will be tracked on a monthly basis.
- 4.4 The pilot category teams are also now working with directorates to review existing contracts and to reduce off-contract and non-contract spend.
- 4.5 Non-cashable savings, or cost avoidance, is also important in supporting the council's overall budget strategy, for example where by having implemented good procurement controls or contract management a price increase has been avoided or we receive more from the contract. It is difficult to quantify these savings and by definition they are not usually 'cashable' from a budget perspective. Nevertheless they do demonstrate the value added by effective procurement intervention and improve value for money.

### **Quality outcomes**

- 4.6 To increase the extent to which the council's contracts deliver the outcomes required, programme outputs support clear identification of outcomes and improved tender, contract and contract management documents and processes.
- 4.7 In addition, the programme outputs include a focus on contract and procurement risk management and assurance to seek to ensure that desired outcomes are achieved, to reduce the probability and impact of challenge, to reduce the amount of time spent on 'fire fighting', and to seek to ensure that the council is not exposed to unexpected costs or other unintended consequences from a procurement.

### **Wider ambitions**

- 4.8 To improve the consistency and transparency of the council's requirements for 'added value' from its procurement activity, the programme outputs support clear consideration of the council's wider ambitions when undertaking procurements and improved tender, contract and contract management documents to reflect these, for example requirements on employment and skills opportunities and other aspects of social value such as community benefit, environment, ethical and fair-trade, and equality.

- 4.9 The outputs from the programme also seek to support the council's values, particularly spending money wisely, but also working as a team for Leeds, being open, honest and trusted, working with communities, and treating people fairly.

#### **Providers of all sizes and from all sectors**

- 4.10 It is important that the council ensures that the best provider is identified for each contract, including small and medium sized enterprises (SMEs) and third sector providers.
- 4.11 The programme has received feedback from representatives from the third sector and private sector, including SMEs, and is seeking to reflect those views in the new approaches, including consideration of dividing procurements in to lots, approaches to supporting prompt payment of sub-contractors, and improved transparency in the council's procurement processes and procurement pipeline. We will continue to work with these representatives to identify further options for improvement and will work with regional colleagues to streamline pre-qualification and tender processes and documentation.

#### **Procurement professionals**

- 4.12 To deliver a world class procurement service requires appropriately skilled and experienced staff. Core training will be provided for all relevant staff, including informal coaching and training, and more formal training through CIPS (the professional body) and QA (the council's training provider).
- 4.13 Procurement and commissioning staff across the council will also continue to share issues, lessons, best practice and innovations.

#### **Recognised nationally**

- 4.14 A strong national reputation can help the council and its partners to secure further funding and freedoms. The programme has sought to capture best practice and once fully implemented should see Leeds once again at the forefront in public procurement.

### **5 Implementation**

- 5.1 If the new approach outlined above is approved at Executive Board in April, the strategy and supporting documents will be finalised, replacing all current LCC policies and procedures relating to procurement, and will be made available through the intranet and internet.
- 5.2 The pilot category teams will be firmed up and will continue to work with directorates to develop category plans and ensure all current contracts and planned future procurements are identified, recorded and resourced, with priorities identified and actioned. Work to develop management information reporting will continue, and the new strategy will be kept under review to ensure it incorporates lessons learned and responds to the 2014 refresh of European procurement rules.
- 5.3 There will be continued engagement with key stakeholders, and independent audit and assurance will be sought to challenge and test on a sample basis both

the system as a whole and compliance with it, in order to identify (and correct) any remaining weaknesses.

- 5.4 It is anticipated that it may take up to two years to achieve a 'steady state' in the council's new approach to procurement, to ensure that the improvements in planning and delivery are embedded in day-to-day working practices, and to ensure the council has the capacity and capability to deliver good procurement and be best in class.

## **6 Corporate Considerations**

### **6.1 Consultation and Engagement**

- 6.1.1 There has been extensive internal and external consultation throughout the Transforming Procurement Programme. Over 250 consultation meetings have been held to better understand stakeholder aspirations and the barriers they face within the procurement and contracting process. This includes engaging with commissioning and procurement staff across the council and others in related roles such as audit, finance and human resources. The team has also engaged with representatives from the private sector and the third sector, to ensure their views are considered within the programme, and has sought information from other local authorities on their approaches to procurement and the lessons they have learned.
- 6.1.2 In addition, the programme team has undertaken an extensive review of over 400 published best practice documents that are available locally and nationally, from the public, private and third sectors, and has reviewed recommendations contained in scrutiny reports and internal audit reports relating to the council's procurement practices.
- 6.1.3 The draft strategy was presented to Corporate Governance and Audit Committee in February 2012, specific elements have been considered at Sustainable Economy and Culture Scrutiny Board, briefings have been held with the Executive Member for Neighbourhoods, Planning and Support Services, and all elected members were invited to a briefing in February 2013. Comments from these briefings have been incorporated into the strategy and supporting documentation.
- 6.1.4 The team has not consulted the general public on these proposals due to the specialist nature of the review.
- 6.1.5 The outputs from the programme include prompts and tools to support appropriate communication, consultation and engagement throughout the procurement lifecycle with relevant elected members and key stakeholders appropriate to the category.

