



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Friday, 18th September, 2015
at 2.00 pm

MEMBERSHIP

Councillors

P Grahame	J Bentley	R Wood
G Hussain (Chair)		P Harrand
A McKenna		
K Bruce		
N Dawson		
A Sobel		
J Illingworth		

**Agenda compiled by:
Governance Services
Civic Hall**

Phil Garnett (0113
39 51632)

A G E N D A

Item No	Ward	Item Not Open		Page No
1			<p>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</p> <p>To consider any appeals in accordance with Procedure Rule 15.2 of the Access to Information Procedure Rules (in the event of an Appeal the press and public will be excluded).</p> <p>(*In accordance with Procedure Rule 15.2, written notice of an appeal must be received by the Head of Governance Services at least 24 hours before the meeting)</p>	
2			<p>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</p> <p>1 To highlight reports or appendices which officers have identified as containing exempt information, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.</p> <p>2 To consider whether or not to accept the officers recommendation in respect of the above information.</p> <p>3 If so, to formally pass the following resolution:-</p> <p>RESOLVED – That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows:-</p>	

Item No	Ward	Item Not Open		Page No
3			<p>LATE ITEMS</p> <p>To identify items which have been admitted to the agenda by the Chair for consideration</p> <p>(The special circumstances shall be specified in the minutes)</p>	
4			<p>DECLARATION OF DISCLOSABLE PECUNIARY AND OTHER INTERESTS'</p> <p>To disclose or draw attention to any disclosable pecuniary interests for the purposes of Section 31 of the Localism Act 2011 and paragraphs 13-16 of the Members' Code of Conduct.</p>	
5			<p>APOLOGIES FOR ABSENCE</p> <p>To receive any apologies for absence.</p>	
6			<p>MINUTES 9TH JULY 2015</p> <p>To receive and approve the minutes of the meeting held on 9th July 2015</p>	1 - 6
7			<p>REPORT ON THE REVIEW OF CUSTOMER RELATIONS 2014-15 AND LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW LETTER 2014-15</p> <p>To receive a report of the Chief Officer, Customer Access to summarise the Council's complaints and ombudsman cases for the period 1 April 2014 to 31 March 2015. The report discusses the effectiveness of ombudsman arrangements and LGO Annual Review Letter to the council and assesses the overall effectiveness of the council's approach to compliments, complaints and feedback.</p>	7 - 22

Item No	Ward	Item Not Open		Page No
8			<p>AUDITED STATEMENT OF ACCOUNTS AND KPMG AUDIT REPORT</p> <p>To receive a report of the Deputy Chief Executive which requests Members to approve the Council's final audited Statement of Accounts and to consider any material amendments identified by the Council or recommended by the auditors.</p>	23 - 58
9			<p>INTERNAL AUDIT UPDATE REPORT 1ST JUNE TO 31ST JULY 2015</p> <p>To receive a report of the Deputy Chief Executive which provides a summary of internal audit activity for the period 1st June to 31st July 2015 and highlight the incidence of any significant control failings or weaknesses.</p>	59 - 82
10			<p>EMPLOYMENT POLICIES, PROCEDURES AND EMPLOYEE CONDUCT.</p> <p>To receive a report of the Chief Officer Human Resources which provides assurance to the Corporate Governance and Audit committee that: the requirements of employee conduct are established and regularly reviewed; requirements relating to employee conduct are communicated and feedback is collected on whether expected behaviours are being demonstrated; and employee conduct is monitored and reported.</p>	83 - 88
11			<p>FINANCIAL MANAGEMENT AND CONTROL ARRANGEMENTS</p> <p>To receive a report of the Deputy Chief Executive to provide assurance to the Committee that the Council has in place effective and robust arrangements for financial planning, financial control and other financial management activities.</p>	89 - 104

Item No	Ward	Item Not Open		Page No
12			<p>ANNUAL BUSINESS CONTINUITY REPORT: PHASE 2 PROGRESS UPDATE</p> <p>To receive a report of the Deputy Chief Executive which provides an update of current progress towards completion of Phase 2 by the target date of September 2015 as requested by the Corporate Governance & Audit Committee at the June 2015 meeting.</p>	105 - 108
13			<p>ANNUAL ASSURANCE REPORT ON CORPORATE RISK AND PERFORMANCE MANAGEMENT ARRANGEMENTS</p> <p>To receive a report of the Deputy Chief Executive which presents assurances to the Committee on the effectiveness of the council's corporate risk and performance management arrangements: that they are up to date; fit for purpose; effectively communicated and routinely complied with. It provides one of the sources of assurance the Committee is able to take into account when considering approval of the Annual Governance Statement at today's meeting.</p>	109 - 116
14			<p>ANNUAL GOVERNANCE STATEMENT</p> <p>To receive a report of the City Solicitor which presents the Annual Governance Statement to the Committee for approval.</p>	117 - 138
15			<p>WORK PROGRAMME</p> <p>To receive a report of the City Solicitor notifying and inviting comment on the work programme.</p>	139 - 144

Third Party Recording

Recording of this meeting is allowed to enable those not present to see or hear the proceedings either as they take place (or later) and to enable the reporting of those proceedings. A copy of the recording protocol is available from the contacts named on the front of this agenda.

Use of Recordings by Third Parties– code of practice

- a) Any published recording should be accompanied by a statement of when and where the recording was made, the context of the discussion that took place, and a clear identification of the main speakers and their role or title.
- b) Those making recordings must not edit the recording in a way that could lead to misinterpretation or misrepresentation of the proceedings or comments made by

Item No	Ward	Item Not Open		Page No
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attendees. In particular there should be no internal editing of published extracts; recordings may start at any point and end at any point but the material between those points must be complete.

Corporate Governance and Audit Committee

Thursday, 9th July, 2015

PRESENT: Councillor G Hussain in the Chair

Councillors P Grahame, J Bentley,
P Harrand, N Dawson, A Sobel,
J Illingworth and B Flynn

Apologies Councillors R Wood, A McKenna and
K Bruce and R Wood

13 Appeals Against Refusal of Inspection of Documents

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

14 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

15 Late Items

There were no late items.

16 Declaration of Disclosable Pecuniary and Other Interests'

There were no declarations made.

17 Apologies for Absence

Apologies were received from Councillors K Bruce, A McKenna and R Wood.
Cllr. B Flynn substituted for Cllr Wood.

18 Minutes - 25th June 2015

Page 1 Item 3 Late Items
Slight amendment made as there were no late items.

RESOLVED – The minutes of the meeting held on 25th June 2015 were approved as a correct record.

19 Matters arising

Minute 7 Matters arising

Members were informed that KPMG had been contacted to inform them of the Committee's view on non-attendance at the meeting held in March. KPMG had also been made aware of the dates and times of the 2015/16 meetings. Members were assured that KPMG would be present at future meetings. The Committee were also informed that John Prentice the KPMG representative was currently in hospital as he had suffered a heart attack. The Committee asked that best wishes be paid to Mr Prentice for a speedy recovery.

Minute 8 LCR annual Financial Return and AGS 2014/15

Members had requested a breakdown of the reasons behind the increase in staffing costs from 2014/15. This information had been emailed to the Committee.

Minute 10 Financial Management Arrangements in the Planning and Sustainable Development Service

A request had been made for information to be circulated to Members with a breakdown of the costs of staffing the Planning Service this had been emailed to the Committee.

Minute 11 Annual Business Continuity Report: Phase 2 Progress Update

The Head of Governance Services had contacted the Chief Officer (Strategy and Resources) as requested. Members noted the current position.

20 KPMG Interim Audit Report

The Principal Finance Manager presented a report which highlighted the results of KPMG's interim audit work in relation 2014/15 financial statements and their work to support their 2014/15 value for money conclusion up to March 2015.

Rob Walker from KPMG was also in attendance to present KPMG's report and answer Members' questions.

Members requested information for the next meeting in relation to:-

- More information on procedures in place to ensure that officers' access rights in the FMS system are updated if their role changes

RESOLVED – Members noted the overall positive assurances provided by KPMG in respect of the work of internal audit and on the systems and controls which underpin the Council's financial statements.

