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Leeds CITY COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Friday, 8th November, 2013
at 2.00 pm

MEMBERSHIP

Councillors

P Grahame	J Bentley	C Fox	R Finnigan
N Taggart		R Wood	
T Hanley			
G Hussain (Chair)			
E Taylor			
J Illingworth			
J Hardy			

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

A G E N D A

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

Item No	Ward	Item Not Open		Page No
3			**LATE ITEMS** To identify items which have been admitted to the agenda by the Chair for consideration (The special circumstances shall be specified in the minutes)	
4			**DECLARATION OF DISCLOSABLE PECUNIARY AND OTHER INTERESTS'** 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.	
5			**APOLOGIES** To receive any apologies for absence	
6			**MINUTES - 20TH SEPTEMBER 2013** To approve as a correct record the minutes of the meeting held on 20th September 2013.	1 - 6
7			**UPDATE REGARDING PROGRESS WITH THE DEVELOPMENT OF BUSINESS CONTINUITY PLANS FOR LCC'S MOST CRITICAL SERVICES.** To receive a report of the Deputy Chief Executive providing confirmation to the Committee that the 28 outstanding Business Continuity Plans for LCC's most critical services as reported in July 2013 have all been completed and signed-off before the end of September deadline.	7 - 10

Item No	Ward	Item Not Open		Page No
8			**UPDATE - SHARED SERVICE PARTNERSHIP WITH CALDERDALE METROPOLITAN BOROUGH COUNCIL TO MEET ADULT SOCIAL CARE TECHNOLOGY REQUIREMENTS** To receive a report of the Director of Adult Social Services providing an update on the progress of the ASC Systems Review Programme. It informs the Committee of the challenges that have been faced in the last six months and the steps that are being taken to effectively implement and provide effective technology solutions within Adult Social Care.	11 - 16
9			**OFFICE OF THE DIRECTOR OF PUBLIC HEALTH RISK MANAGEMENT ARRANGEMENTS** To receive a report of the Director of Public Health providing the Committee with assurance that the Office of the Director of Public Health has appropriate Risk Management processes in place and is working closely with colleagues within the Risk Management Unit to ensure that these processes are aligned with the Council's Risk Management Framework, complying fully with the Corporate Risk Management Policy.	17 - 26
10			**COMMUNITY ASSET TRANSFER DUE DILIGENCE** To receive a report of the Asset Management Service providing details of the due diligence processes undertaken for community asset transfer projects, particular around governance, insurance and financial management.	27 - 30

Item No	Ward	Item Not Open		Page No
11			**PUBLIC SECTOR INTERNAL AUDIT STANDARDS** To receive a report of the Deputy Chief Executive which informs the Committee of the new standards; and provides an assurance on compliance with the new standards. Also the report seeks approval of The Internal Audit Charter and asks the Committee to note the Internal Audit Quality Assurance and Improvement Programme (QAIP) as defined by the Public Sector Internal Audit Standards (PSIAS).	31 - 50
12			**TREASURY MANAGEMENT GOVERNANCE REPORT 2013** To receive a report of the Chief Officer Audit and Investment the annual report outlines the governance framework for the management of the Council's TM function. The report also reviews compliance with updated CIPFA guidance notes for practitioners on the Prudential Code for Capital Finance in Local Authorities issued in 2013.	51 - 58
13			**WORK PROGRAMME** To receive a report of the City Solicitor notifying and inviting comment form the Committee on the work programme.	59 - 62

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Corporate Governance and Audit Committee

Friday, 20th September, 2013

PRESENT: Councillor G Hussain in the Chair

Councillors P Grahame, T Hanley, C Fox, R Wood, C Gruen, E Taylor, J Illingworth, J Bentley and J Hardy

Apologies Councillors N Taggart

15 Appeals Against Refusal of Inspection of Documents

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

16 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

17 Late Items

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

18 Declaration of Disclosable Pecuniary and Other Interests'

No declarations were made.

19 Apologies for Absence

Apologies for absence were received from Councillor Taggart. Councillor C Gruen was in attendance as substitute for Councillor Taggart.

20 Minutes - 10th July 2013

RESOLVED – That the minutes of the meeting held on 10th July 2013 be approved as a correct record.

21 Matters Arising

Minute No. 9 – Update Regarding Progress With the Development of Business Continuity Plans for LCC's Most Critical Services.

The Head of Governance Services provided the Committee with an update with regards to the completion of Business Continuity Plans. It was reported that 10 plans were currently outstanding. The Committee were also informed

that the Chief Executive has written to individual service managers to ensure all plans are completed by the end of September as requested by the Committee.

22 Decision Making Framework; Annual Assurance Report

The City Solicitor submitted the annual report concerning the Council's decision making arrangements. The report brought together arrangements for planning and licensing matters together with decisions taken by the Executive Board and officers under their delegations from the Leader.

In presenting the report the Head of Governance Services commented on:

- the performance management arrangements that are in place;
- the positive contributions from the Scrutiny Board (Resources and Council Services) in aligning procurement processes with the decision making framework;
- the fact that special urgency provisions have not been used for key decisions during the last 12 month period.

A Member queried whether performance measures were in place to monitor reports submitted to Executive Board for decision which are subsequently withdrawn . The Head of Governance Services informed the committee that no such measures are in place and clarified that performance measures have been established solely to monitor compliance with the statutory responsibilities of the authority.

Also in attendance to answer any questions by Members were The Chief Planning Officer and the Head of Licensing and Registration.

With regards to the licensing aspect of the report Members commented on:

- The importance of all investigations relating to licensing being undertaken following internal protocols which adhere to legislation; and
- The numbers of applications both in terms of new applications and renewal. Members also discussed the reasons for licences being suspended and how they are resolved.

With regards to the planning aspect of the report Members gave consideration to:

- The usefulness of Members shadowing planning officers to help gain an understanding of how the planning service operates;
- The pressures faced by planning services in terms of balancing the demand for houses to be built and the concerns of residents effected by housing developments; furthermore the need to reduce the amount of appeals against decisions which are costly to defend;

- The desire for the involvement of Members and the community as early on in the planning process as possible and the need for improved access to planning officers and advice for Members;
- The importance of taking public health into account during the planning process for new housing developments; and
- The increasing workload faced by planning officers balanced against the budgetary pressures faced by the planning department.

RESOLVED – That the positive assurances provided in this report be noted.

23 Annual Assurance Report on Risk & Performance Management

The Deputy Chief Executive submitted a report providing the Committee with assurances on the strength of the Council's risk and performance management arrangements.

The Principal Risk Management Officer was in attendance to answer Members questions.

Members considered the report and discussed the recent transfer of Public Health Services to LCC and what work had been done to consider the risks of delivering these new services. The Committee were informed that Public Health had had their own risk management arrangements in place prior to the transfer and now work is on-going to establish a new risk register for the service in line with the Council's Risk Management Framework. As part of the Clinical Governance assurance report, due to be heard by the Committee in November, Members requested that risk management arrangements be addressed within this.

Members commented that the quarterly performance management reports to Scrutiny Boards could be improved to make them simpler to understand. It was noted by the Committee that work is underway to address this through the performance management review: the corporate Risk & Performance team has recently met with the Scrutiny Chairs who requested a range of report options be presented to them.

RESOLVED – That the assurances provided be noted

24 Annual Financial Management Report (Incorporating Capital)

The Deputy Chief Executive submitted a report which outlined the key systems and procedures which are in place to deliver such arrangements whilst ensuring the maintenance of adequate reserves. The report covered in detail the key components of the Council's financial management arrangements and aimed to give the Committee assurance that these systems and procedures are fit for purpose, up to date, embedded and being complied with.

The Chief Officer (Financial Services) was in attendance to present this report and respond to any questions from Members.

Members discussed the report in detail initially focussing on the funding arrangements in place for the Leeds City Region and how this effects the financial management of the Council.

Financial planning was discussed with officers specifically with regards to the possibility of future budget cuts and how these would be managed by the authority.

Members stressed the importance of ensuring that any potential risks or budgetary difficulties be identified at the earliest opportunity through regular monitoring.

Members noted the difficulties in funding services such as adult social care due to the difficulties of predicting the level of service demand. Officers present commented that in circumstances like this must be made based on the best information available assumptions.

RESOLVED - Note the assurances provided that the appropriate systems and procedures are in place to ensure that the Council delivers sound financial management and planning.

25 Internal Audit Report

The Deputy Chief Executive submitted a report providing a summary of Internal Audit activity for the period 1st July to 31st August 2013 and highlighted the incidence of any significant control failings or weaknesses.

The Head of Internal Audit was in attendance to answer any questions from Members.

Members discussed credit card charges on transactions made with the Council whether these could be reduced by negotiation with the bank and credit card companies.

Also considered was the closure of the ALMOs and transfer of their services back to the Council and the audit coverage that will take place following this.

Discussion took place on leaving care payments and the perceived gap in policy and guidance for staff in this area. Members requested assurance that young people were no losing out because of any lack of policy or guidance.

RESOLVED – That the work undertaken by Internal Audit during the period covered by the report be noted.

(Councillors P Graham and T Hanley left the meeting at 3:40pm during discussion of this item.)

26 Report on the Local Government Ombudsman's Annual Review Letter 2012/13

The Chief Officer (Access and Performance) submitted a report which discussed the Local Government Ombudsman's Annual Review Letter. It also summarised the Council's complaints and LGO cases for the period 1 April 2012 to 31 March 2013 and assessed the overall effectiveness of the Council's approach to complaints.

The Executive Officer Client and Customer Relations was in attendance to present the report and answer any questions from Members.

Members noted that the Ombudsman's report was not as detailed in previous years and that greater reliance was being placed on the complaints analysis undertaken by customer relations staff.

Discussion took place on the effect the absorption of the ALMOs into the council might have on complaints with the hope that there will be a reduction.

The large number of compliments received about council staff was noted by the Committee.

RESOLVED – That the supporting information providing external assurance as to the effectiveness of the Council's approach to complaints be noted.

27 Audited Statement of Accounts and the Value for Money Assessment 2012/13

The Principal Finance Manager presented a report The Deputy Chief Executive which required the Committee to approve the Council's final audited Statement of Accounts and consider any material amendments recommended by the auditors.

Mike McDonagh and Heather Garrett from KPMG were in attendance to discuss the report and answer Members questions.

The report was welcomed by the Committee and Members congratulated financial management staff for their work in compiling the accounts.