### **6.2 Equality and Diversity / Cohesion and Integration**

- 6.2.1 The programme has included equality issues as one of its workstreams and the outputs from the programme include prompts and tools to support appropriate consideration of equality and diversity throughout the procurement lifecycle.

### **6.3 Council policies and City Priorities**



- 6.3.1 The programme will be seeking approval from Executive Board to a refreshed procurement policy for the council in line with the proposals set out in this report.
- 6.3.2 The programme directly supports the council value of 'spending money wisely', and seeks to ensure that the council's other values are embedded in the council's procurement activities.
- 6.3.3 The outputs from the programme include prompts and tools to support a focus on outcomes and appropriate consideration of the council policies and city priorities throughout the procurement lifecycle.
- 6.3.4 The outputs from the programme also seek to reflect the outcomes from other council reviews including the commission on the future of local government, the review of area working, and work currently underway relating to an enabling corporate centre.

#### **6.4 Resources and value for money**

- 6.4.1 The costs of delivering the programme to date have been internal staffing costs. During the proposed implementation period, and beyond, the costs will continue to be internal staffing costs, however the focus will move towards directorate staff and away from the central procurement function. The Chief Officer PPPU / PU will develop proposals for a restructure to reflect the new ways of working.
- 6.4.2 The outputs from the programme include prompts and tools to support consideration of value for money throughout the procurement lifecycle, including tools to track savings opportunities and to support resource allocation which is proportionate to the value, risk and complexity of the relevant issue or task.

#### **6.5 Legal Implications, Access to Information and Call In**

- 6.5.1 There are no specific issues in this report with respect to these matters. The programme will result in recommendations for change to the council's Contracts Procedure Rules and some recommendations for change to the council's Scheme of Delegation. Proposals for change will be included within the annual review of the council's constitution in May 2013.
- 6.5.2 The outputs from the programme include prompts and tools to support active consideration and compliance with legal implications, access to information and call-in throughout the procurement lifecycle.
- 6.5.3 The proposed policy and supporting documents and tools will continue to be reviewed, including any refresh necessary to accommodate anticipated changes to European Procurement Directives which are proposed to come into force in 2014 through amended UK Public Procurement Regulations.

#### **6.6 Risk Management**

- 6.6.1 The programme operates in compliance with the council's risk management policy. The key risks with respect to implementing the proposals outlined in this report are the council's capacity to resource and meet the roles and responsibilities set out, and that compliance with the new policy will not be

complete. An implementation plan is being developed which will include communications, training and assurance in order to address these risks.

- 6.6.2 The outputs from the programme include prompts and tools to support consideration and active risk management of contract and procurement risks throughout the procurement lifecycle.

## **7 Conclusions**

- 7.1 The council is seeking to reduce expenditure and to improve outcomes and value for money from the goods, works and services that it buys.
- 7.2 A Transforming Procurement Programme has been formed to drive strategic and systematic change to our procurement activities to deliver economy, efficiency and effectiveness which is sustainable for the long term.
- 7.3 A refreshed policy has been developed and supporting documentation drafted.
- 7.4 Pilots of the new approach are underway. They are assisting in refining the policy and supporting documents and tools, and are now beginning to directly deliver benefits of additional savings and improved control.
- 7.5 Processes and tools to better manage procurement resources are in place, and systems have been developed to better understand and track our procurement activity, which in turn is improving our ability to manage the council's contracts and expenditure.
- 7.6 Consultation and engagement both within and external to the council is indicating support for the proposed new approach to procurement.

## **8 Recommendations**

- 8.1 That members of the Corporate Governance and Audit Committee note and comment on the contents of this report in advance of its submission to Executive Board.

## **9 Background documents<sup>1</sup>**

- 9.1 There are no background documents.

---

<sup>1</sup> 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.

**Report of Head of Licensing and Registration**

**Report to Corporate Governance and Audit Committee**

**Date: 19<sup>th</sup> March 2013**

**Subject: Licensing Decision Making Framework**

|  |                              |  |
|--|------------------------------|--|
| Are specific electoral Wards affected?<br>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?<br>If relevant, Access to Information Procedure Rule number:<br>Appendix number: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

**Summary of main issues**

1. This report details the Council's licensing decision making arrangements as requested by the committee at their meeting in November 2012.
2. This report does not contain an overview of the council's decision making framework as that was given in the Head of Governance Services' report to committee in November 2012.
3. The report concludes that the existing licensing decision making framework is effective and fit for purpose.

**Recommendations**

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

## 1 Purpose of this report

- 1.1 Members requested this report at their meeting in November 2012. The report details the decision making framework for licensing decisions.