21 The Statement of Accounts 2014/15

The Head of Corporate Finance presented a report of the Deputy Chief Executive. The report presented to the Committee the 2014/15 Statement of

Accounts prior to them being made available for public inspection. The Statement of Accounts was included with the agenda as a separate document.

The Principal Finance Manager was also in attendance to answer Members' questions.

In relation to questions posed by Members it was clarified that:

- Directors with authority through the Officer Delegation Scheme, approved Honorariums.
- The information on school reserves related only to LCC schools with there being no requirement for free schools or academies to inform LCC of their accounts.
- Changes in costs for Central Services had occurred due to a reclassification of General Government Grants.
- Trust school buildings are covered by the Council's insurance policies. For VA schools the governing body is responsible for insuring about 10% of the building costs, and the Council for the remaining 90% (as a resort in the event of grant funding being unavailable). The local Catholic Diocese has opted to insure the full value of its school buildings.

Members requested information on Early Leavers Initiative for the 18th September meeting.

RESOLVED – Members noted the 2014/15 unaudited Statement of Accounts as certified by the Responsible Financial Officer and agreed to release the accounts for public inspection.

22 Annual Decision Making Assurance Report

The Head of Governance Services presented this report with the Head of Licensing and registration, Chief Planning Officer and the Principal Legal Officer in attendance to answer Members questions.

This was the annual report to the committee concerning the Council's decision making arrangements.

This report provided one of the sources of assurance which the Committee is able to take into account when considering the approval of the Annual Governance Statement.

Members were asked to consider the results of monitoring documented within the body of the report and to note the assurances given by the Head of Governance Services, the Head of Licensing and Registration and the Chief Planning Officer, that the decision making framework in place in Leeds City Council is up to date, fit for purpose, effectively communicated and routinely complied with.

Draft minutes to be approved at the meeting
to be held on Friday, 18th September, 2015

Members discussed a number of issues in relation to the report including:-

- Monitoring of planning applications determined and overturned
- Monitoring of complaints and customer satisfaction surveys
- Monitoring of Licensed Hackney Carriage drivers from other authorities who are operating as Private Hire drivers in Leeds.

Members requested further information on:

- An estimate of speed of decision making on planning applications not taking account of agreed extensions of time
- Corporate customer complaints handling
- Improving website and customer feedback

RESOLVED - Members considered and noted the positive assurances provided in the report in relation to executive decision making, licensing, planning and the regulation of investigatory powers. Particularly:

A) In relation to executive decision making:-

- The assurances that the Council's Constitution has been reviewed and maintained as an accurate reflection of Council practice and procedure;
- the monitoring which has taken place in relation to publication of agendas and minutes of committee meetings and the publication and call in of Key Decisions;
- the monitoring of the use of officer delegations together with the reporting of one use of special urgency provisions; and
- the steps taken to continue to embed the decision making framework

B) In relation to Regulation of Investigatory Powers Act 2000 (RIPA):

- The appointment and training of authorising officers;
- Steps taken to embed and ensure compliance with guidance and procedure; and
- That there have been no applications for directed surveillance or CHIS authorisations and that there has been no use of the powers to obtain communications data.

C) In relation to licensing:-

- The monitoring of entertainment and miscellaneous licensing decisions;
- The monitoring of taxi and private hire licensing decisions; and
- The procedure adopted for review of the Statement of Licensing Policy for the Gambling Act.

D) In relation to planning:-

- The framework for planning decisions;
- Assurances in relation to officer conflict of interest;
- The monitoring of workload and the improvement in performance around decisions being made in time;
- The monitoring of committee decision making contrary to officer recommendation;

- The ongoing review of appeals and complaints as indicators of quality decision making;
- Ongoing training to ensure planning framework is embedded with both officers and Members ; and
- Assurances in relation to steps taken to engage with partners and customers.

23 Internal Audit Update Report 1st February to 31st May 2015

The Head of Internal Audit presented this report to the Committee. The report provided a summary of Internal Audit Activity for the period 1st February to 31st May 2015, highlighting the incidence of any significant control failings or weaknesses.

The report also contained a summary of completed reviews along with their individual audit opinions,

No significant control issues were identified by Internal Audit in the February to May 2015 Internal Audit Update Report. However, Internal Audit assured Members that follow up audits on reports with limited or no assurance or where the impact has been determined as 'Major' will continue to be undertaken to ensure the revised controls are operating well in practice.

Members requested a List of Purchasing Card users

RESOLVED – That the Committee received the Internal Audit February to May 2015 Update Report and noted the work undertaken by Internal Audit during the period covered by the report.

24 Internal Audit Quality Assurance and Improvement Programme Framework and Internal Audit Charter

The Head of Internal Audit presented the report of the Deputy Chief Executive which sought approval for the Internal Audit Charter.

Members were also requested to note the Internal Audit Quality Assurance and Improvement Programme (QAIP) Framework as defined by the Public Sector Internal Audit Standards (PSIAS).

RESOLVED – The Committee resolved to:

- a) Approve the Internal Audit Charter (Appendix 1 of the submitted report)
- b) Note the Quality Assurance and Improvement Programme Framework (Appendix 2 of the submitted report)

25 Internal Audit Annual Report and Opinion 2014/15

The Head of Internal Audit presented the report of the Deputy Chief Executive which brought to the attention of the Committee the annual Internal Audit opinion and basis of the internal audit assurance for 2014/15.

Members were informed that positive feedback had been received from clients.

Members were also informed that there were 2 areas of non-compliance, for which action plans have been produced to address these areas.

RESOLVED – That the Committee received the Internal Audit Annual Report for 2014/15 and noted the opinion given that on the basis of the audit work undertaken during the 2014/15 financial year. In particular:

- That there are no outstanding significant issues arising from the work undertaken by Internal Audit;
- That on the basis of the audit work undertaken during the 2014/15 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice;
- That the Internal Audit team conforms with the International Standards for the Professional Practice of Internal Auditing.

26 Work Programme

The Head of Governance Services presented this report on behalf of the City Solicitor which notified Members of the draft work programme for the 2015/16 year.

Members were requested to consider the draft work programme attached at Appendix 1 of the submitted report and determine whether any additional items need to be added to the work programme.

Members were asked to consider and note the provisional dates for the meetings of the Committee in the 2015/16 municipal year. The Committee requested that the clerk check that there are no clashes of commitments for Members.

RESOLVED – The Committee resolved to note the contents of the work programme.

27 Date and Time of Next Meeting

The next meeting of the Corporate Audit and Governance Committee will be held on 18th September 2015 at 2:00pm.



Report author: Andrew White
Tel: 2660002

Report of the Chief Officer, Customer Access

Report to the Corporate Governance & Audit Committee

Date: 18 September 2015

Subject: Report on the review of customer relations 2014-15 and Local Government Ombudsman's Annual Review Letter 2014-15

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

Summary of main issues

- 1 This report provides comment and feedback for the committee on the review of customer relations (compliments, complaints and feedback) for 2014-15, including Local Government Ombudsman's (LGO) annual review letter for Leeds, dated 18 June 2015.
- 2 Using an overview of the complaints to the council during 2014/15, this report sets out the council's arrangements for responding to complaints made by the public, the key objectives of which are:
 - to make it easy for people to complain or provide feedback;
 - to try to resolve complaints at an early stage; and
 - to learn lessons from the issues raised through complaints.
- 3 The report shows broadly positive trends against these objectives. The number of complaints received by the council has fallen on the previous year, and the council is responding to more complaints within stated timescales than ever before. The proportion of cases which progress beyond the early stages has also fallen, with comparatively few complaints proceeding to the LGO and Housing Ombudsman Service (HOS), and a comparatively small number and proportion of investigations find fault on the part of the council.
- 4 The report does show that there are, however, some areas where complaints are increasing, where the council needs to improve in learning lessons from compliments, complaints and feedback. The report shows that these issues are being appropriately addressed.

- 5 Taken together, these developments provide assurance that the council's processes for handling complaints are, on the whole, working effectively.