RESOLVED –

(a) That the Committee Receive the report of the Council's external auditors on the 2012/13 accounts and note that there are no audit amendments required to the Accounts;
(b) That the final audited 2012/13 Statement of Accounts be approved and that the Chair acknowledge the approval on behalf of the Committee by

signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts;

(c) That on the basis of assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee; and

(d) That KPMG's VFM conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources be noted.

28 Annual Governance Statement

The City Solicitor submitted a report presenting the Annual Governance Statement.

The Head of Governance Services was in attendance to present the report and answer Members' questions.

Members considered the review of effectiveness of the council's governance arrangements and the assurances received from lead officers, particularly those from Internal Audit and from the council's appointed auditors KPMG.

RESOLVED –

(a) That The Committee approve the attached Annual Governance Statement; and

(b) That the Leader of Council, Chair of Corporate Governance and Audit Committee, Chief Executive and Director of Resources be recommended to sign the document on behalf of the Council.

29 Work Programme

The City Solicitor submitted a report notifying Members of the work programme.

The Committee reviewed its forthcoming work programme.

RESOLVED - The Committee resolved to note the forthcoming reports.

Leeds CITY COUNCIL

Report author: N Street
Tel: 74341

Report of the Deputy Chief Executive

Report to Corporate Governance & Audit Committee

Date: 8th November 2013

Subject: Update regarding progress with the development of Business Continuity Plans for LCC's most critical services.

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

Summary of main issues

1. This report provides an update regarding completion of the outstanding Business Continuity Plans for LCC's most critical services by the end of September 2013 deadline.

2. The 28 Business Continuity Plans remaining outstanding as reported to the Corporate Governance & Audit Committee in July 2013 have all been completed and signed-off. All 28 were completed before the end of September 2013 deadline.

3. All 67 of LCC's most critical services as reported in July 2013 have Business Continuity Plans in place.

4. The influence and support provided by the Corporate Governance & Audit Committee is acknowledged with completion of the 28 outstanding Business Continuity Plans.

Recommendations

5. The Corporate Governance & Audit Committee is asked to note that all 67 of LCC's most critical services reported in July 2013 have Business Continuity Plans in place.

1 Purpose of this report

1.1 The purpose of this report is to confirm to the Corporate Governance & Audit Committee that the 28 outstanding Business Continuity Plans for LCC's most critical services as reported in July 2013 have all been completed and signed-off before the end of September deadline.

2 Background information

2.1 The Civil Contingencies Act 2004 made it a statutory duty of all Category 1 responders (including Councils) to "have in place arrangements to be able to continue to deliver critical aspects of their day to day functions in the event of an emergency if the impact on the community is to be kept to a minimum".

2.2 For LCC to achieve and maintain compliance with the statutory duty, a centrally managed BCM Programme was established. The BCM Programme provides a structured approach and support to directorates using good practice guidance aligned with the British Standard BS 25999 to support development of the required Business Continuity Plans.

2.3 During 2012, as a starting point for the programme, LCC identified 67 services as being most critical i.e. those services which require recovery from disruption within 24 hours and require Business Continuity Plans.

3 Main issues

3.1 A Business Continuity Plan is a documented procedure and associated information that is developed, compiled and maintained in readiness for use during an emergency or disruptive incident to enable the service to continue to deliver its critical activities at an acceptable level.

3.2 The first stage towards developing Business Continuity Plans commenced in 2012 with the completion of Business Impact Analysis for each critical service *without* a Business Continuity Plan in place.

3.3 The second stage also commencing in 2012, used the output from the Business Impact Analysis to inform development of initial draft Business Continuity Plans.

3.4 By the time that the Annual Business Continuity Report was presented to the Corporate Governance & Audit Committee in April 2013, just 27 (40%) critical services had Business Continuity Plans in place. The Corporate Governance & Audit Committee raised concerns and requested that a further progress update be presented at the July 2013 meeting.

3.5 The July 2013 update report showed that some progress had been made with 39 (58%) critical services having Business Continuity Plans in place. The Corporate Governance & Audit Committee raised concerns that this situation needed resolving and their concerns were relayed to CLT who agreed a deadline of the end of September 2013 for the remaining 28 outstanding Business Continuity Plans to be completed.

3.6 All 28 outstanding Business Continuity Plans were completed and signed-off before the end of September 2013 deadline. All 67 of LCC's most critical services as reported in July 2013 now have Business Continuity Plans in place.

3.7 On sign-off, the responsibility for the on-going maintenance, development and testing of each Business Continuity Plan is handed-over to the service. The service is also responsible for raising awareness of the Business Continuity Plan to staff members particularly those who have roles and responsibilities in responding to an emergency or disruptive incident. Corporate responsibility will be to ensure that an annual management review of the Business Continuity Plan takes place and that any revisions identified as a result of the review are implemented.

Phase 2 BCM Programme

3.8 The Civil Contingencies Act 2004 states that "Category 1 responders make provision for ensuring that their ordinary functions can be continued to the extent required". Phase 2 of the BCM Programme will focus on the 'ordinary' functions i.e. those functions that are important to the human welfare and security of the community and its environment. These are services requiring recovery within 24 hours to 1 week of a disruption occurring. The original criticality assessment completed in winter 2011 identified 196 such service areas.

3.9 Scoping of Phase 2 is to commence in November and will be informed by the findings of the 2011 criticality assessment and the current directorate structures published on InSite. It is proposed that each Directorate Emergency Management Group will act as a filter to refine and prioritise the output of Phase 2 scoping prior to seeking final validation from each Directorate Management Team.

3.10 Other work falling under Phase 2 will include the identification and development of Business Continuity Plans for Public Health's critical services, the continued pilot of the assessment of Business Continuity Plans for commissioned services and the completion and launch of the School Emergency Plan guidance and template.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 Externally, the BCM Toolkit (templates and guidance) has been shared with the Emergency Planning College and Core Cities for peer review purposes. Internally the BCM Toolkit was reviewed by the Corporate Risk Management Group. In all cases positive feedback was received providing confidence in the adequacy and completeness of the toolkit.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 All templates and guidance published on the LCC InSite Website have been assessed by the Equality & Diversity Team to check that due regard has been given and that Plain English requirements fulfilled.

4.3 Council policies and City Priorities

4.3.1 The LCC Business Continuity Policy sets out the requirements placed upon services across the Council.

4.4 Resources and value for money

4.4.1 No implications.

4.5 Legal Implications, Access to Information and Call In

4.5.1 A failure to maintain critical services during a disruption may result in a risk to the health and well-being of service users or a failure to comply with our legal responsibilities. Robust business continuity arrangements will help to reduce the likelihood of litigation against LCC for failing to meet its responsibilities.

4.6 Risk Management

4.6.1 The Corporate Risk LCC2 Council Resilience is one of six 'standing risks' on the Corporate Risk Register "unlikely to ever go away" for which CLT requires quarterly assurances on how the risk is being mitigated and managed. The implementation of Business Continuity Plans for LCC's most critical services will underpin the required assurances relating to the mitigation and management of this risk.

5 Conclusions

5.1 The 28 Business Continuity Plans remaining outstanding as reported to the Corporate Governance & Audit Committee in July 2013 have all been completed and signed-off. All 28 were completed before the end of September deadline.

5.2 All 67 of LCC's most critical services as reported in July 2013 have Business Continuity Plans in place.

6 Recommendations

6.1 The Corporate Governance & Audit Committee to note the completion of all 28 outstanding Business Continuity Plans (reported as such at July 2013) by the end of September 2013 deadline.

6.2 The Annual Business Continuity Report is due in April 2014. This will provide the Corporate Governance & Audit Committee with an update on progress with Phase 2 of the BCM Programme.

7 Background documents[1]

7.1 None.

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

Leeds CITY COUNCIL

Report author: Steve Hume
Tel: 2478704

Report of Director of Adult Social Services

Report to Corporate Governance and Audit Committee

Date: 8th November 2013

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

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

Summary of main issues

1 This is the third report presented to the Corporate Governance and Audit Committee, regarding Leeds City Council's partnership agreement with Calderdale Metropolitan Borough Council (MBC) for the sharing, use and joint development of its Case Management and Information System named CIS (Client Information System).

2 The main issues covered in this report are as follows:

- The governance arrangements detailed in previous reports continue to provide effective management and control of the partnership arrangements and implementation of the new system.

- A joint strategic development group, made up of operational staff from both authorities is providing an invaluable forum to jointly share, discuss and ultimately shape future ways of working and best use of shared technologies. A key priority for this group is to place Leeds and Calderdale in the best position to meet the emerging challenges presented by the future social care reforms.

- The implementation of the new system is progressing well across the key areas, which include:
  - CIS implementation
  - EDRMS
  - Enhanced reporting and business intelligence
  - Data preparation and migration
  - Establishing business readiness

- There has been some initial delay to the development of the Leeds version of CIS. Due to the unique circumstances of the partnership, at the outset it was recognised as a key risk that it could require more time to build the necessary capacity and capability available from Calderdale MBC with the appropriate expertise. Whilst this was an issue initially, Calderdale MBC has responded quickly and taken steps to rectify the position and prevent any further delays.

- There have also been some issues in setting up the dedicated social work team to work on the implementation. This is due to the difficulties in releasing experienced staff without compromising frontline services at a time of immense change and operational pressures. This has been carefully managed and the full social work team working on the project is now in place.

- A review and re-scheduling exercise is being carried out to assess the issues that have been encountered and to understand their potential impact. The programme is in the process of being re-scheduled to ensure that there is no impact to the quality of the solution that is implemented and to consider where any time that has been lost could be pulled back.

Recommendations

1 It is recommended that the Corporate Governance and Audit Committee review the issues outlined in this report and note the progress that has been made, as well as the challenges that have been encountered. Corporate Governance and Audit Committee members are invited to make comments and raise any concerns to support the successful implementation of the programme.

2 It is recommended that the Corporate Governance and Audit Committee agree to receive a further report on the progress of the programme in 6 months' time.

1 Purpose of this report

This report has been written to provide an update on the progress of the ASC Systems Review Programme. It will inform Corporate Governance and Audit Committee members of the challenges that have been faced in the last six months and the steps that are being taken to effectively implement and provide effective technology solutions within Adult Social Care.

2 Background information

2.1 Leeds City Council has entered a partnership agreement with Calderdale MBC to share, use and jointly develop its case management and information system CIS. As agreed by Leeds City Council's Executive Board in July 2012, this solution will replace the current bespoke case management system in Adult Social Care (ASC), named ESCR, and the accompanying ESCR financial system.