## 2 Background information

- 2.1 This report provides assurance to the committee on the decision making framework for Licensing Act 2003, Gambling Act 2005, taxi and private hire and miscellaneous licensing (scrap metal dealers, motor salvage dealers, sex establishment licence, place of marriage, hypnotism, house to house collections and street collections).
- 2.2 Councillors have responsibility to set the policy which determines any decisions. Although it should be noted that certain licences are automatically granted in the absence of objections in accordance with the legislation. Dependant on the type of licence, Officers or Licensing Sub Committee makes individual decisions.
- 2.3 Details of the applicable policies, conditions and criteria agreed by councillors that are applied to licensing decisions are detailed at 3.10 onwards.
- 2.4 The Head of Licensing and Registration has responsibility to ensure that these licensing decision making arrangements are up to date, fit for purpose, effectively communicated, are made in accordance with legislation and/or local policy, routinely complied with and monitored.

## 3 Main issues

### Entertainment and Miscellaneous Licensing Decisions

- 3.1 Appendix 1 gives details of licensing decisions taken regarding Licensing Act 2003, Gambling Act 2005 and miscellaneous licences (scrap metal dealers, motor salvage dealers, sex establishment licence, place of marriage, hypnotism, house to house collections and street collections).
- 3.2 The following table shows the number of applications received for 2010, 2011 and 2012, and the number of decisions made by Licensing Sub-Committee after representations were received. Please note that where no representations have been received, the legislation dictates certain licences must be granted.

|                    |                            |                               | 2010 | 2011 | 2012 |
|--------------------|----------------------------|-------------------------------|------|------|------|
| Licensing Act 2003 | Premises Licences          | Number of applications        | 1065 | 1006 | 1034 |
|                    |                            | Number of committee decisions | 134  | 177  | 152  |
|                    | Club Premises Certificates | Number of applications        | 8    | 8    | 5    |
|                    |                            | Number of committee decisions | 3    | 4    | 2    |
|                    | Personal                   | Number of applications        | 498  | 467  | 517  |

|                   |                                       |                               |      |      |      |
|-------------------|---------------------------------------|-------------------------------|------|------|------|
|                   | Licences                              | Number of committee decisions | 6    | 5    | 5    |
|                   | Temporary Event Notices               | Number of applications        | 1490 | 1741 | 1741 |
|                   |                                       | Number of committee decisions | 0    | 23   | 6    |
| Gambling Act 2005 | Premises Licences                     | Number of applications        | 12   | 14   | 14   |
|                   |                                       | Number of committee decisions | 4    | 3    | 0    |
|                   | Permits                               | Number of applications        | 94   | 55   | 13   |
|                   |                                       | Number of committee decisions | 1    | 0    | 0    |
|                   | Small Society Lottery Registrations   | Number of applications        | 66   | 50   | 65   |
|                   |                                       | Number of committee decisions | 0    | 0    | 0    |
|                   | Temporary/ Occasional Use Notices     | Number of applications        | 4    | 0    | 0    |
|                   |                                       | Number of committee decisions | 0    | 0    | 0    |
| Miscellaneous     | Marriage Act Premises Registrations   | Number of applications        | 16   | 18   | 13   |
|                   |                                       | Number of committee decisions | 0    | 0    | 0    |
|                   | Sex Establishment Licences            | Number of applications        | 3    | 8    | 12   |
|                   |                                       | Number of committee decisions | 0    | 0    | 7    |
|                   | Scrap Metal Dealers Registrations     | Number of applications        | 11   | 21   | 59   |
|                   |                                       | Number of committee decisions | 0    | 0    | 0    |
|                   | Motor Salvage Operators Registrations | Number of applications        | 6    | 5    | 3    |
|                   |                                       | Number of committee decisions | 0    | 0    | 0    |
|                   | Street Collection Permits             | Number of applications        | 154  | 161  | 237  |
|                   |                                       | Number of committee decisions | 0    | 0    | 0    |
|                   | House to House Collection Permits     | Number of applications        | 25   | 39   | 27   |
|                   |                                       | Number of committee decisions | 0    | 0    | 0    |
|                   | Hypnotist Licences                    | Number of applications        | 2    | 2    | 2    |
|                   |                                       | Number of committee decisions | 1    | 0    | 0    |

### Taxi and Private Hire Licensing Decisions

- 3.3 The granting of an individual hackney carriage (HC) or private hire (PH) licence whether for a vehicle, driver or operator is a council function under the Local

Government Act 2000. The related functions of determining whether and how to enforce any failure to comply with the licence, including suspension or revocation of it, are dealt with in the same way. The licensing functions allocated to the council may be delegated by it to a committee of the council or a sub-committee of the council or an officer under Section 101 of the Local Government Act 1972.