Recommendations

- 6 Members are asked to consider the issues raised in the report and the supporting contextual information provided in the appendices.
- 7 Members are asked to confirm that the report and supporting information provides external assurance as to the effectiveness of the council's approach to complaints.

1 Purpose of this report

- 1.1 To summarise the council's complaints and ombudsman cases for the period 1 April 2014 to 31 March 2015.
- 1.2 To discuss the effectiveness of ombudsman arrangements and LGO Annual Review Letter to the council, a copy of which can be found in **Appendix 1**.
- 1.3 To assess the overall effectiveness of the council's approach to compliments, complaints and feedback.

2 Background information

- 2.1 Citizens and businesses have a choice about who they contact about council services, and there are a wide range of options open to people when they choose to provide feedback or to make a complaint. As a broad rule, the council seeks not to limit that choice, but to operate a 'no wrong door' approach. This means that, irrespective of whom the person chooses to contact, and channel by which they make that contact, their questions should be answered and appropriate action should be taken, and steps taken to learn lessons from what went wrong.
- 2.2 The table below outlines a framework for how different types of feedback (particularly complaints, appeals against decisions and critical feedback) are handled in the council. The four columns on the right hand side show the routes for formal complaints to the council and the relevant policies and standards. The other columns illustrate the framework when people don't use the complaints approach, such as appealing against a decision, contacting their local councillor, and using social media.

Table 1: Types of complaint to the council

	Appeal against decision	Ward member contact	Social media	Telephone complaint	In person complaint	Web complaint	Complaint form/letter
	includes school place, parking fine, parking permit, application for council tax support	http://democracy.leeds.gov.uk/mgFindMember.aspx	https://www.facebook.com/Leedscouncil/ https://mobile.twitter.com/leedscouncil_help	0113 22 4405	At every public building	http://www.leeds.gov.uk/council/Pages/Let-Us-Know-Compliments-Complaints-and-Feedback.aspx	By post (freepost address) Email to complaints@leeds.gov.uk
Timescale for reply:	Set by the specific service	10 working days (based on current email and letter standards)	Same day			Acknowledgment within 3 days Reply 10-20 days (depending on type of complaint)	
Policy:	Covered by the relevant policy, guidelines	Members' correspondence policy	Social media guidelines			Compliments, Complaints and Feedback policy Special procedure for complaints with alleged equality or discrimination aspect Special procedure for complaints about Data Protection (DPA), Freedom of Information (FOI)	
Appeal/escalation:	Set by the specific service	Executive/Lead Member	Will depend on the subject			Option for stage 2 (review)	
External appeal:	Ombudsman or court	None				Local Government Ombudsman Housing Ombudsman	

2.3 The council has a compliments and complaints policy and procedure which has been in place for a number of years, co-ordinated by twelve customer relations teams, and accountable to the council's Customer Strategy Board. The policy and framework has three aims:

- to make it easy for people to complain to the council;
- for the council to resolve complaints at the earliest stage possible; and
- for the council to learn lessons from compliments, and feedback, and from complaints to prevent them from recurring.

In order to make it easy for people to complain to the council, the council uses a range of posters, leaflets, online forms and online supporting information. The teams currently use two different ICT systems to administer complaints, although the council is planning to converge on one core customer relations system in the next several months

2.4 In many cases, the officer or manager may speak to the customer and see if they can resolve the problem without initiating a complaint. If the problem needs to be dealt with as a complaint, the council operates a two stage complaint process. In order to try and resolve the complaint as early as possible, at this first stage, the complaint is handled by an officer or manager from the service complained about, who investigates the issues raised, looks to resolve them and responds to the customer within the relevant timescale.

2.5 Should the customer remain dissatisfied after this stage, they can take their complaint to a second, review, stage of the complaints process. At this stage, a more senior officer will investigate and respond to the customer's concerns. The officer will look at how the original complaint was dealt with and also respond to any further issues that the customer may have raised with us. Adult Social Care and Children's Social Care have procedures in line with statutory regulations, and the council also has specific procedures for complaints with an alleged discrimination aspect, or which are about data protection or freedom of information.

2.6 A customer who progresses to the review stage of our complaints policy is advised in our response of their right to take their complaint to the relevant ombudsman, should they remain dissatisfied with the outcome, and depending on the Ombudsman's jurisdiction. The LGO and HOS advise customers to go through all stages of an authority's complaints procedure before investigating a complaint.

3 Main issues

3.1 This report covers the following issues relating to the review of 2014-15 and LGO Annual Review Letter:

- Analysis of complaints to the council;
- Patterns and trends of LGO and HOS enquiries and complaints;
- Analysis of compliments and feedback short of a complaint (known as 'service requests'); and
- Assessment of the effectiveness of the council's overall approach to compliments, complaints and feedback.

3.2 The report does not cover the issue re the application of GIS on the Council's Website raised during the last meeting of Corporate Governance and Audit Committee on 7th July 2015. This issue has been dealt separately with Cllr

Illingworth through a demonstration of the new GIS mapping capability being implemented on the website for the Site Allocation consultation.

Overview of complaints to the council

- 3.3 The majority of complaints to the council do not progress beyond the initial stage described in section 2.4. Reviews and LGO/HOS complaints continue to be a very small proportion of complaints which are made to the council each year, summarised in the table below. In 2014/15 the council received 4133 stage one complaints, of which 284 (7% of all complaints) progressed to the second stage of our complaints process. Of those, 127 people complained to the LGO/HOS, of which 28 found fault.

Table 2: Trends in complaints, last three years

Year	Initial complaints	Reviews (stage 2 or 3)	Ombudsman cases	Ombudsman finding fault
2014-15	4133	284	127	28
2013-14	4795	329	145	24
2012-13	5473	440	146	30

- 3.4 **Appendix 2** gives a further breakdown of complaint trends by directorate over the 2014-15 year, with comparison against the previous year. This breakdown is included in the report presented to the council's Customer Strategy Board where, as part of the annual report process, all directors are required to provide feedback on any trends in complaints identified over the year and what actions were taken to address them. During this review process particular attention was given to cases where the council has been instructed by the LGO/HOS to make a payment. This accountability process is important in delivering one of our objectives in relation to learning from complaints.
- 3.5 A further trend identified from 2014/15 is that complaints had fallen in volume, both at stage 1 (down by around 600) and stage 2 (down by around 40), largely accounted for by a fall in complaints about housing management issues. Complaints had increased in volume about Adult Social Care and Children's Services (each up by around 50). The council also recorded a fall in compliments (1192, down from 1429 the previous year).
- 3.6 Similarly the council had responded more quickly to complaints than in previous years, an increase to 93% of stage 1 complaints (up from 89% last year) responded within stated timescales. The directorates with the largest improvement in responsiveness were Citizens & Communities, Environment & Housing, and Belle Isle TMO. A good proportion of complaints were responded to quicker than the targeted timescales too, with Citizens & Communities for example, answering 68% of stage 1 complaints in under 10 working days. Two directorates, City Development and Children's Services, had a slight (3-5%) fall in responsiveness.
- 3.7 One area identified for improvement from the review is the early identification and investigation of complaints which have an equalities or alleged discrimination aspect. The council only identified 35 complaints during 2014-14 where the complainant had

alleged that discrimination had taken place or that their equality characteristics had not properly been taken into account. These are discussed in sections 3.18 and 4.2 below.