2.2 The ASC Social Care Systems Review Programme was established to manage the implementation. The programme consists of five main areas of activity:

- **CIS implementation**: the implementation of Calderdale's CIS case management system, including integrated financial and contract management modules, in partnership with Calderdale MBC to meets Leeds' requirements

- **EDRMS**: The implementation and integration of Leeds City Council's corporate Electronic Document and Records Management System (EDRMS) in parallel with the implementation of CIS. This will enable a single, fully electronic client record.
- **Enhanced reporting and business intelligence**: The development and build of a reporting and business intelligence (BI) solution to meet the reporting requirements of ASC through the use of existing corporate reporting and business intelligence technology
- **Data preparation and migration**: The work to prepare all of ACS's data and move it into the right places in CIS from existing data sources such as ESCR, ESCR Financials and bespoke spread-sheets
- **Establishing business readiness**: The preparation of the business (service areas within ASC) for the new system, including establishing the systems and processes to ensure the benefits of the new system are realised and full training on CIS is rolled out across ASC

2.3 It was initially estimated that the replacement system would be ready to go live for 1st April 2014. This date is under review in view of the issues outlined in this report.

3 Main issues

3.1 Governance Arrangements

3.1.1 The governance arrangements detailed in previous reports continue to provide effective management and control of the partnership arrangements and implementation of the new system.

3.1.2 The governance has proved effective in escalating and resolving the issues encountered in the project to date.

3.1.3 A joint strategic development group, made up of operational staff from both authorities is providing an invaluable forum to jointly share, discuss and ultimately shape future ways of working and best use of shared technologies. A key priority for this group is to place Leeds and Calderdale in the best position to meet the emerging challenges presented by the future social care reforms.

3.2 Progress To Date

3.2.1 **CIS implementation:** The majority of the Leeds environments (servers) have been built which will support testing and training. The development of CIS to meet specific Leeds needs has been planned in four stages. The second release of the Leeds specific CIS developments, which contains approximately 45% of the required changes, is currently in the testing stage with the third release scheduled to be in Leeds for the end of November.

3.2.2 **EDRMS:** Work is underway to develop the corporate electronic document records management solution and integrate this with CIS to provide a full electronic client record. This is a joint collaboration between Calderdale and Leeds developers and social work practitioners in Leeds to provide an enhanced and very secure client record in a single place. Approximately 200,000 existing attachments on ESCR have also been identified and prepared for migration to the new electronic document records management system.

3.2.3 **Enhanced reporting and business intelligence**: Provision of essential information and intelligence about care services is becoming increasingly critical and complex. The ASC solution is being developed, utilising the work and technology that has been used to develop a solution for children's social work

services (CSWS). The design and build of the solution is on track in-line with the CIS development schedule. The solution is being developed in a way to meet the changing information needs driven by integrated health and social care services and the future care reforms.

3.2.4 **Data preparation and migration:** A significant amount of work has been carried out, on the 15,000 open ASC client cases, to improve the quality of the data on the existing system in preparation for the migration. On-going work in operational teams has also improved the quality of recording across ASC to ensure the level of quality is maintained. There are approximately 88,000, old and new, adult client records on the system, which equates to several million rows of data which will be require migrating. Work carried out on the migration of CSWS data to the new children's system has provided invaluable knowledge and skills to aid the ASC migration.

3.2.5 **Establishing business readiness:** The engagement and involvement of operational teams and social care practitioners is essential to the success of the project. Detailed business implementation and engagement plans have been put in place taking into consideration the day-to-day pressures of frontline staff. The engagement that has taken place in ASC has been vital to ensure the design of the system is fit for purpose.

3.2.6 The programme is currently being delivered within the budget allocated and as previously reported has delivered some savings against budget as a result of the close working between the programme and the Children's Services programme.

3.3 Resource availability from Calderdale MBC

3.3.1 Due to the unique circumstances of the partnership, at the outset it was recognised as a key risk that it could require more time to build the necessary capacity and capability available from Calderdale MBC with the appropriate expertise. Once the development of the Leeds version of CIS began, it transpired that the capacity allocated to the project in Calderdale to develop the system and at the same time support the Leeds team to learn how it works was insufficient. This resulted in a delay to the development of the initial Leeds version of CIS.

3.3.2 The situation has now been rectified, with additional Calderdale resources allocated to the project both in Calderdale and based on site in Leeds. As a result, collaborative working has improved and will continue to improve as working relationships and knowledge develops.

3.4 Release of front line staff to work on the programme

3.4.1 From the beginning of the project, LCC Officers and Councillors have been clear that for the new system to be a success, it must be built specifically to support the work undertaken in ASC. Practitioners have an essential role to play in the process of defining how the system needs to work to meet their needs.

3.4.2 The original programme plan involved the secondment of a number of social workers and a social work team manager to form a dedicated social work team to work specifically on the programme. The activities planned for this team included:

- assisting the Analyst team to ensure that Leeds CIS developments are fit for purpose;
- engaging in the testing process
- working with operational colleagues and promoting the new solution to colleagues across ASC preparing them for the change.

Ultimately they will provide the social work expertise to ensure the system is fit for purpose.

3.4.3 Due to frontline pressures (both operational and transformational) and the priority to ensure services are not compromised, the social workers recruited to the programme have only recently been able to be released from their substantive posts. As a result, the programme will need to be rescheduled in a number of areas that depend on their input, such as the system build, testing and business engagement.

3.4.4 At the time of writing this report the full team had been in place for two weeks with the focus on getting up to speed with the project and the new system. Once up to speed it is envisaged that the work will quickly accelerate with their support and involvement.

3.5 Review and re-planning exercise

3.5.1 In light of the challenges outlined in sections 3.3 and 3.4, and in order to ensure that the quality of the implementation is not compromised, the decision has been made to undertake a review and re-scheduling exercise. This will involve reviewing the issues that have been encountered and their potential impact on the overall programme and re-scheduling the programme delivery as appropriate.

3.5.2 Consequently timescales will now be tighter than originally planned, however the priority for the programme is to ensure that a solution is delivered to practitioners that is fit for purpose and will help staff to work with our customers to achieve the best possible outcomes. It is essential therefore, that at this point we take the time to understand if there will be any implications for the solution that will be delivered and to re-schedule as necessary to ensure all of the anticipated benefits are realised. The outcome of this review and any rescheduling required is due to be considered by ASC Directorate Leadership Team on 7th November 2013.

3.5.3 The next phase of the project involves the second development release (Release 3) of the Leeds version of CIS as well as a number of system build, configuration and testing activities. The social work team have a critical role in these areas. It is as yet unclear if the time lost can be recuperated however a contingency plan has been formulated and considered by the Delivery Board to cover this eventuality.

3.5.4 In light of the outcomes of the review not being presented to ASC Directorate Leadership Team until 7th November, and therefore not contained in this report, a verbal update will be provided to members of the CGA Committee.

4 Risk Management

4.1 The innovative approach to forming a partnership with Calderdale and the implementation of their CIS case management system was always going to be high risk due to its very nature.

4.2 Whilst some issues have arisen these are being effectively managed through the governance arrangements that have been put in place. The boards in the governance model, including the Delivery Board, the Calderdale CIS joint Strategic Development Group and the Leeds and Calderdale Partnership Board are running effectively.

4.3 Along with the programme team, the boards are actively working to manage dependencies, risks and budget and ensure the effective delivery of the project. The boards support the review and re-scheduling exercise and have responsibility for agreeing the resultant plan. The main priority is to ensure we do not compromise the quality of the system and implementation for go-live.

4.4 Due to the programme being implemented in a time of unprecedented change across ASC, the environment in which the project is being delivered is highly complex, including:

- The integration of health and social care
- Significant service changes in response to the Better Lives Programme
- Service wide preparation for the social care reforms, including changes to technology
- Significant financial pressures
- Increasing demand and operational pressures on front-line staff

It must also be noted that the implementation of the new Children's system has been happening at same time. Any complications that have occurred have been managed appropriately and no issues are anticipated. However, if any final migration issues occur they could have a knock on effect for Adults system migration resource.

A key responsibility of the Boards within the governance structure will be to continually review the position throughout the implementation and act accordingly.

5 Conclusions

5.1 Progress has been made on all areas of the programme including the preparation of our data for migration; establishing business readiness; integration with EDRMS; reporting and business intelligence and the initial LCC CIS build in addition to the release of the first LCC specific CIS developments into LCC

5.2 The Corporate Governance and Audit Committee can be reassured that the established governance arrangements not only continue to effectively manage the risk and challenges posed by such an innovative programme but also ensure we are positioned to meet the emerging challenges presented by the future social care reforms

5.3 There has been some initial delay to the development of the Leeds version of CIS due to limited capacity available initially from Calderdale MBC with the appropriate expertise. Challenges due to frontline Adult Social Care (ASC) pressures have affected the availability of Leeds practitioners to work on the programme. These issues have been resolved and the programme is being re-rescheduled accordingly.

5.4 The programme is being re-scheduled to ensure that it continues to deliver within budget and that there are no compromises to the required level of quality.

6 Recommendations

6.1 It is recommended that the Corporate Governance and Audit Committee review the issues outlined in this report and note the progress that has been made, as well as the challenges that have been encountered. Corporate Governance and Audit Committee members are invited to make comments and raise any concerns to support the successful implementation of the programme.

6.2 It is recommended that the Corporate Governance and Audit Committee agree to receive a further report on the progress of the programme in 6 months' time.

Report author: Dr Ian Cameron
Tel: 0113 2474414

Report of: The Director of Public Health

Report to: The Corporate Governance and Audit Committee

Date: 8 November 2013

Subject: Office of the Director of Public Health Risk Management Arrangements

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

Summary of main issues

1. At the last Corporate Governance and Audit Committee meeting held on Friday 20 September 2013, members sought assurance that, having transferred over to Leeds City Council on 1 April 2013, the Office of the Director of Public Health had robust procedures in place in terms of its Risk Management arrangements.

2. Prior to transferring over to the Local Authority, the strategic, operational and clinical risks associated with the work of Public Health within Leeds Primary Care Trust (PCT) were regularly reviewed and updated by both the PCT's Governance and Risk Committee and its Board.

3. This report provides the Corporate Governance and Audit Committee with assurance that Risk Management processes are currently in place within the Office of the Director of Public Health and that Public Health is working closely with colleagues within the Risk Management Unit to ensure that these processes are aligned with the Council's Risk Management Framework.

4. The report also provides, following a previous request from Committee members, details on Public Health's Clinical Governance arrangements.