- 3.4 These functions are concurrently delegated in Leeds to the Licensing Committee and to the Director of Resources under the Scheme of Delegation approved annually at full Council. The Director of Resources has sub-delegated that power to the Head of Licensing and Registration, the Section Head of Taxi & Private Hire Licensing and, in some circumstances, to Principal Managers, Licensing Officers and Licensing Supervisors. An extract from the current sub delegation scheme is attached to this report at Appendix 2. All decisions taken by officers are taken in accordance with policy and guidance decided by Members of Licensing Committee.
- 3.5 The legal provisions relating to the grant, refusal, suspension and revocation of Licences are set out in summary at Appendix 3 to this Report. There are statutory Rights of Appeal to the Magistrates Court against almost all the decisions that would take effect. The exceptions to this Right of Appeal are in relation to the refusal to grant a Hackney Carriage Proprietor's Licence where the Appeal lies directly to the Crown Court and in relation to a decision to suspend a Vehicle Licence under Section 68 of the Local Government (Miscellaneous Provisions) Act 1976 relating to the condition of the Hackney Carriage or Private Hire Vehicle where there is no right of appeal. Appeals must be lodged within 21 days of the decision. Notice of the decision being appealed must generally have been given in writing and with reasons.
- 3.6 It is also important to note that many decisions result from the application of other legislation and the decisions of other bodies such as the courts or DVLA. As explained earlier in this report, many officer decisions flow directly from the application of an approved council policy.
- 3.7 It should be noted that the Licensing Committee reviewed the current decision making framework for taxi and private hire licensing decisions in March 2012 and decided to retain the existing scheme of delegation.
- 3.8 The figures for 2010, 2011 and 2012 for applications, renewals, refusals, suspensions and revocations of taxi and private hire driver licences are set out in the table below.

|      | Applications | Refusals | Suspensions | Revocations |
|------|--------------|----------|-------------|-------------|
| 2010 | 629          | 18       | 86          | 69          |
| 2011 | 508          | 15       | 129         | 46          |

|      |     |    |    |    |
|------|-----|----|----|----|
| 2012 | 794 | 16 | 74 | 37 |
|------|-----|----|----|----|

- 3.9 When considering the above information it is important to note that there is no direct correlation between the number of suspensions and revocations in any one year. For example, the number of licences revoked in any one year will include a proportion which were suspended in the previous year.

#### Licensing Policy Review

- 3.10 As mentioned earlier in this report, the licensing decision making framework is dependent upon a comprehensive list of policies agreed, as appropriate, by the then Licensing and Regulatory Panel, the now Licensing Committee, Executive Board or Full Council. These policies are regularly reviewed by Licensing Committee in response to changes in legislation, law and practice, or other circumstances. Any changes are carried out after a full public consultation.
- 3.11 For example, at the moment the Statement of Licensing Policy for the Licensing Act 2003 and Gambling Act 2006 have both been recently approved and are not due a review until 2015. Due to a change in legislation, the Statement of Licensing Policy for the Licensing Act is being reviewed early and will be going out to public consultation mid-2013 before returning to Licensing Committee later next year. Any final amendments to this particular policy will need to be agreed at Full Council.
- 3.12 Another example is the Statement of Licensing Policy for the Licensing of Sex Establishments. This policy was adopted in 2011 with no time period for a review prescribed by legislation. However, in July 2012 Licensing Committee approved a further review of the policy to address local concerns. The draft policy has now completed its first public consultation and returned to Licensing Committee in February 2013 before a further period of consultation commences. Any amendments to this policy will need to be agreed at Executive Board.
- 3.13 A further example is the comprehensive review of all taxi and private hire licensing policies, which are currently going through Licensing Committee in accordance with the following timetable. Due to the volume of policies, pre-application criteria and conditions that need to be reviewed, these were split into three distinct groups of policies. All these policies are subject to a comprehensive public consultation before any changes are agreed.
- Group 1 (reported to Licensing Committee in October 2012): the taxi and private hire licensing application process, the medical exemption policy, stretched limousine conditions (driver, operator & vehicle) and private hire driver conditions. Some minor changes were made to the private hire driver conditions and the committee decided to make no changes to the other policies. All to be reviewed again in five years' time.
  - Group 2 (reported to Licensing Committee in January 2013): Private hire vehicle conditions (including wheelchair accessible vehicles, vehicle age criteria, livery signs and markings); Hackney carriage Vehicle conditions; plying for hire policy; and executive private hire conditions. All were agreed with no amendments and to be reviewed again in five years' time. It was

further agreed that a full vehicle profiling program be undertaken to enable the vehicle age criteria to be reviewed in three years' time in response to comments received during the consultation. Also, in response to other comments received during the consultation, the Licensing Committee agreed that a working group of elected Members undertakes an immediate review of the minimum value pre-condition for Executive Private Hire vehicles. The recommendations from this working group are due to return to Licensing Committee in April 2013 for approval.

- Group 3: Private hire operator conditions; private hire vehicle proprietor (including rental companies); convictions criteria. Currently out for initial public consultation and due to return to Licensing Committee mid-2013, before commencing a further period of consultation.

- 3.14 In addition to the existing taxi and private hire policies listed in 3.13 above, Licensing Committee have recently proposed a new policy to direct officers when exercising their delegated power to suspend a licence with immediate effect. These proposals went out to public consultation in January 2013 and will go back to Licensing Committee in May 2013 for final determination. In addition to this, Licensing Committee are currently reviewing the arrangements for carrying out CRB disclosures on taxi and private hire licence holders (see para 3.18 for further details).
- 3.15 This comprehensive review process ensures that Licensing Committee have up to date information on changes to legislation or law and practice, and are able to take account of public and trade opinion before any changes are considered. It should be noted that the review timetable does not stop the council from reviewing any policy at any time due to a change in any circumstances, as demonstrated by the early review of the Statement of Licensing Policy for the Licensing Act and Sex Establishments above. This review process ensures that all policies remain up to date and are fit for purpose.
- 3.16 All the above licensing policies are published on the council's website and form part of a comprehensive training programme designed for new Members of the Licensing Committee. Newly recruited officers are provided training in the policies as part of their initial appraisal process and can only take decisions after they have completed their training. Only a limited number of officers can take decisions at different levels in accordance with the scheme of delegation. All training is monitored through the appraisal process and regular meetings with their line manager.
- 3.17 Reports on the numbers of licences granted and any delegated decisions are provided to Licensing Committee so they can monitor the effectiveness of the licensing decision making framework and the policies that guide it. Entertainment Licensing and Taxi and Private Hire Licensing last provided reports to Licensing Committee in February 2013. The Committee has now requested that further update reports be provided on a 6-monthly basis.