Patterns and trends of LGO/HOS enquiries and financial settlements

- 3.8 In previous years, the LGO has produced a detailed breakdown of the council's performance, including how many complaints were remedied during the LGO's investigation and the number of cases where the LGO identified only minor injustice. The LGO changed their way of handling complaints during 2012/13 and with housing landlord complaints falling within the remit of the HOS, the LGO no longer writes a detailed report on each council. The HOS does not provide an annual report on each landlord.
- 3.9 During 2014/15, the LGO and HOS issued decisions on 127 complaints (compared to 145 decisions in 2013/14). The number of decisions includes complaints where the ombudsman has used their discretion not to investigate or because the issue is outside of their jurisdiction. Of these 127 complaints, the ombudsman found fault in 28 of these cases. The number where the ombudsman found fault has increased (22%) a rise from 17% of cases last year. The remaining cases were either 'no fault', 'fault remedied during investigation' or 'outside jurisdiction'.
- 3.10 The nature of complaints by service area has shifted from previous years, with schools and planning overtaking housing as the largest areas of investigation by the ombudsman. In 2014/15 a third of all ombudsman cases related to schools and school places, compared to around a third of cases the previous year.
- 3.11 The total financial settlements agreed by the LGO/HOS for the previous 3 years are set out below:-
- | | |
|------------------|---------|
| 12/13 = 17 cases | £13,664 |
| 13/14 = 16 cases | £67,036 |
| 14/15 = 13 cases | £11,886 |
- 3.12 This is a fall on previous years. The value of financial settlements last year was skewed by one case where the LGO imposed a settlement of £43,527. The average value of settlements by the ombudsman was around £900, and settlements ranged from £100 to £4225. In 15 cases, the ombudsman found fault but did not impose a financial settlement.

Implications of changes in LGO/HOS role and jurisdiction

- 3.13 On 1 April 2013, the role and jurisdiction for investigating complaints about the council's function as a landlord passed from the LGO to the HOS, as set out in the Localism Act 2011.
- 3.14 The major change for the council was that in accordance with the Localism Act 2011 complainants have the option to take their case to a 'designated person', to see if the dispute can be resolved, before contacting the HOS. Any UK MP and any Leeds City Council Councillor can currently act as a designated person, and the council is investigating options for tenant panel members to act as designated persons. Member support teams have been provided with guidance to provide support to individual members who are contacted in their role as a designated person, with drop in sessions taking place. These sessions are planned to be refreshed during the

coming year. Designated persons can decline to consider a complaint or they can choose to refer a complaint on to the HOS. A complainant can also 8 weeks from the date of the council's final response rather than approach a designated person first.

- 3.15 In 2014/15 there were very few referrals to designated persons to try and resolve housing complaints informally. The number of decisions made by the LGO (25) significantly exceeded those by the HOS (3), as the LGO continues to have jurisdiction over the council's wider activities, for example in discharging their statutory duties. Further, only in a very small proportion of stage 1 complaints (1-5%) had an elected member recommended that this be investigated as a complaint.
- 3.16 In March 2015, the Cabinet Office began consultation on proposals to combine public services ombudsman into a single body, following on from the Gordon report of 2014. It recommends creating a new Public Service Ombudsman (PSO), bringing together the existing jurisdictions of the Parliamentary and Health Service Ombudsman, Local Government Ombudsman and Housing Ombudsman Service. The report highlighted the opportunity for an improved customer experience through an integrated service and the opportunities to improve public service systems.

Assessment of the effectiveness of the council's overall approach to compliments, complaints and feedback

- 3.17 The assessment of the effectiveness of the council's overall approach to compliments, complaints and feedback balances positive trends with some areas for improvement.
- 3.18 On the positive side, the council continues to encourage people using a range of channels to let us know how well we have done, and ask that we take action, either to remedy a problem, or to pass on a compliment or thanks to the member(s) of staff. The number of complaints at stages 1 and 2 has fallen, and the council is responding to complaints more quickly than ever before.
- 3.19 Below the high level trends of a reduction in complaints, the council needs to ensure that it welcomes and responds to feedback, comments and complaints. Given that the increases in complaints last year were about adult social care and children's services, a key area identified for development is that of the need to identify and address equality and alleged discrimination, particularly at a time when the council is making difficult choices in service design and provision. The perceived under-recording of these types of complaints is being addressed with the twelve teams which administer complaints across the council, and particularly with the two customer relations teams in Adults and Childrens Services directorates. Around one third (ten of the 35) equalities related complaints last year were upheld, and a further eight partially upheld, many about issues of access, and there are opportunities for customer relations teams and complaints investigators across the council to learn from these cases.
- 3.20 A further area for development is to make sure that the council remains as customer focused as possible, and is not confused or distracted by internal processes. The council is looking at ways to make sure that customer experiences are positive, and part of this work has included a senior manager masterclass on customer experiences, and refresh of customer services training courses. Also planned future work includes engaging with members to provide a robust framework for ensuring parity with the corporate process for responding to customer feedback. This will include the provision of training based on the LGO/LGA guidance for local

Councillors and work to streamline the link between the corporate compliments and complaints process and the Member's correspondence process.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 As this report is providing the committee with information on past performance with regards to compliments, complaints and feedback, and LGO/HOS cases, no specific consultation or engagement has been sought. However as set out in para. 3.19 work is planned to engage fully with Members in the year ahead.

4.1.2 The LGO, Healthwatch and Parliamentary and Health Ombudsman November 2014 report 'My expectations for raising complaints and concerns' was a response to concerns about NHS and social care scandals. It proposes a user-led approach based on engagement. This approach might be most easily applicable to adult and children's social care, but may also be relevant to other areas of the council who have customers who are perceived as vulnerable and unlikely to complain. A link to the report is provided in section 7 below.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 Sections 3.6, 3.18 and 4.1.2 highlighted the risk that the council may be under-reporting and potentially not paying appropriate attention to complaints where there are equalities or alleged discrimination aspects, or where vulnerable people do not complain. The next cross-council customer relations meeting in September 2015 will discuss ways to make sure that we are learning from the very best practice.

4.2.2 The LGO has not highlighted any issues regarding Equality, Diversity, Cohesion or integration in the Annual Letter for 2013/14.

4.3 Council policies and City Priorities

4.3.1 The review of compliments, complaints and feedback and LGO letter has not raised any issues that would impact on council priorities or city priorities.

4.4 Resources and value for money

4.4.1 Our compliments and complaints are relatively free feedback from our customers on what has gone wrong for them, and what we could or should have done differently or better. In doing this, we can also identify areas of improvement, to make our services more effective, in particular, more joined up and responsive to people's individual needs and circumstances. Each LGO/HOS investigation and equality/discrimination complaint uses a case conference approach, the aims of which are to ensure that the investigation is i) thorough and timely, and ii) actions are put in place to prevent similar problems from occurring.

4.4.2 The cost of financial settlement and compensation is significantly outweighed by the amount of staff time spent administering and investigating complaints. The earlier faults or mistakes are identified and addressed, the more cost effective the process is. LGO/HOS cases can have resource implications as the council should have resolved the issue earlier, but also have financial implications as the LGO/HOS has the authority to impose financial settlements. All cases of financial settlement are reported to the council's Customer Strategy Board to ensure that lessons are learnt across the council.

4.5 Legal Implications, Access to Information and Call In

4.5.1 As this report is providing an update on past performance relating to compliments, complaints and feedback, and LGO/HOS cases dealt with during 2013/14, it does not have any legal implications. None of the information enclosed is deemed to be sensitive or requesting decision, and therefore raises no issues for access to information or call in.

4.6 Risk Management

4.6.1 As this report is providing an update on past performance relating to compliments, complaints and feedback, and LGO/HOS cases dealt with during 2013/14, there are no significant risks identified by this report.

5 Conclusions

5.1 In previous years the Annual Review Letter has provided the council with valuable feedback as to the LGO's view on our performance during the previous year. The letter this year does not comment on the effectiveness of our arrangements, so this report has focused in more detail about the broader pattern and trend of compliments, complaints and feedback to the council.

5.2 This report has described the general arrangements in place for responding to complaints made by the public. It has also described how in practice the council has a balancing act, to make it easy for people to complain to the council, to resolve customer complaints at an early stage and to learn lessons from the issues raised through complaints. It has described that while complaints are being responded to in shorter timescales, there are plans to deal with complaints better in areas showing an increase in complaints, and to make sure that the council is working harder to make sure it is not overlooking complaints with an alleged equality or discrimination aspect.

5.3 The report has drawn on the overview of 2014-15 to show that the council is continuing to inform people of their right to complain to us. The report has also shown that the trend in complaints is downward, and that the majority of complaints continue to be resolved at the first stage. It has also shown that good practice is in place, particularly for LGO/HOS complaints, to ensure that lessons are learnt from complaints. The information detailed in this report enables us to give assurance that the current system is fit for purpose in this respect, and this provides assurance that complaints are operating as intended.