Recommendations

5. The Corporate Governance and Audit Committee is asked to:

(a) receive the report on Public Health's Risk Management arrangements, acknowledging that further work will be undertaken to strengthen these and fully align them to the Council's Risk Management Framework;
(b) receive information on Public Health's Clinical Governance arrangements;
(c) note that the Public Health Governance Group will provide assurance to the Committee that it has sound Risk Management arrangements in place; and
(d) agree that an Annual report will be presented to the Committee in July 2014.

1. Purpose of this report

1.1 This report provides Committee Members with assurance that the Office of the Director of Public Health has appropriate Risk Management processes in place and is working closely with colleagues within the Risk Management Unit to ensure that these processes are aligned with the Council's Risk Management Framework, complying fully with the Corporate Risk Management Policy. The intention of the paper is to also satisfy the Committee that the Public Health Team applies Risk Management to its budget, contract and business planning processes. Public Health is mindful of the Best Council Business Plan and the need for delivering the Council's priorities whilst recognising and managing the key risks facing the Office of the Director of Public Health. Given that Leeds Primary Care Trust regularly monitored the risks associated with Public Health, prior to its transfer over to the Local Authority on 1 April 2013, risk management has always been recognised as an integral part of the work of the Public Health team, ensuring that sound corporate governance arrangements are in place.

1.2 The paper further provides, following a previous request from Committee members, details on what Public Health's Clinical Governance arrangements are in place within the overall Public Health risk management arrangements.

2. Background information

2.1 The "main issues" section of the report provides assurance to the Committee that the Public Health directorate has appropriate Risk Management and Clinical Governance arrangements in place and steps are being taken to fully comply with the Council's Risk Management Framework.

3. Main issues

3.1 On 1 April 2013, the Primary Care Trust (PCT) for Leeds ceased to exist and Public Health transferred to Leeds City Council to become a new Office of the Director of Public Health.

3.2 The roles and responsibilities of the Director of Public Health have been set out in guidance issued to Local Authorities by the Department of Health (Directors of Public Health in Local Government: Roles, Responsibilities and Context (Department of Public Health - October 2012)).

3.3 The various ways these functions will be undertaken were set out in a report to the Executive Board in June 2012. A key function is the commissioning of a comprehensive range of Public Health services. That range of services, some mandatory, others discretionary are set out in Appendix 1. Out of the £36.8m ring fenced Public Health Grant, £30.8m (or 84%) is spent on commissioning Public Health services.

4. Public Health Risks and Leeds City Council Risk Management Policy

4.1 Leeds Primary Care Trust commissioned clinical services for patients. Under the NHS, there were established Clinical Governance arrangements by Commissioners and Providers, both separately and together. These structures and processes were in place to ensure a culture of accountability for quality, safety and risk management. This included the embedding of quality standards, evidence based practice and national guidance including NICE guidance. The focus being on continual improvement, with the assessment and management of associated clinical risks.

4.2 NHS arrangements include well-established arrangements for the escalation of serious untoward incidents within Provider organisations and communicated to Commissioners and national bodies if necessary. A practical illustration across Leeds comes from 2009 when a review of cervical smears highlighted one General Practitioner as an outlier with its practises not meeting expected standards. As part of the risk management response, the Director of Public Health organised the recall of 900 women to have further cervical smears.

4.3 Leeds City Council has now taken on Commissioning responsibilities for a number of services that continue to be provided by NHS Trusts, General Practitioners and Pharmacists. In terms of clinical risks, the most significant are sexual health services, drug and alcohol treatment services.

4.4 The clinical governance responsibilities for these services have now passed from Leeds Primary Care Trust to Leeds City Council. Although the term clinical governance is well established, the recent appalling events at Mid Staffordshire NHS Trust have put the focus on quality and safety, including clinical effectiveness and patient experience. There is therefore a shift away in health from the term clinical governance towards using the phrase quality and safety. In parallel with these developments, the Office of the Director of Public Health will seek to ensure and assure governance arrangements for Public Health commissioned services, focused on quality and safety. This will be through the new formal contractual relationships with providers.

Safeguarding, Continuous Improvement, Incident Reporting, Complaints and Data Protection

4.5 An important assurance for the Corporate Governance and Audit Committee is that Leeds City Council is using the Department of Health contract that has been specifically produced for Public Health services commissioned by Local Authorities. This detailed contract covers, for example, incident reporting, data protection, continuous improvement requirements, complaints and safeguarding. Public Health services commissioned from Leeds Teaching Hospitals NHS Trust, Leeds Community Healthcare NHS Trust and Leeds and York Partnership NHS Foundation Trust are already on these contracts. Transfer is imminent for those Public Health service contracts for GPs and Pharmacists. Contracts for the Voluntary, Community and Faith Sector will transfer shortly to Council contracts.

4.6 The challenge for Local Authorities in taking on “clinical governance” responsibilities for Public Health services is recognised. While work has been undertaken nationally with mention of national guidance for Local Authorities, nothing has emerged to date. The Director of Public Health continues to discuss progress with other Directors of Public Health in Yorkshire and the Humber on a regular basis, plus with Directors of Public Health in the North West and North East of England. In summary, each area is finding its own way on this. Work includes ensuring links are developed between the existing NHS escalation arrangements including serious untoward incidents, and with Leeds City Council as a new commissioner.

5. Public Health Risk Management Arrangements Within Leeds City Council

5.1 In line with the planned work programme presented to the Corporate Governance and Audit Committee in September, the Risk Management Unit (RMU) undertook a risk workshop with Public Health’s Leadership and Senior Management Team on 26 September. The workshop provided an overview of the Council’s risk management arrangements (notably the authority’s Risk Management Policy, the roles and responsibilities of elected members and council staff, and the various reporting arrangements) and included a demonstration of the

4Risk web-based software. The RMU then facilitated a risk identification exercise in which the key risks to the Public Health directorate and its objectives were considered. These risks are now being worked up in more detail using the Council's methodology and evaluation matrices and will form a Public Health Directorate risk register that will be housed on the 4Risk system.

5.2 Updates on Public Health's key risks will be escalated to members and the Corporate Leadership Team as required, co-ordinated by the Public Health directorate risk co-ordinator who sits on the Council's cross-directorate Risk & Performance Board. Public Health also has its own Public Health Governance Group, chaired by the Director of Public Health, as a sub-group of the Public Health Leadership Team. The Terms of Reference for this group will be reviewed in conjunction with the RMU to ensure alignment with the Council's risk management governance arrangements.

6. Clinical Governance in Public Health

6.1 Whilst waiting for guidance form the Department of Health, arrangements for a Public Health Governance group are being made to enable LCC to improve the quality and safety of services that are directly commissioned by the Office of the Director of Public Health. The group is to consider the following three dimensions of quality:

- Clinical effectiveness: ensuring high quality services are commissioned according to the best evidence as to what is clinically effective in improving individual and population health outcomes, including National Institute for Health and Clinical Effectiveness (NICE) guidance;
- Safety: commissioning so as to prevent all avoidable harm and risk to individual and population safety; and
- Patient experience: commissioning that provides the individual with as positive an experience of services as possible, including being treated according to wants or needs, and with compassion, dignity and respect.

6.2 The Public Health Consultants and Public Health Specialists incorporate quality and risk management within their service plans by:

- Ensuring that standards and metrics are included in all public health contracts and service plans for which they are the policy lead;
- Ensuring that standards and metrics are reported regularly in the Public Health Performance Report;
- Ensuring that any risks are identified and rag rated in the Public Health Risk Register and actions are clearly planned to mitigate against and manage risk;
- PH Consultants will lead on investigation of serious incidents and complaints, and as appropriate pursue resolution and remedies on behalf of the client; and
- Working with LCC colleagues to develop effective Public and Patient Engagement to secure meaningful client feedback to commission and monitor public health services commissioned by LCC as part of the Public Health contract quality assurance process.

6.3 Governance leads from providers of drugs and alcohol treatment services and from sexual health services each meet the officers from the Office of the Director of Public Health in two clinical governance groups. They provide direction, advice, assurance and make recommendations to the Public Health Governance Group on:

- prescribing and pharmacy governance

- clinical effectiveness
- safety arrangements
- risk management
- serious unexpected incidents requiring investigation
- clinical policies and guidelines
- new research and development
- medicines management
- clinical audit
- infection prevention and control
- NICE compliance
- national confidential enquiries: reporting relevant issues by exception to the body overseeing governance

6.4 The Public Health Governance Group will provide assurance that the systems and controls of the Office of the Director of Public Health are fit for purpose, up to date, embedded, are routinely complied with, and comply with the Corporate Governance and Audit systems of LCC. The group will produce an Annual Report for presentation to the LCC Corporate Governance and Audit Committee.

6.5 A proposed reporting structure for management of Public Health Clinical Governance and Risk is shown at Appendix 2.

7. Corporate Considerations

7.1 Consultation and Engagement

7.1.2 The Public Health directorate has fully engaged with the Risk Management Unit on the contents of this report. Further engagement, as described above, is underway in terms of strengthening the directorate's Risk Management arrangements and aligning them with the Council's internal Risk Management Framework.

7.2 Equality and Diversity / Cohesion and Integration

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

7.3 Council policies and City Priorities

7.3.1 Under principle 4 of the Council's Code of Corporate Governance, the authority should take "informed and transparent decisions which are subject to effective scrutiny and risk management". Public Health's commitment to comply with the Council's Risk Management Framework supports this principle.

7.4 Resources and value for money

7.4.1 These arrangements are resourced through existing teams across the Council and therefore have no specific resource implications.

7.5 Legal Implications, Access to Information and Call In

7.5.1 Without robust risk management arrangements in place, the Council could be in breach of the Accounts and Audit Regulations 2011 which require us to have a "sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements to the management of risk". The Public Health directorate therefore has a duty to ensure that the Council is fully compliant in this area by agreeing its key risks, agreeing actions to mitigate against those risks and ensuring that a robust process in place for regularly reviewing/updating those risks. It also has a responsibility to escalate any risks deemed "very high" to the Corporate Leadership Team for consideration.

7.6 Risk Management

7.6.1 Without robust internal risk management arrangements, there is a danger that the most significant risks and issues that could impact upon the Council and the Best Council Plan objectives are not appropriately identified and managed accordingly.