#### Regular CRB Disclosures for Taxi and Private Hire Licence Holders

- 3.18 At your meeting in November 2012, Members also asked for further information regarding regular CRB disclosures for taxi and private hire licence holders. Licensing Committee had previously directed officers in June 2012 to review the



current arrangements for CRB disclosures for licence applicants and existing licence holders.

- 3.19 Presently, all applicants for a new licence are subject to a CRB disclosure. Any offences or cautions for existing licence holders are reported to the section by the police so they can be investigated as soon as possible. In addition existing licence holders are required to sign an annual declaration that they have not been found guilty of committing an offence on renewal.
- 3.20 In response to guidance issued by the Department of Transport in March 2010 and comments made by the council's internal audit section in February 2012, Licensing Committee want to consider introducing regular CRB checks for applicants and existing licence holders. The Department for Transport recommends disclosures be conducted on first application and every three years after this. The Council's internal audit section agreed with this recommendation.
- 3.21 In June 2012 the Licensing Committee asked officers to conduct a three month public consultation on this proposal. The outcome of the consultation was reported back to Licensing Committee in October 2012 which showed support for the proposal from both the trade and the public, but concerns from the trade regarding the increased cost to them as licence holders. The report also detailed the additional resources required to process the regular disclosures and the costs involved.
- 3.22 In response to the trade's concerns regarding the increased costs, officers reported on a new online scheme that the CRB were introducing in 2013 that would substantially reduce the cost for licence holders and possibly reduce the requirement for additional resources to process the disclosures. It would also allow the possibility of carrying out disclosures on a more frequent basis.
- 3.23 Licensing Committee deferred a decision on the introduction of three yearly CRB disclosures until April 2013 when more information on the new online process would be available.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 Licensing Committee regularly review the Statement of Licensing Policy for Licensing Act, Gambling Act, and Sex Establishment Licences as detailed in Appendix 1. These reviews involve a full public consultation as part of the process with the approval routes set by statute.
- 4.1.2 Licensing Committee is currently reviewing all taxi and private hire licensing policies, conditions and application criteria which involves a full public consultation process.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 Equality and cohesion screening assessments are carried out on all reviews of licensing policies.

### **4.3 Council policies and City Priorities**

4.3.2 Licensing decisions support the following elements of the Vision for Leeds: -

- Leeds' economy will be prosperous and sustainable, specifically high quality accessible, affordable and reliable public transport and making Leeds a lower carbon city;
- Leeds' communities will be successful, specifically that there are more community-led businesses that meet local needs; and
- Best City for Children, specifically helping ensure children are safe from harm.

4.3.3 Licensing decisions also support the following City Priorities: -

- Best City for Business, specifically improving journey times and the reliability of public transport and improve the environment through reduced carbon emissions; and
- Best City for Communities, specifically reduce crime levels and their impact across Leeds.

### **4.4 Resources and value for money**

4.4.1 The fee setting process for entertainment and miscellaneous licences are set out in Appendix 1. The council currently has to subsidise the cost of providing the Licensing Act licensing function in this area as the statutory fees do not cover the full costs associated with the process. The Government has recognised this as an issue affecting licensing authorities across the country and is currently introducing new legislation that will allow councils to set licence fees locally to help cover true costs.

4.4.2 Fees for taxi and private hire licensing are set locally to cover the costs of providing the service. The legislation states that funds raised from taxi and private hire licensing fees must be held in a ring-fenced account and used for providing the taxi and private hire licensing function only. These arrangements are fully complied with in Leeds.

### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 The legislation surrounding licensing decision making has been outlined earlier in this report and more details regarding the legal provisions for taxi and private hire licensing can be found in Appendix 3.

### **4.6 Risk Management**

4.6.1 The Head of Licensing and Registration gives assurance that the systems and processes that form part of the Council's licensing decision making framework are functioning well and that there are no risks identified by this report.

## **5 Conclusions**

5.1 That the licensing decision making framework meets the requirements of legislation and local council policy and remain effective and fit for purpose.

## **6 Recommendations**

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

## **7 Background documents<sup>1</sup>**

7.1 None.

---

<sup>1</sup> 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.

**Entertainment and Miscellaneous Licensing Decisions**

**Licensing Act 2003**

Process prescribed by statute

**Premises Licence**

New/variation                      Automatic grant in the absence of representations.  
If contested, determined by Licensing Committee

Minor Variation                      Licensing Officers decide whether the application meets  
the criteria (ie minor enough to be dealt with by this  
process). If not rejected and advised to apply for full  
variation .