6 Recommendations

6.1 Members are asked to consider the issues raised in the year end complaints results and LGO Annual Review Letter.

6.2 Members are asked to confirm that the information provides external assurance as to the effectiveness of the council's approach to complaints.

7 Background documents

Appendices:

Appendix 1: LGO Annual Review Letter to Leeds City Council, 18 June 2015

Appendix 2: Year end Customer Relations report to Customer Strategy Board, 26 June 2015

Links:

LGO and LGA Councillor workbook for complaint handling: http://www.local.gov.uk/web/guest/publications/-/journal_content/56/10180/7159167/PUBLICATION

LGO, Healthwatch and Parliamentary and Health Ombudsman report: http://www.ombudsman.org.uk/_data/assets/pdf_file/0010/28774/Vision_report.pdf

Cabinet Office consultation on proposals for a single public service ombudsman: <https://www.gov.uk/government/consultations/public-service-ombudsman>

18 June 2015

By email

Mr Tom Riordan
Chief Executive
Leeds City Council

Dear Mr Riordan

Annual Review Letter 2015

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2015. This year's statistics can be found in the table attached.

The data we have provided shows the complaints and enquiries we have recorded, along with the decisions we have made. We know that these numbers will not necessarily match the complaints data that your authority holds. For example, our numbers include people who we signpost back to the council but who may never contact you. I hope that this information, set alongside the data sets you hold about local complaints, will help you to assess your authority's performance.

We recognise that the total number of complaints will not, by itself, give a clear picture of how well those complaints are being responded to. Over the coming year we will be gathering more comprehensive information about the way complaints are being remedied so that in the future our annual letter focuses less on the total numbers and more on the outcomes of those complaints.

Supporting local scrutiny

One of the purposes of the annual letter to councils is to help ensure that learning from complaints informs scrutiny at the local level. Supporting local scrutiny is one of our key business plan objectives for this year and we will continue to work with elected members in all councils to help them understand how they can contribute to the complaints process.

We have recently worked in partnership with the Local Government Association to produce a workbook for councillors which explains how they can support local people with their complaints and identifies opportunities for using complaints data as part of their scrutiny tool kit. This can be found [here](#) and I would be grateful if you could encourage your elected members to make use of this helpful resource.

Last year we established a new Councillors Forum. This group, which meets three times a year, brings together councillors from across the political spectrum and from all types of local authorities. The aims of the Forum are to help us to better understand the needs of councillors when scrutinising local services and for members to act as champions for learning from complaints in their scrutiny roles. I value this direct engagement with elected members and believe it will further ensure LGO investigations have wider public value.

Encouraging effective local complaints handling

In November 2014, in partnership with the Parliamentary and Health Service Ombudsman and Healthwatch England, we published *'My Expectations'* a service standards framework document describing what good outcomes for people look like if complaints are handled well. Following extensive research with users of services, front line complaints handlers and other stakeholders, we have been able to articulate more clearly what people need and want when they raise a complaint.

This framework has been adopted by the Care Quality Commission and will be used as part of their inspection regime for both health and social care. Whilst they were written with those two sectors in mind, the principles of *'My Expectations'* are of relevance to all aspects of local authority complaints. We have shared them with link officers at a series of seminars earlier this year and would encourage chief executives and councillors to review their authority's approach to complaints against this user-led vision. A copy of the report can be found [here](#).

Future developments at LGO

My recent annual letters have highlighted the significant levels of change we have experienced at LGO over the last few years. Following the recent general election I expect further change.

Most significantly, the government published a review of public sector ombudsmen in March of this year. A copy of that report can be found [here](#). That review, along with a related consultation document, has proposed that a single ombudsman scheme should be created for all public services in England mirroring the position in the other nations of the United Kingdom. We are supportive of this proposal on the basis that it would provide the public with clearer routes to redress in an increasingly complex public service landscape. We will advise that such a scheme should recognise the unique roles and accountabilities of local authorities and should maintain the expertise and understanding of local government that exists at LGO. We will continue to work with government as they bring forward further proposals and would encourage local government to take a keen and active interest in this important area of reform in support of strong local accountability.

The Government has also recently consulted on a proposal to extend the jurisdiction of the LGO to some town and parish councils. We currently await the outcome of the consultation but we are pleased that the Government has recognised that there are some aspects of local service delivery that do not currently offer the public access to an independent ombudsman. We hope that these proposals will be the start of a wider debate about how we can all work together to ensure clear access to redress in an increasingly varied and complex system of local service delivery.

Yours sincerely



Dr Jane Martin
Local Government Ombudsman
Chair, Commission for Local Administration in England

Local authority report – Leeds City

For the period ending – 31/03/2015

For further information on interpretation of statistics click on this link to go to <http://www.lgo.org.uk/publications/annual-report/note-interpretation-statistics/>

Complaints and enquiries received

Local Authority	Adult Care Services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services and public protection	Highways and transport	Housing	Planning and development	Total
Leeds City	28	25	24	58	19	13	23	22	212

Page 19

Decisions made

Local Authority	Detailed investigations carried out		Advice given	Closed after initial enquiries	Incomplete/Invalid	Referred back for local resolution	Total
	Upheld	Not Upheld					
Leeds City	24	41	13	51	15	75	219

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Complaint analysis Q1 2014-15 vs prev qtr		Volume of complaints received 2014-15/2013-14					Effectiveness of Complaints Handling			Responsiveness	
		Compl - iments	Service requests	Stage 1	Stage 2	Ombudsman	Stage 2 complaints (% stage1)	Fault found YTD/ Last year YTD	Financial settlement YTD/ Last year YTD	Stage 1 response within standard #	Stage 2 response with 15 working days
Belle Isle TMO	2014-15	3	0	34	4	0	12%	0	£0	97%	100%
	2013-14	5	0	37	6	0	16%	0	£0	89%	100%
Adults Social Care *	2014-15	197	0	380	32	11	8%	3	£5,986	97%	94%
	2013-14	0	0	340	38	23	11%	1	£0	98%	n/a
Children's Services	2014-15	62	32	352	15	8	4%	4	£1,000	80%	27%
	2013-14	57	44	297	14	28	5%	10	£59,336	83%	n/a
City Development	2014-15	268	122	263	48	24	18%	8	£450	86%	81%
	2013-14	286	169	257	61	0	0%	0	£0	91%	82%
Citizens & Communities (inc Public Health and	2014-15	375	35	594	45	7	8%	0	£0	97%	94%
	2013-14	339	24	415	19	9	5%	0	£0	89%	84%
Environment & Housing **	2014-15	293	658	2405	125	14	5%	1	£2,000	94%	92%
	2013-14	169	63	1851	52	22	3%	3	£175	83%	71%
Strategy & Resources ##	2014-15	194	18	105	15	15	14%	3	£400	87%	87%
	2013-14	330	63	282	25	15	9%	1	£750	81%	72%
Housing ***	2014-15	127	625	1014	85	16	8%	0	£1,250	98%	98%
	2013-14	243	627	1316	114	22	9%	9	£6,775	98%	96%
Education ****	2014-15					32		4	£0		
	2013-14										
Total	2014-15	1195	860	4133	284	127	6.9%	28	£11,086	93%	87%
	2013-14	1429	992	4795	329	145	8.0%	24	£67,036	89%	83%

	Higher than last year
	Equal to or lower than last year

	On or above target
	Within 10% of target
	Below 10% of target

Corporate standard is 15 working days, Adult Social Care and Children's Social Care are 20 working days

* No Stage 2, ASC use medium risk as an alternative

** Includes Housing in 2014/15 but not in 2013/14

*** Already included in Environment & Housing except Ombudsman

**** Ombudsman only, Compliments and Complaints in Children's Services

Civic Enterprise in Strategy & Resources in 2013/14

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Report author: Mary Hasnip
Tel: x74722

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 18th September 2015

Subject: Audited Statement of Accounts and KPMG Audit Report

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

Summary of main issues

1. KPMG have completed their audit of the final accounts, and the report of their findings is attached. The main points are that :
 - KPMG anticipate being able to issue an unqualified opinion on the 2014/15 Statement of Accounts;
 - There are no unadjusted audit differences affecting the financial statements;
 - The review of the Annual Governance Statement has concluded that it is not misleading or inconsistent with information they are aware of from their audit of the financial statements;
 - The review of value for money arrangements has concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
2. A post balance sheet event has been recognised to increase the level of the provision for appeals against business rates valuations by £23.9m
3. The accounts have been certified by the Responsible Finance Officer as a true and fair view of the Council's financial position as at 31st March 2015.