8. Conclusions

8.1 With support from the Risk Management Unit, Public Health is establishing its risk management arrangements in line with the Council's Risk Management Policy. These include a Public Health Governance Group, a Directorate Risk Co-ordinator and the Public Health Risk Register. More work still needs to be undertaken on the latter. Some Public Health commissioned services, e.g. sexual health, drugs and alcohol from NHS, GP and Pharmacist providers present particular quality and safety issues. The transfer of these responsibilities to councils is a challenge recognised nationally and will continue to be worked upon locally in order to ensure robust governance arrangements are in place. Work continues with providers on the quality and safety arrangements for Public Health commissioned services.

9. Recommendations

9.1 The Corporate Governance and Audit Committee is asked to:

(a) receive the report on Public Health's Risk Management arrangements, acknowledging that further work will be undertaken to strengthen these and fully align them to the Council's Risk Management Framework;
(b) receive information on Public Health's Clinical Governance arrangements;
(c) note that the Public Health Governance Group will provide assurance to the Committee that it has sound Risk Management arrangements in place; and
(d) agree that an Annual report will be presented to the Committee in July 2014.

10. Background Documents

10.1 None.

Appendix 1

Public Health Functions

1) Commissioning of Public Health Services

The following are set out by the Department of Health. Commissioning responsibilities include:

Mandatory services
Comprehensive sexual health services (including testing and treatment for sexually transmitted infections, contraception outside of the GP contract and sexual health promotion and disease prevention)
Local authority role in dealing with health protection incidents, outbreaks and emergencies
Ensuring NHS commissioners receive the public health advice they need
National Child Measurement Programme
NHS Health Check assessment

Discretionary services
Tobacco control and smoking cessation services
Alcohol and drug misuse services
Public health services for children and young people aged 5-19 (including Healthy Child Programme 5-19) (and in the longer term all public health services for children and young people)
Interventions to tackle obesity such as community lifestyle and weight management service

Locally-led nutrition initiatives
Increasing levels of physical activity in the local population
Public mental health services
Dental public health services
Accidental injury prevention
Population level interventions to reduce and prevent birth defects
Behavioural and lifestyle campaigns to prevent cancer and long term conditions
Local initiatives on workplace health
Supporting, reviewing and challenging delivery of key public health funded and NHS delivered services such as immunisation and screening programmes
Local initiatives to reduce excess deaths as a result of seasonal mortality
Public health aspects of promotion of community safety, violence prevention and response
Public health aspects of local initiatives to tackle social exclusion
Local initiatives that reduce public health impacts of environmental risks.

In fulfilling its commissioning responsibilities, public health will also take a strategic view on commissioning/decommissioning, re-design, influencing and working with public, third and private sector, using an asset based approach.

2) Health Protection

Leeds City Council, as a category one responder already has a legal duty to take steps that plans are in place to protect the local population. The Health and Social Care Act 2012 extends this duty to ensuring that plans are in place to protect the health of the local population from threats ranging from relatively minor disease outbreaks to full scale public health for immunisation and screening, prevention and control of infection (whether hospital or outside) are robust and in place across Leeds. Alongside the West Yorkshire Local Resilience Forum (a multi-agency partnership made up of representatives from local public services), under the new arrangements a Local Health Resilience Partnership is to be established. This will focus on the health response to emergency preparedness, resilience and response. The nominated Director of Public Health (across West Yorkshire) will be mandated to Chair this partnership alongside a lead Director from the NHS Commissioning Board.

3) Public Health advice to the three Leeds Clinical Commissioning Groups

This mandatory service will provide a health care population focus to support the commissioning responsibilities of the CCG's. This will be undertaken through a Memorandum of Understanding with the Clinical Commissioning Groups based on national guidance on the "Core Offer". Other public health advice that the CCGs in Leeds are likely to want on primary care services, infection control etc. is out with the national guidance and subject to separate negotiations.

4) Influencing the public health contribution of Council Directorates/other Central and Corporate Functions

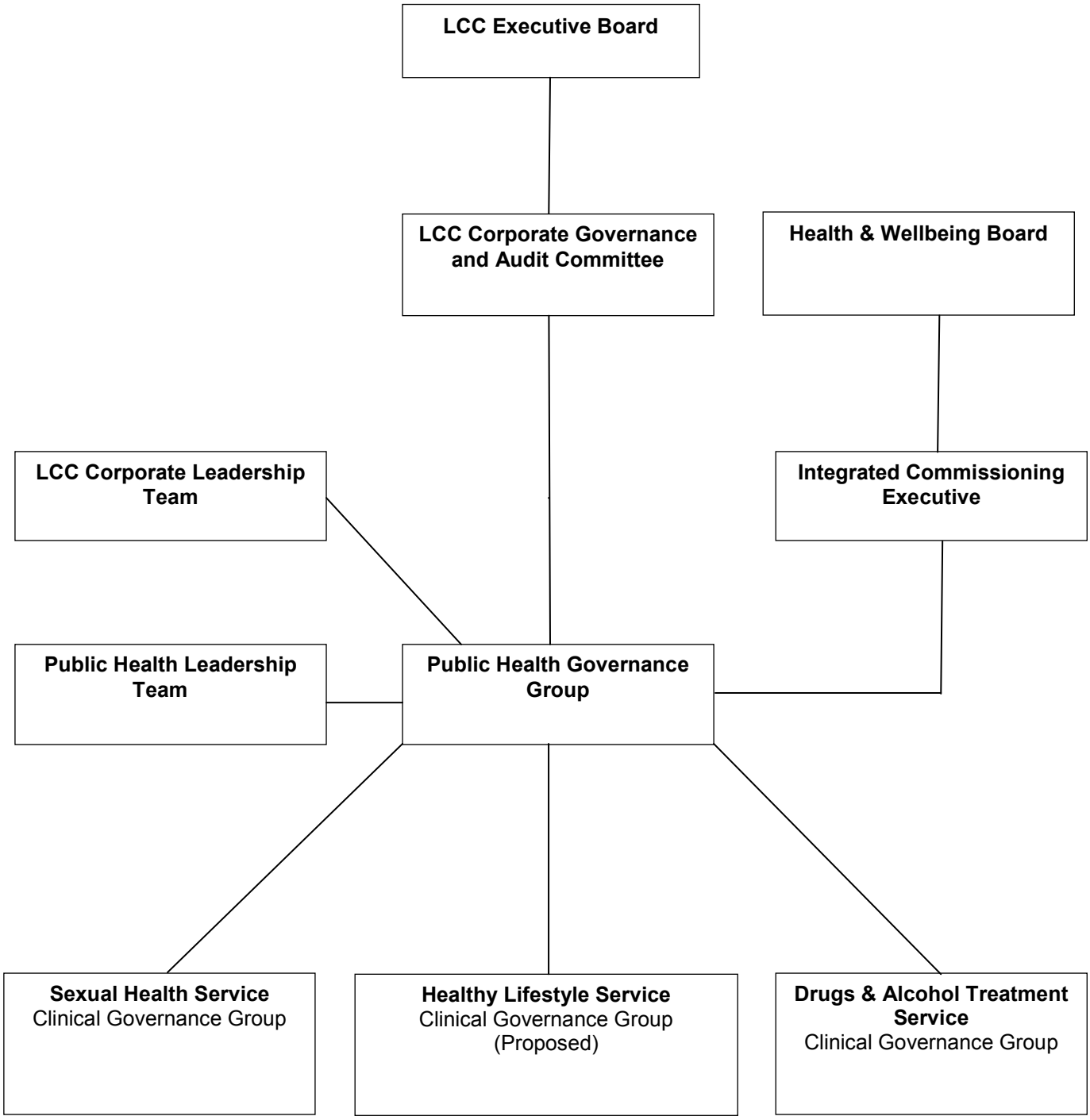
Under the new arrangements within the Council the intention is for senior staff/their teams to a) influence and support colleagues who have a key role in creating better health e.g. leisure, planning, transport, housing, education, culture b) engage in the re-design of health and social care services across all ages c) enhance the collation of information and intelligence for needs assessment surveillance monitoring, evaluation, research and communication with the public.

5) Advice, monitoring and assurance on public health services commissioned for Leeds residents by the NHS Commissioning Board and Public Health England

The Director of Public Health will have a formal role in monitoring public health services commissioned and delivered elsewhere within the health system. These include children's services under 5 years, vaccination and immunisation, screening, abortion services. The Director of Public Health will provide challenge and advice to the NHS Commissioning Board, at a minimum via the Health and Well Being Board. The Director of Public Health will also be championing screening and immunisation through relationships with the three Clinical Commissioning Groups and with local clinicians.

Appendix 2

Proposed Reporting Structure for the Management of Clinical Governance and Risk



Leeds CITY COUNCIL

Report author: Neil Charlesworth

Tel: 2477885

Report of Asset Management Service

Report to Corporate Governance and Audit Committee

Date: 8th November 2013

Subject: Community Asset Transfer Due Diligence

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

Summary of main issues

1. The report sets out arrangements that are in place to ensure due diligence for community asset transfer projects, particularly in relation to governance, insurance and financial management.

Recommendations

2. 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 for community asset transfer projects, particular around governance, insurance and financial management.

2 Background information

2.1 The Council has provided property leases on a 'less than best consideration' basis to community organisations for many years. These were undertaken on an ad hoc basis and outside of a policy context.

2.2 The Quirk Review of community ownership and management of assets carried out on behalf of central government in 2007, highlighted the benefits of community asset ownership and popularised the term "community asset transfer". This is used to describe transactions whereby local authorities grant long leases (usually at least 25 years) at less than market value to local community organisations.

2.3 In September 2012 Executive Board approved a Community Asset Transfer Policy which sets out the objective of community asset transfer and the basis for such agreements. The policy is attached at Appendix 1. It should be noted that community asset transfer itself is relatively rare, with nine such projects approved in the past three years. Community asset transfer is just one of many ways that we engage with community organisations in terms of their premises requirements and in only appropriate in a handful of cases.

2.4 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. The committee considered a report in March 2013 specifically about the transfer of land to academy schools.

3 Main issues

<u>Governance</u>

3.1 The Community Asset Transfer Policy sets out the type of organisations that can propose community asset transfer. These are community organisations that are not for private profit such as:

- Unincorporated charitable organisations*
- Companies limited by guarantee with charitable status
- Community Interest Company (CIC) limited by guarantee
- Community benefit Industrial & Provident Society with an asset lock
- CIC limited by shares

* Unincorporated charitable organisations will need to become incorporated as one of the other types of listed organisations to be able to sign a lease for a property.