Transfer of Licence/Change of Designated Premises Supervisor  
If uncontested granted automatically  
If contested, determined by Licensing Committee

**Club Premises Certificate**

New/variation                      Automatic grant in the absence of representations  
If contested, determined by Licensing Committee

Minor Variation                      Licensing Officers decide whether the application meets  
the criteria (ie minor enough to be dealt with by this  
process). If not rejected and advised to apply for full  
variation.

S90 Withdrawal of Certificate                      Decision made by Head of Licensing and Registration  
or Section Head if evidence shows club is not operating  
within club rules.

**Personal Licence**

New                                      Automatic grant in the absence of representations  
If contested determined by Licensing Committee

**Temporary Event Notice**

All temporary event notices are “notifications” rather than applications. Only acknowledgement required. Officers provide `counter notice` if number of prescribed occasions exceeded.

If West Yorkshire Police or Environmental Health serve an objection notice, matter heard by Licensing Committee who may serve a counter notice and prevent the event taking place.

## Review of Premises Licence

In our capacity as a 'responsible authority' designated officers may apply for the review of a licence where it is considered that premises continue to undermine one or more of the licensing objectives. However, the application is determined before a Licensing Committee.

## Representation against Premises Licence application/variation

In our capacity as a 'responsible authority' designated officers may submit representation against an application. However, the application is then determined before a Licensing Committee.

## Licensing Act 2003 Fees

Set by statute

## **Gambling Act 2005**

Process prescribed by statute

## Premises Licence

|               |   |
|---------------|---|
| New/variation | Automatic grant in the absence of representations.<br>If contested, determined by Licensing Committee |
|---------------|---|

## Licensed Premises Gaming Machine Permit

|                      |  |
|----------------------|--|
| Up to 2 machines     | Automatic entitlement, no decision made  |
| More than 2 machines | Decision made by Principal Licensing Officer depending on the size of the premises. If dissatisfied or the application is for more than 4 machines, determined by Licensing Committee. |

## Club Gaming/Machine Permit

|                        |   |
|------------------------|---|
| Fast track application | Automatically granted   |
| Non fast track         | Automatic grant in the absence of representations<br>,<br>If contested, determined by Licensing Committee |

## Occasional/Temporary Use Notices

All use notices are "notifications" rather than applications. No permission is given, just acknowledgement that the notice has been received.

## Small society lotteries

Permit issued subject to applicant meeting prescribed criteria.

## Review of Premises Licence

In our capacity as a `responsible authority' designated officers may apply for the review of a licence where it is considered that premises continue to undermine one or more of the licensing objectives. However, the future of the licence is determined before a Licensing Committee.

## Representation against Premises Licence application/variation

In our capacity as a `responsible authority' designated officers may submit representation against an application. However, the application is then determined before a Licensing Committee.

## Gambling Act 2003 Fees

Set by statute to a cap with local discretion. Delegated to Officers but approval generally approval sought by Licensing Committee.

## **Miscellaneous Licences**

Process set out by legislation in part but decision making subject to our constitution which sets out that officers are delegated to grant the following licences and permits in the absence of objections.

Furthermore regard must be had to the EU Services Directive `Tacit Consent' authorisation - licences are deemed granted after the given notice period in the absence of objections.

### Scrap Metal Dealer

Registration process with no ability to refuse .

### Motor Salvage Dealer

Automatic grant in the absence of objections. If contested, determined by Licensing Committee

### Sex Establishment (SEV, sex shop, sex cinema)

|                               |  |
|-------------------------------|--|
| New                           | All determined by Licensing Committee  |
| Renewal                       | Automatic grant in the absence of objections.<br>If contested, determined by Licensing Committee |
| Variation                     | Automatic grant in the absence of objections.<br>If contested, determined by Licensing Committee |
| Minor variation (advertising) | Determined by Licensing Committee  |

### Places of Marriage

Automatic grant in the absence of objections. If contested, determined by Licensing Committee

### Hypnotism

Letter of authorisation supplied provided applicant meets local criteria otherwise referred to Licensing Committee.

### House to house collections and street collections

Permit granted provided applicant meets local criteria, otherwise referred to Licensing Committee.

### Miscellaneous Licence Fees

No charge for Scrap Metal Dealer, Hypnotism, House to House and Street Collections. Others to local discretion. Delegated to Officers but approval generally sought by Licensing Committee

**Licensing Functions delegated by Licensing Committee**

|   |  |
|---|--|
| <p>Subject to the exceptions listed below, the Director of Resources is authorised to discharge the licensing functions<sup>2</sup> of the licensing authority.</p> <p><u>Exceptions:</u></p> <ul style="list-style-type: none"> <li>• any licensing function<sup>3</sup> reserved to full Council<sup>4</sup>; and</li> <li>• any licensing function where full Council has referred a matter to a committee other than the Licensing Committee<sup>5</sup>; and</li> <li>• any licensing function within the terms of reference of the Licensing Sub-committees<sup>6</sup>; and</li> <li>• to object when the Authority is consultee and not the relevant authority considering an application under the 2003 Act</li> </ul> | <p>Licensing Act 2003 and the Gambling Act 2005.</p> |
|---|--|