Recommendations

4. Members are asked to receive the report of the Council's external auditors on the 2014/15 accounts and to note that there are no audit amendments required to the Accounts.

5. Members are asked to approve the final audited 2014/15 Statement of Accounts and the Chair is asked to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
6. On the basis of the assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
7. Members are asked to note KPMG's VFM conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

1 Purpose of this report

- 1.1 At its previous meeting in July, the Committee agreed to release the unaudited 2014/15 Statement of Accounts for public inspection. Under this Committee's terms of reference, members are now required to approve the Council's final audited Statement of Accounts and to consider any material amendments identified by the Council or recommended by the auditors.

2 Background information

- 2.1 In accordance with the Accounts and Audit (England) Regulations 2011, the Council's Responsible Financial Officer, the Deputy Chief Executive, has certified that the Statement of Accounts presents a true and fair view of the financial position of the Council. On completion of the Audit, the regulations also require that the accounts are approved by resolution of a Committee and published, together with the auditor's opinion and report.

3 Main issues

3.1 Key External Audit Findings

3.1.1 Audit Opinion

KPMG have determined that the 2014/15 accounts give a true and fair view of the Council's financial position and they are therefore proposing to issue an unqualified audit opinion.

3.1.2 Audit Differences

On conclusion of the audit, KPMG identified no unadjusted audit differences which required amendment to the accounts.

3.1.3 Audit Risks

KPMG's Financial Statements Audit Plan, as reported to this Committee on the 28th January 2015, identified two main areas of risk in compiling the financial statements for 2014/15. These were the valuation of property, plant and equipment, and the valuation of the Council's pensions liabilities. KPMG have now audited these areas and have concluded that property, plant and equipment has

not been materially misstated, and that the estimate of pension liabilities is reasonable.

3.1.4 Audit recommendations

The audit report identifies three recommendations, all with level 3 priority (the lowest priority). These are given in Appendix 3 of KPMG's report, along with the responses from council officers and the proposed timetables for action. There are no outstanding recommendations from previous years which require further Council action.

3.1.5 Use of Resources

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

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

3.1.6 Review of the Annual Governance Statement

KPMG have confirmed that, in their opinion, the statement is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.

3.2 Post Balance Sheet Events and other significant amendments

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

3.2.2 As at the 10th September the council has identified one post balance sheet event which is sufficiently material to require an adjustment to be made to the final accounts. The draft accounts included a provision of £17.6m in respect of appeals against business rates valuations. Based on the latest data available from the Valuation Office, the council now estimates that the provision should be increased by £23.9m to £41.5m. The worsening position is due to a combination of factors. Since the provision was originally calculated, further appeals have been received, and the success rate of existing appeals which have been resolved has been higher than expected, leading the council to revise its provision in respect of existing appeals. In addition, the Valuation Office has made a significant number of downward revisions to valuations on their own initiative. The council does not receive any advance notification of potential revaluations for reasons other than appeals by ratepayers.

3.2.3 As a result of the worsening of the position on business rates for the year, the council is no longer required to pay a levy for 2014/15. The accrual for this payment has therefore been taken out, and the amount (£0.9m) has instead been added to reserves.

3.2.4 In addition, the council has made two significant amendments to the accounts since the draft accounts were presented to the committee in July :

- The draft accounts showed a revised opening balance sheet as at 1st April 2013 which included the recognition of £235m schools which are now deemed to be assets of their governing bodies. This position has been further adjusted to de-recognise six voluntary controlled schools valued at £11m which were previously held on the council's balance sheet. Under the new accounting rules, these are deemed to be assets of their voluntary sector sponsors. The revised increase in the opening value of assets at 1st April 2013 is therefore £224m.
- Officers have reviewed the revaluations of fixed assets over the summer and identified corrections which increase the value of the council's assets by £4.9m.

3.2.5 As outlined in para 3.2.1 above, any post balance sheet events must be considered up until the accounts are approved. A verbal update will be provided at Committee to confirm the final position.

3.3 Public Inspection Queries

3.3.1 Under the statutory timescales for public inspection of the accounts, the Council has had one enquiry requesting information in respect of PFI schemes. Under statute, stakeholders have the right to question the auditors and request either an amendment to the accounts or the issuing of a public inspection report. As at the writing of this report, no questions have been raised to the auditors on these or any other issues.

3.4 Management Representation letter

3.4.1 The auditors are required by the Audit Commission's Code of Audit Practice to undertake the audit work on the accounts in compliance with International Standards on Auditing (ISAs). ISAs contain a mixture of mandatory procedures and explanatory guidance. Within the mandatory procedures are requirements to obtain written representations from management on certain matters material to the audit opinion. The management representation letter is designed to give audit such assurances. In respect of the 2014/15 accounts the letter is attached as **Appendix A** to this report. After consultation with appropriate officers, the Deputy Chief Executive has signed to confirm that officers are not aware of any compliance issues on the representation matters raised in the letter.

3.2.6 The Committee is asked to consider whether members are aware of any issues they want to bring to the auditors attention in respect of the matters addressed in the management representation letter. If there are no such issues the Committee is asked to agree that the Chair can sign the letter on behalf of the Committee.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The interim audit report does not raise any issues requiring consultation or engagement with the public, ward members or Councillors.

4.2 Equality and Diversity / Cohesion and Integration

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

4.3 Council policies and Best Council Plan

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

4.4 Resources and value for money

4.4.1 KPMG's report includes their opinion as to whether the Council has proper arrangements for securing value for money.

4.5 Legal Implications, Access to Information and Call In

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

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

4.6 Risk Management

4.6.1 KPMG have not identified any significant risks in their recommendations.

5 Conclusions

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

- An unqualified opinion on the 2014/15 Statement of accounts.
- A value for money conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Confirmation that in the auditor's opinion the Council's Annual Governance Statement is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.

5.2 There are no high priority recommendations raised by KPMG.

5.3 A post balance sheet event has been recognised to increase the level of the provision for appeals against business rates valuations by £23.9m.

5.4 To date there are no public inspection queries which have require amendments to the accounts.

6 Recommendations

- 6.1 Members are asked to receive the report of the Council's external auditors on the 2014/15 accounts and to note that there are no audit amendments required to the accounts.
- 6.2 Members are asked to approve the final audited 2014/15 Statement of Accounts and the Chair is asked to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
- 6.3 On the basis of assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
- 6.4 Members are asked to note KPMG's VFM conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

7 Background documents¹

- 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.

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Deputy Chief Executive
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18th September 2015

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of Leeds City Council ("the Authority"), for the year ended 31 March 2015, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

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

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

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended; and
 - i. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. There are no uncorrected misstatements to the financial statements.
5. In respect of the restatement of Property, Plant and Equipment in the prior period financial statements by bringing individual Schools on or off balance sheet following the clarification contained in LAAP Bulletin 101, the Authority confirms that the restatement is appropriate.

Information provided

6. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
7. All transactions have been recorded in the accounting records and are reflected in the financial statements.
8. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements;and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
11. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
12. The Authority confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
13. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,have been identified and properly accounted for; and
 - b) all plan amendments, curtailments and settlements have been identified and properly accounted for.
14. All revaluations carried out by the in-house valuer as at 31 March 2015 that have a material affect either individually or in aggregate on the carrying value of Property Plant and Equipment have been reflected in the financial statements. Information provided to and used by the in-house valuer for determining the value of items of Property Plant and Equipment for example future cash flows are consistent with the Authority's management information and requirement of IAS30 and IFRS 13.
 15. In respect of the NNDR appeals process:
 - Management has based the estimate on all available information at the date of this letter; and
 - There are no material subsequent events which would require any adjustment to the accounting estimate included in the financial statements.