3.2 Each organisation applying for a community asset transfer can be of any size and need to:

- Generate social, economic or environmental benefits which directly benefit the people of Leeds
- Have stated community benefit objectives
- Have robust systems, governance and policies as evidenced by a management structure, constitution and appropriate quality mark;
- Have the capacity to manage the asset and have directors or committee members who have the relevant experience and skill and a demonstrable financial plan moving forward
- Operate through open and accountable co-operative processes

Insurance

3.3 Community asset transfer leases are on a full repairing and insuring (FRI) basis. Only in exceptional circumstances would a lease be considered on non-FRI basis. For such an agreement to go forwards a decision would have to be taken that the benefits provided by the project outweigh the costs and risks associated with retention by the Council of the repairing responsibilities.

Financial Management

3.4 Proposals for community asset transfer are submitted in the form of a five year business plan including detailed financial projections and for established organisations details of their financial history. A thorough assessment is undertaken of the business plan to ensure that the proposal is viable and sustainable.

3.5 Following transfer there is ongoing monitoring including at least one annual review per year. This review ensures that the conditions in the lease are being complied with and assesses the financial and social wellbeing of the organisation, as well as ensuring the property is being put to the agreed use.

Other protections

3.6 Community asset transfer leases include use clauses setting out the types of uses the property can be used for. Failure to comply with the use clause can result in the lease being forfeited by the Council.

3.7 Very often a community organisation will require external funding to carry out improvements. In these circumstances a funder will usually require step in and assignment rights which allow them to take over the property for the remainder of the lease or assign the lease to another organisation. Any such rights must be instigated within an agreed time (typically six months) or the property will revert to the Council. The user clause remains in place to protect the property for community benefit.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 During the drafting of the Community Asset Transfer Policy consultation took place with the community sector in Leeds.

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 the Community Asset Transfer Policy approved at Executive Board in September 2012.

4.4 Resources and value for money

4.4.1 This report has no implications for resources and value for money.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The report is not eligible for Call In.

4.6 Risk Management

4.6.1 There are no risk management issues in the report.

5 Conclusions

5.1 A thorough appraisal and monitoring systems is in place for all community asset transfer projects. Restrictions in the lease ensure that projects comply with standard and project specific conditions.

6 Recommendations

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

7 Background documents[1]

7.1 None.

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

Leeds CITY COUNCIL

Report author: Alex Firth
Tel: 74153

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 8th November 2013

Subject: Public Sector Internal Audit Standards

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

Summary of main issues

1. From 1 April 2013 the Public Sector Internal Audit Standards (PSIAS) and accompanying Local Government Application Note ('the new standards') have superseded the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (the 2006 Code)('the old standards') as the standards by which any Local Government Internal Audit Section must comply.

2. A self review has been undertaken against the new standards. On the whole Internal Audit complies with the new standards, although as with any new standards a number of new requirements have been introduced. Of particular note, there is now a requirement for an Internal Audit Charter and a Quality Assurance and Improvement Programme to be in place.

3. This report sets out the key actions needed to implement the new requirements of the PSIAS and highlights 2 identified areas of non-compliance. These are discussed in greater detail below.

4. It should be noted that Internal Audit will continue to review compliance with all PSIAS requirements and will ensure the actions within the Action Plan (Appendix 1) are implemented within the designated timescales.

Recommendations

5. Members are requested to note the Action Plan (Appendix 1))

6. Members are requested to approve the Internal Audit Charter (Appendix 2)

7. Members are requested to note the Quality Assurance and Improvement Programme (Appendix 3)

1. Purpose of this report

1.1 The purpose of this report is to:

- inform members of the new standards
- to provide an assurance on compliance with the new standards
- to seek approval of The Internal Audit Charter and to note the Internal Audit Quality Assurance and Improvement Programme (QAIP) as defined by the Public Sector Internal Audit Standards (PSIAS).

1.2 In addition, Members are requested to note relevant actions to implement the new (or enhanced) requirements of the PSIAS as per Appendix 1 – 'Action Plan' and to accept the residual risk of the two areas of non-compliance whereby it is proposed no action should be taken. The two areas of non-compliance are discussed in further detail in 3.8 below.

2 Background information

2.1 A professional, independent and objective internal audit service is one of the key elements of good governance in local government. The foundation of an effective internal audit service is compliance with standards and proper practices.

2.2 The Relevant Internal Audit Standard Setters[1] have adopted a common set of Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or outsourced. The PSIAS have been developed by the Chartered Institute of Internal Auditors (CIIA).

2.3 The Accounts and Audit (England) Regulations (2011) state that 'A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices[2] in relation to internal control'(6(1)).

2.4 Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should 'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. CIPFA has defined 'proper administration' in that it should include 'compliance with the statutory requirements for accounting and internal audit'.

2.5 The PSIAS and the Local Government Application Note (the Application Note) together supersede the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (the 2006 Code). The Application Note has

[1] The Relevant Internal Audit Standard Setters are HM Treasury in respect of central government; the Scottish Government, the Department of Finance and Personnel Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health in respect of the health sector in England (excluding foundation trusts) and the Chartered Institute of Public Finance and Accountancy in respect of Local Government across the UK.

[2] Proper practices are now defined by the DCLG as being in accordance with the requirements of the PSIAS.

been developed as the sector specific requirements for local government organisations within the UK.

2.6 A self-review of LCC Internal Audit sections compliance with the PSIAS has been undertaken, the results of which are discussed below.

3 Main issues

3.1 The PSIAS aim to apply the Institute of Internal Auditors International Standards to the UK Public Sector.

3.2 The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation leading to improved organisational processes and operations, and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

There are a number of changes from the previous standards (2006 CIPFA Code of Practice for Internal Audit in Local Government), the most significant of which are:

- There is now a requirement to have in place an Internal Audit Charter. The purpose of the Charter is to define Internal Audit, the scope of its activities, its key stakeholders and reporting arrangements, its contribution to the review of the effectiveness of the control environment, its organisational independence and authority and its proficiency and due professional care. The Charter must be reviewed, updated and presented to senior management and the Corporate Governance and Audit Committee for approval on an annual basis.
- There is now a requirement to have a Quality Assurance and Improvement Programme in place. The QAIP covers all aspects of internal audit activity and enables conformance with the PSIAS to be evaluated. A key objective of the QAIP is to assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

3.3 A self review of compliance with the PSIAS and the Local Government Application Note has been undertaken. This has been done by completion of the Checklist for Assessing Conformance within the PSIAS and the Local Government Application Note as produced by CIPFA.

3.4 On the whole Internal Audit complies with the requirements of the PSIAS and Local Government Application Note although, as with any new standards, there have been some areas identified whereby Internal Audit does not comply. The

areas of non-compliance broadly fall into two areas – requirements which are new (or enhanced) and not previously included in the previous standards and those which Internal Audit are simply not currently complying with. All areas of non-compliance have been assessed and either accepted for action as they are new requirements (see Appendix 1 'Action Plan') or have been assessed as having a low residual risk after the application of existing controls and therefore the risk of non-compliance has been accepted.

Areas for Action

3.5 A new requirement of the PSIAS is the introduction of an 'Internal Audit Charter'. The Internal Audit Charter sets out the formal definition of the purpose, the authority and responsibility of the internal audit activity. It also sets out key governance arrangements with respect to internal audit activity including the relationship between Internal Audit and senior management and the Corporate Governance and Audit Committee, organisational independence and scope of internal audit activities. It is a requirement of the PSIAS that the Internal Audit Charter is presented to the Corporate Governance and Audit Committee for approval and that the CGAC undertake an annual review of the Internal Audit Charter. The proposed Internal Audit Charter is attached – See Appendix 2.

3.6 A further new requirement of the PSIAS is the introduction of a Quality Assurance and Improvement Programme (QAIP). This covers all aspects of the Internal Audit activity and enables compliance with all aspects of the PSIAS to be evaluated. It allows for the assessment of the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. This is via both internal and external assessments. The requirement for an external assessment of the Internal Audit activity at least once every 5 years is a new requirement. The proposed QAIP is attached – See Appendix 3. The results of the QAIP must be reported to senior management and the CGAC on an annual basis.

3.7 In addition to the two main new requirements as per 3.5 and 3.6 above, the PSIAS and Local Government Application Note now require that the HOA confirm to the CGAC, at least annually, the following:

- An annual review of Internal Audit Charter has been undertaken;
- The internal audit function is organisationally independent;
- Results of QAIP, associated improvement plans and progress against improvement plans;
- Statement that Internal Audit activity conforms with the PSIAS, provided results of QAIP support this.
- Any instances of non-compliance with the PSIAS
- Consideration of including any significant deviations from the PSIAS within the governance statement.

3.8 Reporting will be done via the Annual Internal Audit Report.

These are included as actions within the attached Action Plan – Appendix 1.

Areas of Accepted Non-Compliance

3.8 The self review has identified two areas for which there is no associated action and by which Internal Audit are proposing to accept the residual risk. This is because after close analysis of the requirement and a review of current controls already in place relating to the requirement, the implementation of an action to meet the requirement would be unworkable and disproportionate. Existing controls in place are sufficient and operating well..

The two areas of non-compliance are:

- The Chief Executive does not undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit.

- Feedback is not sought from the chair of the Corporate Governance and Audit Committee for the Head of Internal Audits performance appraisal

Existing controls within the Leeds City Council environment (i.e. the performance appraisal of the Head of Internal Audit is undertaken by the Chief Officer Audit and Investment in line with LCC appraisal policy) are deemed robust and adequate to feedback and review the performance appraisal of the Head of Internal Audit.

After the application of existing controls the two areas of non-compliance have been assessed as having a low residual risk.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 There is no requirement to consult or engage with any stakeholders other than CGAC and senior management (Section 151 officer).

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 No equality and diversity issues have been identified.

4.3 Council policies and City Priorities

4.3.1 No direct impact upon Council Policies or City Priorities.

4.4 Resources and value for money

4.4.1 Conformance with the standards will ensure that all Internal Audit resources are used efficiently and effectively and that a value for money service is delivered.

4.5 Legal Implications, Access to Information and Call In

4.5.1 No legal implications.

4.6 Risk Management

4.6.1 No risk management issues identified.

5 Conclusions

5.1 It is pleasing to note that Internal Audit already complies with the majority of requirements of the PSIAS and Local Government Application Note. An action plan has been put in place and the two areas of accepted non-compliance have been reported to the CGAG.