**Functions related to the Licensing Functions delegated by Licensing Committee**

Subject to the exceptions listed below, the Director of Resources is authorised to discharge the functions set out in the following table that are delegated to the Director of Resources by Licensing Committee

|     |   |   |
|-----|---|---|
| (a) | To license hackney carriages and private hire vehicles                  | (a) As to hackney carriages, the Town Police Clauses Act 1847 as extended by section 171 of the Public Health Act 1875 and section 15 of the Transport Act 1985 and sections 47, 57, 58, 60 and 79 of the Local Government (Miscellaneous Provisions) Act 1976<br>(b) As to private hire vehicles, sections 48, 57, 58, 60 and 79 of the Local Government (Miscellaneous Provisions) Act 1976 |
| (b) | To license drivers of hackney carriages and private hire vehicles       | Section 51, 53, 54, 59, 61 and 79 of the Local Government (Miscellaneous Provisions) Act 1976   |
| (c) | To license operators of hackney carriages and private hire vehicles     | Sections 55 to 58, 62 and 79 of the Local Government (Miscellaneous Provisions) Act 1976  |
| (d) | * To licence sex shops and sex cinemas and sexual entertainment venues. | The Local Government (Miscellaneous Provisions) Act 1982, Section 2, Schedule 3, the Policing and Crime Act   |

<sup>2</sup> “Licensing functions” means functions under the 2003 Act and the 2005 Act.

<sup>3</sup> “Licensing functions” means functions under the 2003 Act and the 2005 Act.

<sup>4</sup> Part 3, Section 2A of the Constitution sets out licensing functions reserved to full Council, as licensing authority under the 2003 Act.

<sup>5</sup> Under the provisions of Section 7(5)(a) of the 2003 Act

<sup>6</sup> Except where a Licensing sub-committee has arranged for the discharge of any of their functions by an Officer



|     |   |   |
|-----|---|---|
|     |   | 2009, Section 27.   |
| (e) | To license performances of hypnotism.                           | The Hypnotism Act 1952  |
| (f) | * To license persons to collect for charitable and other causes | Section 5 of the Police, Factories etc (Miscellaneous Provisions) Act 1916 and section 2 of the House to House Collections Act 1939 |

### **Exceptions**

The Director of Resources is not authorised to discharge those functions marked \* above where objections have been received.

### **Appointments to Sub-Committees**

The Director of Resources is authorised to appoint members to vacancies during the period between the local elections and the Annual Council meeting, in consultation with appropriate whips, in order to secure that meetings necessary to be held during that period can proceed with adequate and appropriate membership levels.

**SUMMARY OF LEGAL PROVISIONS FOR TAXI AND PRIVATE HIRE LICENSING**

**Grant, Refusal, Suspension or Revocation of the Licence**

- Hackney carriage drivers

- To grant a licence the applicant must be a fit and proper person.
- To suspend or revoke the licence the holder must have
  - (i) Been convicted of an offence involving dishonesty, indecency or violence, or
  - (ii) Been convicted of an offence under or failed to comply with the Town Police Clauses Act 1847 or the Local Government (Miscellaneous Provisions) Act 1976, or
  - (iii) For any other reasonable cause.

- Private hire drivers

The Council shall not grant a licence:

- (a) Unless satisfied that the applicant is a fit and proper person to hold a licence, or
- (b) The individual has been authorised to drive a motor vehicle for the 12 months prior to the date of the application.

A private hire driver's licence can be suspended, revoked or a renewal can be refused on the same basis that a hackney carriage driver's licence can be suspended, revoked or renewal refused.

- Private hire vehicles

Before granting a licence the Council must be satisfied that the vehicle is suitable in type, size and design for use as a private hire vehicle, not of a design or appearance to lead a person to believe it is a hackney carriage, in suitable mechanical condition, safe and comfortable and that the vehicle is insured. The 1976 Act allows the Authority to suspend, revoke or refuse to renew a vehicle licence on the grounds that it is unfit for use as a hackney carriage or private hire vehicle, an offence under or non compliance with the provisions of the Act of 1847 or the 1976 Act by the operator or driver or any other reasonable cause.

- Private hire operators

- The applicant must be a fit and proper person to be granted a licence.

- The licence can be suspended, revoked or there can be a refusal to renew on the following grounds:
  - Any offence under or non compliance with the provisions of the LG(MP) A 1976,
  - Conduct on the part of the operator which renders him unfit to hold the operator's licence,
  - Material change since the licence was granted of any of the circumstances of the operator affecting the basis on which the licence was granted,
  - Any other reasonable cause.