This letter was tabled and agreed at the meeting of the Audit Committee on 18th September 2015.

Yours faithfully,

Deputy Chief Executive

Chair of Corporate Governance and Audit Committee

Appendix to the Authority Representation Letter of Leeds City Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

[ISA (UK&I) 580.A14 states that the auditor may consider communicating to management a threshold for the purposes of the requested written representations, to the extent that these refer to material matters or misstatements. Engagement teams may set out such information here, if considered appropriate.]

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

[In recognition of the circumstances arising in certain countries whereby governments hold large investments in entities, and furthermore, as a result of government “bail-outs” and financial support provided to various entities, resulting from the economic downturn, revised IAS 24.25 states the following, in respect of government-related entities.]

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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cutting through complexity

Page 37

Report to those charged with governance (ISA 260) 2014/15

Leeds City Council

September 2015



Contents

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Report sections

	Page
■ Introduction	2
■ Headlines	3
■ Financial statements	5
■ VFM conclusion	11

Appendices

1. Key issues and recommendations	13
2. Declaration of independence and objectivity	16
3. Materiality and reporting of audit differences	18
4. KPMG Audit Quality Framework	19

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

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees, the engagement lead to the Authority, and the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, who will try to resolve your complaint. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Leeds City Council ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in December 2014, set out the four stages of our financial statements audit process.



We previously reported on our work on the first two stages in our *Interim Audit Report /Letter 2014/15* issued in June 2015.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July and August 2015.

It also includes any additional findings in respect of our control evaluation which we have identified since we issued our *Interim Audit Report/Letter 2014/15*.

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

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas; and
- carrying out additional risk-based work.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

Acknowledgements

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

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

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	We are pleased to report there are no unadjusted audit misstatements.
Key financial statements audit risks	<p>We review risks to the financial statements on an ongoing basis. We identified the following key financial statements audit risk in our 14/15 External audit plan issued in December 2014.</p> <ul style="list-style-type: none"> ▪ The valuation of property, plant and equipment. <p>We have worked with officers throughout the year to discuss this key risk and our detail findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in these key risk areas.</p>

<p>Accounts production and audit process</p>	<p>The draft financial statements were produced by the 30 June deadline, and officers dealt with audit queries in a timely manner. In general, we have noted an improvement in the quality of the accounts and the supporting working papers, although there were still some occasions where we had to delay carrying out the work on a particular area because working papers were not ready, for example valuation reports for Property, Plant and Equipment, and a data request relating to Staff Expenses. At the same time we recognise that the timeliness of requests made by audit for information also needs to be improved, for example requesting journals evidence.</p> <p>The Authority has implemented the recommendations in our <i>ISA 260 Report 2013/14</i> relating to the financial statements. As noted above there are still improvements to be made in the production of working papers and requests made of the Authority by audit for information.</p>
<p>Completion</p>	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> ■ Review of the letter of assurance from the West Yorkshire Pension Fund auditors Mazars; ■ Carrying out final checks on the financial statements; and ■ Review of possible post-balance sheet events, in particular around potential contingent liabilities and provisions. <p>Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
<p>VFM conclusion and risk areas</p>	<p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.</p>

We have not identified any issues in the course of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 18 September 2015.

Audit differences

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

The final materiality (see Appendix 3 for more information on materiality) level for this year's audit was set at £29.25 million. Audit differences below £1.95 million are not considered significant.

We did not identify any material misstatements. We identified a number of issues that had already been adjusted by management

Of the audit adjustments identified, the most significant in monetary value is as follows:

- £10.9 million reduction of the opening net book value of Property Plant and Equipment following the review of whether each school should be held on or off balance sheet.

In addition, we identified a small number of presentational adjustments, which the Authority will be addressing.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

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

Financial Statements (continued) Significant risks and key areas of audit focus

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks

Page 43

In our *External Audit Plan 2014/15*, presented to you in December 2014, we identified the significant risks affecting the Authority's 2014/15 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Significant audit risk	Issue	Findings
	<p>In 2013/14 late changes were made to the asset valuations in the financial statements after the accounts were sent for audit, mainly to incorporate PPE revaluations not available in time for the first draft. No late changes were made in 2014/15 however there is a significant element of judgement required in valuation, the total impact of the changes was in the 2014/15 financial statements was £150m.</p>	<p>Our work in 2014/15 involved sample testing assets revalued in year to confirm the asset register values reflected the latest valuation certificate.</p> <p>We agreed the PPE disclosure note to the asset register to ensure the completeness of the financial statements.</p> <p>We also assessed the reliability of the in-house valuer as management's expert and concluded we could rely on their work.</p> <p>We concluded that the property, plant and equipment balance is not materially misstated.</p>

Section three

Financial Statements (continued)

Significant risks and key areas of audit focus (continued)

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

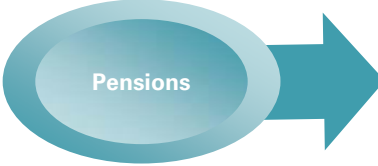
The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; border-radius: 50%; padding: 10px; margin-right: 20px;"> <p style="text-align: center; margin: 0;">Management override of controls</p> </div> <div style="font-size: 2em; margin-right: 20px;">➔</div> <div> <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ All areas </div> </div>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; border-radius: 50%; padding: 10px; margin-right: 20px;"> <p style="text-align: center; margin: 0;">Fraud risk of revenue recognition</p> </div> <div style="font-size: 2em; margin-right: 20px;">➔</div> <div> <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ None </div> </div>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our <i>External Audit Plan 2014/15</i> we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>

Page 44

In our *External Audit Plan 2014/15*, presented to you in December 2014, we identified one area of audit focus. This is not considered as a significant risk but area of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing. The table sets out our detailed findings for this area of audit focus.

Areas of audit focus	Issue	Findings
	<p>Valuation of assets supporting the pension fund have fluctuated significantly over recent years. In 2013/14 the Authority's share of the Local Government Pension Scheme liability was £818m at 31 March 2014, a reduction of £368m from the previous year. The valuation is determined by the scheme's actuary, based on several key assumptions which are judgemental in nature.</p>	<p>We reviewed the accounts disclosures to the Authority's IAS19 report. We reviewed the key inputs to the valuation, including the information supplied by the Authority to the actuary, including the contributions figures.</p> <p>We assessed the reasonableness of the assumptions used in the calculation and the scheme's actuary AON Hewitt's qualifications as management's expert.</p> <p>We concluded the estimation of the liability was reasonable.</p>

Financial Statements (continued)

Accounts production and audit process

The Authority produced their draft financial statements by the 30 June deadline.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented the recommendations in our ISA 260 Report 2013/14.

Page 46

Accounts production and audit process

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

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	<p>The Authority continues to maintain a strong financial reporting process and produce statements of accounts to a good standard.</p> <p>We consider that accounting practices are appropriate</p>
Completeness of draft accounts	<p>We received a complete set of draft accounts on 30 June.</p>
Quality and timeliness of supporting working papers	<p>Our <i>Accounts Audit Protocol</i>, which we issued in February 2015 and discussed with the Principal Financial Manager, set out our working paper requirements for the audit.</p> <p>The quality of working papers provided was variable but met the standards specified in our <i>Accounts Audit Protocol</i>.</p> <p>There still remains scope to improve the timeliness of working papers by providing these in advance of when we plan to start the task per our work plan. We will follow this up in our audit debrief with the Authority.</p> <p>This did not have a significant impact on our progress, as we were able to work around this by bringing forward other audit work.</p>

Element	Commentary
Response to audit queries	<p>Officers resolved the majority of audit queries in a reasonable time. In some cases, however, we experienced delays, specifically where staff who originally prepared the working papers were not available.</p>

As a result of the above we have raised a recommendation in respect of the Authority's working papers which is included in Appendix 1.