6 Recommendations

6.1 Members are requested to note the Action Plan (Appendix 1)

6.2 Members are requested to approve the Internal Audit Charter (Appendix 2)

6.3 Members are requested to note the Quality Assurance and Improvement Programme (Appendix 3)

7 Background Papers

None

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Appendix 1– PSIAS Action Plan

This action plan sets out the actions, responsibilities and timescales for ensuring compliance with the PSIAS. The actions relate to new requirements or requirements that have been enhanced from previous standards. All other requirements have been met and Internal Audit will continue to review the PSIAS on an annual basis to ensure compliance. All of the Actions per below will be implemented by April 2014 apart from Action 2 which will be actioned in line with the timescales set out in the PSIAS.

	Action	Responsibility	Timescale	Comments
1	Internal Audit Charter to be presented to CGAG for approval. This is a new requirement	HOA	8th November 2013 Board Meeting	
2	External assessment mechanism of Internal Audit to be put in place. This will incorporate: - Analysis of different mechanisms of assessment and preferred option identified - Scope of work re assessment to be defined and agreed between parties - Ensuring assessor appropriately qualified and competent - Identification of any conflicts of interest The outcome of the above, including the preferred option and assessor will be reported to CGAC and approval sought. This is a new requirement	HOA	Not yet agreed but 2017/18 by latest.	This needs to be done at least every 5 years. First external assessment to be undertaken by 2018 at latest.
3	Quality Assurance and Improvement Programme to be developed. This is a new requirement	HOA	September 2013	The QAIP has now been developed and is operational.

4	The annual reporting process will now include the following for inclusion in the annual report: a) Annual review of Internal Audit Charter b) confirmation that the internal audit function is organisationally independent c) Results of QAIP, associated improvement plans and progress against improvement plans d) Statement that Internal Audit activity conforms with the PSIAS, provided results of QAIP support this. e) Any instances of non-conformance with the PSIAS f) Consideration of including any significant deviations from the PSIAS within the governance statement The annual report will continue to be presented to the CGAC for approval. This is a new requirement.	HOA	2013/14 annual report process and annually thereafter	
5	The audit plan 2014/15 will set out how it incorporates local and national issues and risks. This requirement has been enhanced from previous standards.	HOA	2014/15 annual audit plan process	
6	Assurance mapping will continue to be developed and evolve during the 2014/15	HOA	2014/15 annual audit plan	

	annual planning process. This requirement has been enhanced from previous standards.		process	
7	The following audits will be added to the audit universe: - LCCs ethics related objectives, programmes and activities The following audits will be prioritised for the 2014/15 annual audit plan: - Risk Management Processes - Achievement of LCC strategic objectives - LCCs ethics related objectives, programmes and activities This requirement has been enhanced from previous standards.	HOA	2014/15 annual audit plan process	

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Internal Audit Charter

Introduction

In accordance with the Public Sector Internal Audit Standards (PSIAS) April 2013, the Head of Internal Audit must formally define the purpose, authority and responsibility of the internal audit service in an internal audit charter. The Head of Internal Audit must periodically review the internal audit charter and present it to senior management[1] and the Board[2] for approval. This document is the Internal Audit Charter for Leeds City Council (LCC) Internal Audit Service.

Definition of Internal Audit

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisations operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.[3]

Purpose of Internal Audit: responsibilities and objectives

Internal Audit is an independent appraisal function established by the Council to objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. This extends to the entire control environment of the Council and not just its financial controls.

Internal Audit is a statutory requirement in local government. The Accounts and Audit (England) Regulations 2011 state that '*A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'(6(1)).*

Internal Audit will review, appraise and report on:

- The efficiency, effectiveness and economy of financial and other management controls;
- The extent of compliance with, relevance and financial effect of established policies, plans and procedures;
- The extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud and other offences; waste, extravagance and inefficient administration, poor value for money or any other cause;

[1] Senior management defined as Section 151 officer
[2] The Board defined as the Corporate Governance and Audit Committee
[3] Definition of Internal Audit as per Public Sector Internal Audit Standards(PSIAS)

- The suitability and reliability of financial and other management data developed within the organisation.

Professionalism

Internal Audit will govern itself by adherence to the Public Sector Internal Audit Standards (April 2013) including the Definition of Internal Audit, the Code of Ethics and the Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance.

Internal Audit will adhere to LCC relevant policies and procedures and the LCC Internal Audit Quality Procedures Manual[4].

Organisational Independence

The Head of Internal Audit must report to a level within the Council that allows Internal Audit to fulfil its responsibilities. Organisational independence is effectively achieved when the Head of Internal Audit reports functionally to the Corporate Governance and Audit Committee. The Head of Internal Audit will report functionally to the Corporate Governance and Audit Committee and administratively (i.e. day to day operations) to the Chief Officer Audit and Investment. Examples of functional reporting to the Corporate Governance and Audit Committee involve;

- Approving the internal audit charter;
- Head of Internal Audit having direct and unrestricted access to Corporate Governance and Audit Committee and its Chair;
- Receiving communications from the Head of Internal Audit on Internal Audits performance and activity.;

The Head of Internal Audit must also establish effective communication with, and have free and unfettered access to, the Section 151 officer and the Chief Executive.

The Head of Internal Audit will confirm to the Corporate Governance and Audit Committee the organisational independence of the Internal Audit Service on an annual basis as part of the Internal Audit Annual Report.

Independence and Objectivity

Internal Audit must be independent and internal auditors must be objective in performing their work and have an impartial, unbiased attitude and avoid any conflict of interest.

[4] The Internal Audit Quality Procedures Manual has ISO:9001 accreditation and sets out standard operating procedures for all aspects of managing and undertaking Internal Audit work.

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed in the first instance to Head of Internal Audit and reported to Corporate Governance and Audit Committee and/or Section 151 officer as appropriate.

Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records/personnel/ premises and resource limitations, such as funding. In addition, internal auditors will:

- Not accept any gifts, hospitality, inducement or other benefit from employees, clients, suppliers or other third parties.
- Not use information obtained during the course of duties for personal gain.
- Disclose all material facts known to them.
- Ensure compliance with the Bribery Act 2012
- Refrain from assessing specific operations for which they were previously responsible.

Internal Audit will have no executive responsibilities. It is not an extension of, or a substitute for, the function of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to accept and implement audit recommendations or to accept the risk resulting from not taking any action.

Authority and Confidentiality

Internal Audit, with strict accountability for confidentiality and safeguarding records and information in accordance with LCC information governance policies, is authorised full, free, and unrestricted access to any and all of LCC records/personnel/premises(including those of partner organisations where appropriate), and other documentation and information that the Head of Internal Audit considers necessary to enable Internal Audit to meet its responsibilities. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. Internal Audit shall have authority to:

- Enter any Council premises or land at all reasonable times
- Have access to all records, documents, data held on computer media, and correspondence relating to all transactions of the Council, or unofficial funds operated by an employee as part of their paid duties
- Require and receive such explanations as are necessary concerning any matter under examination
- Require any employee of the Council to produce cash, stores or any other property under their control, belonging to the Council or held as part of the employees duties
- In addition to the prescribed rights of access, internal Audit should seek to ensure that all material witnesses are interviewed in connection with any audit or

investigation. Material witnesses that are not Council employees should be approached and asked for their co-operation with the audit.

All records, documentation and information accessed in the course of undertaking Internal Audit activities are to be used solely for the conduct of these activities. The Head of Internal Audit and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

Internal Audit will also have free and unrestricted access to the Corporate Governance and Audit Committee.

Scope of Internal Audit Work

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

- Undertake a continuous systematic and structured review to evaluate the soundness, adequacy and application of the Council's internal controls system
- Review arrangements for securing economy, efficiency and effectiveness in the use of resources
- Advise and, where appropriate, assist management to investigate suspected cases of fraud, corruption or irregularity
- Review and advise upon the development of systems
- Provide advice on financial systems, procedures, regulations, corporate governance issues and risk management
- Contribute to the Council's pursuit of best value
- Provide consultancy services both within and external to the Council. These may include but are not limited to financial review or health checks, Schools Financial Value Standard, representation on Boards etc.

Internal Audit Plan

At least annually, the Head of Internal Audit will submit to the Corporate Governance and Audit Committee an internal audit plan for review.. The internal audit plan will consist of a schedule of audits as well as resource requirements for the next financial year. The Head of Internal Audit will ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the internal audit plan. The plan will explain how Internal Audits resource requirements have been assessed. Where the Head of Internal Audit believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences will be brought to the attention of the Corporate Governance and Audit Committee.

The internal audit plan is dynamic in nature and reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. It will be based on a risk assessment that considers financial materiality and the business risk relating to corporate plan objectives, as well as any suspected or detected fraud, corruption or impropriety that has come to the attention of the Head of Internal Audit under his remit as laid out in the Councils Policy Statement on Fraud and Corruption, Whistleblowing Policy, Anti-bribery Policy and Anti-Money Laundering Policy.

Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care. Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities.

All Internal Auditors will hold a professional qualification or be training towards a professional qualification.

In addition, all internal auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence. This is fulfilled through a combination of requirements set by professional bodies and through the Council's appraisal and development programme.

A Quality Assurance and Improvement Programme is maintained by Internal Audit to assist with the on-going improvement of Internal Audit performance.

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Quality Assurance and Improvement Program (QAIP)

Introduction

Internal Audits Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of Leeds City Council Internal Audit Service that Internal Audit:

1. Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
2. Operates in an efficient and effective manner;
3. Is adding value and continually improving Internal Audits operations.

The Head of Internal Audit is ultimately responsible for the QAIP, which covers all types of Internal Audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

Internal Assessment

Internal Assessment is made up of both ongoing reviews and periodic reviews.

Ongoing Reviews

Ongoing assessments are conducted through:

- Supervision of engagements
- Regular, documented review of work papers during engagements by appropriate Internal Audit staff
- Audit policies and procedures used for each engagement including the Quality Procedures Manual to ensure compliance with applicable planning, fieldwork and reporting standards
- Feedback from customer surveys on individual engagements
- Analyses of key KPIs established to improve Internal Audits effectiveness and efficiency
- All draft and final reports and recommendations are reviewed and approved by the Head of Internal Audit.

Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments will be conducted through:

- Quality audits undertaken on a scheduled basis for performance in accordance with Internal Audits Quality Procedures Manual.
- Review of internal audit performance Key Performance Indicators by the Audit Leadership Team on a monthly basis.
- Quarterly activity and performance reporting to the Corporate Governance and Audit Committee and Section 151 officer.
- Annual self-review of conformance with the Public Sector Internal Audit Standards

Any resultant action plans will be monitored by HOA on a quarterly basis.