This page is intentionally left blank

## Report of Director of Resources

## Report to Corporate Governance and Audit Committee

**Date: 19<sup>th</sup> March 2013**

**Subject: Work Programme**

|  |   |
|--|---|
| Are specific electoral Wards affected?<br>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?<br>If relevant, Access to Information Procedure Rule number:<br>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                                      |
|--|--|--|
| <b>22<sup>nd</sup> April 2013</b>                              |  |  |
| Information Security Annual Report                             | To receive a report on the Council's Information Security arrangements.  | Chief Officer (Business Transformation)<br>Lee Hemsworth |
| Annual Business Continuity Report                              | To receive the annual report reviewing the Councils Business Continuity planning.  |  |
| Internal Audit Plan  | To receive a report informing the Committee of the Internal Audit Plan for 2013/14   | Chief Officer (Audit and Risk)<br>Tim Pouncey            |
| Calderdale Shared Service Agreement                            | To receive a report updating the Committee on the latest position with regards to the establishment of a Social Care System in partnership with Calderdale MBC | Steve Hume<br>Chief Officer (Resources and Strategy)     |
| Internal Audit Operating Standards                             | To receive a report which reviews the Internal Audit Operating Standards   | Chief Officer (Audit and Risk)<br>Tim Pouncey            |
| <b>July 2013</b>   |  |  |
| Release of Accounts for Public Inspection                      | To receive a report releasing the Accounts for public inspection.  | Chief Officer (Financial Management)<br>Doug Meeson      |
| Annual Internal Audit Report                                   | To receive the Annual Internal Audit Report  | Chief Officer (Audit and Risk)<br>Tim Pouncey            |
| Annual Decision Making Report (Including Licensing / Planning) | To receive a report presenting the outcome of the monitoring process relating to decisions taken at the Council  | Head of Governance Services<br>Andy Hodson               |

## CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

|  |   |   |
|--|---|---|
| Annual Report on Performance and Risk Management           | To receive a report regarding the Council's risk management arrangements.   | Chief Officer (Audit and Risk)<br>Tim Pouncey       |
| Internal Audit Quarterly Report                            | To receive the Internal Audit quarterly report  | Chief Officer (Audit and Risk)<br>Tim Pouncey       |
| Annual Financial Management Report (Incorporating Capital) | To receive the annual report reviewing the Financial Planning and Management Arrangements at the Council                              | Chief Officer (Financial Management)<br>Doug Meeson |
| KPMG – Interim Audit report                                | To receive the KPMG Interim audit report  | Chief Officer (Financial Management)<br>Doug Meeson |
| Clinical Governance Assurance                              | To receive a report of the Director of Public Health to highlighting the risk to the service and the plans to mitigate against these. | Dr Ian Cameron                                      |
| <b>September 2013</b>                                      |   |   |
| KPMG – Report to Those Charged With Governance –           | To receive a report giving the opinion on the financial statements, value for money conclusion and audit certificate.                 | Chief Officer (Financial Management)<br>Doug Meeson |
| Approval of LCC Accounts                                   | To receive a report requesting approval of the LCC Accounts   | Chief Officer (Financial Management)<br>Doug Meeson |



## CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

|  |  |   |
|--|--|---|
| Annual Governance Statement (and Review of the Code of Corporate Governance) | To receive and approve the Annual Governance Statement   | Head of Governance Services<br>Andy Hodson              |
| Internal Audit Quarterly Report  | To receive the Internal Audit quarterly report   | Chief Officer (Audit and Risk)<br>Tim Pouncey           |
| Local Government Ombudsman's Annual Letter                                   | To receive the annual letter from the Local Government Ombudsman   | Chief Officer Customer Services<br>Paul Broughton       |
| <b>January 2014</b>  |  |   |
| KPMG – Annual Audit Letter – including opinion                               | To receive a report certifying grants and returns and to consider the Audit Fee letter.                        | Chief Officer (Financial Management)<br>Doug Meeson     |
| KPMG – Certification of Grant Claims and Returns                             | To receive a report certifying grants and returns and to consider the Audit Fee letter.                        | Chief Officer (Financial Management)<br>Doug Meeson     |
| KPMG – Approval of External Audit Plan                                       | To receive a report requesting approval of the external audit plan   | Chief Officer (Financial Management)<br>Doug Meeson     |
| Internal Audit Quarterly Report  | To receive the Internal Audit quarterly report   | Chief Officer (Audit and Risk)<br>Tim Pouncey           |
| Treasury Management Annual Report  | To receive the annually Treasury Management Report providing assurance on the processes used by the department | Chief Officer (Financial Development)<br>Maureen Taylor |
| <b>April 2014</b>  |  |   |

## CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

|                                    |   |  |
|------------------------------------|---|--|
| Internal Audit Plan                | To receive a report informing the Committee of the Internal Audit Plan for 2013/14            | Chief Officer (Audit and Risk)<br>Tim Pouncey            |
| Internal Audit Quarterly Report    | To receive the Internal Audit quarterly report  | Chief Officer (Audit and Risk)<br>Tim Pouncey            |
| Information Security Annual Report | To receive a report on the Council's Information Security arrangements.                       | Chief Officer (Business Transformation)<br>Lee Hemsworth |
| Annual Business Continuity Report  | To receive the annual report reviewing the Councils Business Continuity planning.             |  |
| Annual Report of the Committee     | To receive the Annual report of the Committee reviewing the work completed over the last year | Head of Governance Services<br>Andy Hodson               |