External Assessment

External assessments will appraise and express an opinion about Internal Audits conformance with the Standards. Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

An external assessment will be conducted every 5 years by a qualified, independent assessor from outside the Council. The assessment will be in the form of a full external assessment, or a self-assessment with independent external validation. The format of the external assessment must be discussed with the Corporate Governance and Audit Committee

Reporting

Internal Assessments – reports of internal assessments will be reported to the Corporate Governance and Audit Committee on an annual basis;

External Assessments – results of external assessments will be reported to the Corporate Governance and Audit Committee and Section 151 officer at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report.

Follow Up - the Head of Internal Audit will implement appropriate follow-up actions to ensure that recommendations made in the report and action plans developed are implemented in a reasonable timeframe.

Report author: B Chana

Tel: 51332

Report of Chief Officer Audit and Investment

Report to Corporate Governance and Audit Committee

Date: 9th November 2013

Subject: Treasury Management Governance Report 2013

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

Summary of main issues

1. This annual report provides assurance that the Treasury Management (TM) function is operating within its governance framework. TM fully complies with the current CIPFA Code of Practice and the Prudential Code.

2. TM is also compliant with the revised CIPFA guidance notes for practitioners issued in 2013.

3. TM operates within the governance framework and also uses additional market intelligence and information gathered from a variety of sources. These sources have been integral to protecting the authority from undue risk in the financial and money markets.

4. TM operates within its scheme of delegation and Internal Audit has provided substantial assurance on the control environment and compliance in their 2012/13 audit report.

Recommendations

5. Note that there is assurance that Treasury Management continues to adhere to the CIPFA Code of Practice and the Prudential Code.

6. Note that Treasury Management complies with revised CIPFA guidance notes issued in 2013.

7. Note the updated delegations in respect to Treasury Management as outlined in Appendix A.

1 Purpose of this report

1.1 This annual report outlines the governance framework for the management of the Council's TM function. This report also reviews compliance with updated CIPFA guidance notes for practitioners on the Prudential Code for Capital Finance in Local Authorities issued in 2013.

2 Background information

2.1 The operation of the Treasury Management function is governed by provisions set out under part 1 of the Local Government Act 2003 whereby the Council is required to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities (amended 2009 and 2011) in particular: The Prudential Code requires that full Council set certain limits on the level and type of borrowing before the start of the financial year together with a number of Prudential indicators.

- Any in year revision of these limits must be set by Council.
- Policy statements are prepared for approval by the Council at least two times a year.

2.2 TM is responsible for managing the Housing Revenue Account and General Fund long term debt which is in the region of £1.5bn and investments that currently stand at around £40m. It also manages the cash flow requirements of the Council.

3 Main issues

3.1 The role of the Corporate Governance and Audit Committee is to ensure that Treasury Management is adhering to and operating within its governance framework. This involves compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on treasury management and guidance notes and a revised prudential code (2009 and 2011).

3.2 The Treasury Management Strategy 2013/14 report was approved by Executive Board on 15th February 2013. This report and the treasury management operation fully complies with the CIPFA codes of practice.

3.3 CIPFA subsequently issued a revised Prudential Code for Capital Finance in Local Authorities – Guidance notes for practitioners 2013. The code makes one recommended change to the reporting of the maturity profile of loans that are greater than 10 years. The Table below now shows maturing debt over 10 years that is split into bands of 10 years. These changes have been reflected in the half year update on Treasury Management to Executive Board in November.

Maturity structure of fixed rate borrowing 2013/14	Lower Limit	Cumulative Upper Limit	Projected 31/03/2014
under 12 months	0%	15%	0.00%
12 months and within 24 months	0%	20%	9.72%
24 months and within 5 years	0%	35%	21.71%
5 years and within 10 years	0%	40%	12.34%
10 years and within 20 years			3.18%
20 years and within 30 years			0.41%
30 years and within 40 years	25%	90%	18.29%
40 years and within 50 years			34.37%
50 years and above			0.00%
			100%

3.4 There are no further material changes in the guidance and in summary the updated CIPFA guidance provides a catch up on a variety of regulatory and code changes implemented since 2007.

3.5 TM operates under a scheme of delegation which is shown in Appendix A. The scheme has been updated to reflect the Deputy Chief Executives revised role and that the Treasury function now sits within the Audit and Investment section and reports to the Chief Officer – Audit and Investment.

3.6 The operation of TM within its governance framework is also complimented by additional market intelligence and information gathered from a variety of sources. For example when the Icelandic banking crisis unfolded the Council had already reduced its investments in a number of banks, despite the rating agencies indicating that they were sound investments. These tools involve:

- The use of real time market information on the financial and money markets in the UK, Europe, US and other major economies;
- Discussions with market participants and brokers;
- Use of treasury advisors to test market views;
- Networking and sharing of information with Core Cities and West Yorkshire districts;
- Attending market seminars providing technical and economic updates;
- Daily market updates from financial institutions and brokers;
- Thorough review of new financial products and how they fit within the governance structure; and
- Undertaking continuing profession development and ensuring that appropriate training is undertaken.

3.7 TM continues to review key aspects of the framework including prudential indicators to ensure that they continue to be fit for purpose and provide the right evidence that TM is operating within acceptable levels of risk. The Half year update on Treasury strategy 2013/14, to November Executive Board, includes an update on prudential indicators. TM is complying with all prudential indicators.

3.8 Furthermore TM undertakes to respond to all treasury management consultations and influence the national governance framework.

3.9 Internal Audit has undertaken and concluded its annual review of the TM function. This involved a risk based system audit of TM to evaluate and validate key systems controls. Key controls for a sample of investments, loans and interest payments from 2012/13 were reviewed. Internal Audit report issued 2nd April 2013 provided two opinions:

- Control Environment - Substantial Assurance (highest level). This provides assurances that there are minimal control weaknesses that present very low risk to the control environment.

- Compliance with the Control environment - Substantial Assurance (highest level). This level indicates that the control environment has substantially operated as intended although some minor errors have been detected in the sample tested.

4 Corporate Considerations

4.1 Consultation and Engagement

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

4.2 Equality and Diversity / Cohesion and Integration

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

4.3 Council policies and City Priorities

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

4.4 Resources and value for money

4.4.1 Execution of treasury strategy enables funds to be raised and managed in the most efficient manner in line with the approved strategy as presented to Executive Board on 15th February 2013.

4.5 Legal Implications, Access to Information and Call In

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

4.5.2 The main changes to the revised CIPFA Treasury Management Code of Practice and guidance notes are highlighted in section 3.3 and have been adopted.

4.5.3 There are no legal or access to information issues arising from this report.

4.6 Risk Management

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

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

5 Conclusions

5.1 This report confirms that the Council is complying with the CIPFA Treasury Management Code of Practice, Prudential Code and updated guidance notes. A 2012/13 internal audit gave TM substantial assurance on both control and compliance.

6 Recommendations

6.1 Note the assurance that Treasury Management continues to adhere to the CIPFA Code of Practice and guidance notes and the Prudential Code.

6.2 Note that treasury management complies with revised CIPFA guidance notes issued in 2013.

6.3 Note the updated delegations in respect to treasury management as outlined in Appendix A.

7 Background documents[1]

7.1 None

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

Appendix A

DELEGATIONS IN RELATION TO TREASURY MANAGEMENT

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

↓DELEGATIONS TO OFFICERS		
DELEGATION SCHEME	**TO WHOM**	**FUNCTION DELEGATED**
Officer delegation scheme (Executive Functions)	Deputy Chief Executive	Making arrangements for the proper administration of the authority's financial affairs
Sub delegation scheme of Deputy Chief Executive (a) S151 responsibilities Page 12	Discharged through Chief Officers	Making arrangements for the proper administration of the authority's financial affairs
Sub delegation scheme of Deputy Chief Executive (b) treasury management Page 12	To Chief Officers in relation to areas within their remit	The provision of financial services specifically Treasury Management (including the making payment and borrowing of loans)
Sub delegation scheme of Deputy Chief - Miscellaneous 73 Page 42 -Rule 16.3 Financial Procedure Rules – Treasury Management)	Function discharged by Chief Officer Audit and Investment	All money in the hands of the Council shall be under the control of the Deputy Chief Executive. Employees of the Council must not invest Council monies without the prior approval of the Director of Resources.
Sub delegation scheme of Deputy Chief - Miscellaneous 74 Page 43 -Rule 16.4 Financial Procedure Rules – Treasury Management)	Function discharged by Chief Officer Audit and Investment	All executive decisions on borrowing, investment or financing shall be delegated to the Deputy Chief Executive.

↓OPERATIONAL AUTHORITY OF OFFICERS		
POLICY DOCUMENT	**TO WHOM**	**OPERATIONAL AUTHORITY**
Treasury Management Policy (section 10) – execution of treasury strategy	Chief Off. Audit & Investment Principal Financial Manager Treasury Manager Assistant Finance Manager	Implementation of decisions taken at Treasury strategy review meetings and day to day management of treasury operations

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Leeds CITY COUNCIL

Report author: P Garnett
Tel: (0113) 395 1632

Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 8th November 2013

Subject: Work Programme

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

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 seeks Members views on the content of the work programme of the Committee, so that it might meet the responsibilities set out in the committee's terms of reference.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 There are no equality and diversity or cohesion and integration issues arising from this report.

4.3 Council Policies and City Priorities

4.3.1 The work programme provides a balanced number of reports and assurances upon which the committee can assess the adequacy of the council's corporate governance arrangements.

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 consider and approve the work programme set out at appendix 1.

Appendix 1

CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME

January 21th 2014		
KPMG – Annual Audit Letter – including opinion	To receive a report certifying grants and returns and to consider the Audit Fee letter.	Chief Officer (Financial Services) 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 Services) Doug Meeson
KPMG – Approval of External Audit Plan	To receive a report requesting approval of the external audit plan	Chief Officer (Financial Services) Doug Meeson
Internal Audit Quarterly Report	To receive the Internal Audit quarterly report	Chief Officer (Audit and Investment) Tim Pouncey
9th April 2014		
Internal Audit Plan	To receive a report informing the Committee of the Internal Audit Plan for 2013/14	Chief Officer (Audit and Investment) Tim Pouncey
Internal Audit Quarterly Report	To receive the Internal Audit quarterly report	Chief Officer (Audit and Investment) Tim Pouncey
Information Governance Annual Report	To receive a report on the Council's Information Security arrangements.	Chief Officer (Strategy and Improvement) Mariana Pexton

CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME

Annual Business Continuity Report	To receive the annual report reviewing the Councils Business Continuity planning.	Chief Officer (Audit and Investment) Tim Pouncey
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 Andy Hodson
Unscheduled Items		