Additional findings in respect of the control environment for key financial systems

We reported in our *Interim Audit Report 2014/15* that we were yet to complete our testing of controls operated during the closedown process.

We have now concluded our testing on this area, and consider whilst there are some improvements to be made, overall the organisational, IT and key financial systems controls to be sound. We have raised a recommendation in respect of the Authority's controls in Appendix 1.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented the recommendations in our *ISA 260 Report 2013/14*. As detailed above, there is still progress to be made in respect to the timeliness of the Authority's working papers and requests made by audit.

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

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

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

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Leeds City Council for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Leeds City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 2 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Principal Financial Manager for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

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

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or

subject to correspondence with management;

- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2014/15 financial statements.

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

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

page 48

Background

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

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

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

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

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We identified one focus area in our External Audit Plan 2014/15, on the Authority's savings plan, which we have monitored throughout the year. We have included an update on this on the next page.

Conclusion

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

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



We have identified one specific financial resilience risk in respect of our VFM responsibilities

We are satisfied that the Authority's has adequate arrangements to address this risk

Work completed

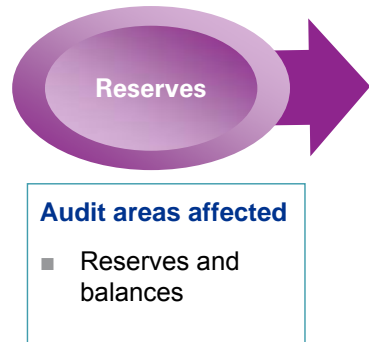
In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas; and
- reviewed the level of reserves, and medium term financial plan to maintain a balanced financial position.

Key findings

Below we set out the findings in respect of the focus area as set out in our *External Audit Plan* identifying a key risk relating to the level of usable reserves maintained by the Authority. Whilst the level of general reserves is higher than planned the significant increase in the collection fund deficit is a concern. The Authority has plans in place to address these issues in future financial plans. With further planned cuts in central government funding the future financial position of the Authority will remain tight with minimal flexibility to deal with any unexpected overspending budgets.

Overall we concluded there is evidence that the Authority has arrangements to secure financial resilience, looking at the Authority's financial governance, financial planning and financial control processes.

Key VFM Risk	Risk description and link to VFM conclusion	Assessment
	<p>In the audit plan we identified the delivery of the savings programme as an area of audit focus. We planned to review the level of potential liabilities arising from the early leavers scheme but these were not material and there was no evidence of significant issues facing the Authority in this respect. The Authority also achieved its main savings targets delivering a £0.7m underspending.</p> <p>Considering the financial resilience of the Authority and the significant increase in the level of collection fund reserve deficit from £5.2m to £27.6m we concluded this was a significant risk: We assessed:</p> <ul style="list-style-type: none"> ■ the level of reserves available at 31st March 2015 against the Authority's reserves policy; and. ■ the assumptions made in the medium term financial plan. 	<p>General and usable reserves are a key measure of the financial resilience allowing the Authority to address unexpected overspendings or loss of income.</p> <p>During the year the level of general reserves reduced from £26.0m to £22.3m £0.4m higher than planned. The overall financial position however, worsened significantly towards the end of the financial year. During the year 5,843 business rate appeals were received, 4,265 in March 2015 alone, significantly increasing the collection fund deficit from £5.2m to £27.6m based on an estimate of the success of the appeals.</p> <p>Before these extra appeals the Authority already planned to reduce general reserves to £20.9m by the end of March 2016 reducing the Authority's resilience to deal with any major service overspendings or under recovery of income in future</p> <p>Despite this difficult financial position overall assumptions made in the medium term plan appear reasonable in respect of income, expenditure, inflation and commitments and hence there is evidence that the Authority has arrangements to secure financial resilience.</p>

Appendix 1: Key issues and recommendations

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

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

We will formally follow up these recommendations next year.

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

No	Risk	Issue and recommendation	Management response / responsible officer / due date
1	3	<p>Availability of Working Papers</p> <p>Whilst we have noted an improvement in the quality and timeliness of production of working papers, during the course of the audit there were some delays in starting our testing in certain areas due to the availability of working papers, for example valuation reports for Property, Plant and Equipment, and data requests relating to Staff Expenses.</p> <p>Recommendation</p> <p>Working papers should be available in advance of the date we plan to start the work as set out in the work plan. We propose to have further discussions with the Authority in our audit debrief as to how to achieve this.</p>	<p>Management response</p> <p>The council's accounts team will continue to work with KPMG to agree in advance the timing and content of audit working papers, to ensure that the process is as efficient as possible for both parties.</p> <p>Responsible officer</p> <p>Principal Financial Manager (Corporate Financial Management)</p> <p>Due date</p> <p>2015/16 accounts process.</p>

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	3	<p>3 Way Matching of Invoice types IN and IS</p> <p>We were unable to rely upon 3 way matching (invoice to purchase order to goods received note) of invoice types IN and IS as a control during the course of our audit This was because we were only able to match 27% of these invoices to their purchase orders and good received notes. Of this 27%, only 59% matched by value.</p> <p>Recommendation</p> <p>The Authority should review their procedures around 3 way matching of these invoice types, and consider whether they are appropriate, whether they clearly state when it is appropriate to not have a 3 way match, and whether they are being followed.</p>	<p>Management response</p> <p>Procedures in place at the Business Support Centre already identify some specific areas where an FMS order is not expected. In March 2015 the authority commenced an exercise to review this, to clarify whether there are further areas of spend which would routinely not require an order in FMS. Any option to introduce a system development to allow such invoices to be identified by a marker in the FMS system would be subject to a cost-benefit analysis.</p> <p>Responsible officer</p> <p>Head of Financial Services (Business Support Centre)</p> <p>Due date</p> <p>March 2016</p>

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
3	3	<p>Access to Approve Purchase Orders on FMS</p> <p>We identified issues with access rights to approve purchase orders on FMS during the course of our audit. These issues fell into three categories:</p> <ul style="list-style-type: none"> • It had been agreed that service user functions (such as approving purchase orders) should be removed from finance officers, however this has not yet been implemented. Although this has been agreed in principal, a conscious decision was made by the Authority not to implement this until the six monthly review in Autumn 2015. • When the ALMOs were brought back in house and therefore users roles had changed, these roles are still to be finalised and therefore the related access rights are still under review to determine whether they are appropriate. • Users at schools had been inappropriately granted access to approve purchase orders as part of the standardisation process. Schools determine their own policies around FMS access, and therefore shouldn't have been included in this exercise. <p>Recommendations</p> <p>Timescales should be set for implementing the decision to remove service user functions for finance officers.</p> <p>FMS access rights for staff who came in house from the ALMOs should be reviewed to check whether their historic access rights which were carried over are still appropriate.</p> <p>Any future automated implementation of standardised access rights should be reviewed carefully to ensure it is appropriate for all groups of users on FMS.</p>	<p>Management response</p> <p>Access rights of finance officers to carry out service user functions are being removed as part of the 6 monthly user access review which commenced in August 2015. Restructures arising from the transfer of former ALMO staff have now been completed, and any remaining changes to these staff's FMS access rights are being picked up as part of the same exercise. We will ensure that school staff are excluded from any future standardisation exercises</p> <p>Responsible officer</p> <p>Principal Financial Manager (Corporate Financial Management)</p> <p>Due date</p> <p>September 2015</p>

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

Page 53

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

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

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

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

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

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

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

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

General procedures to safeguard independence and objectivity

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

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

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

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

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

Auditor declaration

In relation to the audit of the financial statements of Leeds City Council for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Leeds City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

For 2014/15 our materiality is £29.25 million for the Authority's accounts.

We have reported all audit differences over £29.25 million for the Authority's accounts to the Audit Committee.

Page 55

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

Materiality for the Authority's accounts was set at £29.25m which equates to around 1.5 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Corporate Governance and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Corporate Governance and Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.95m for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Governance and Audit Committee to assist it in fulfilling its governance responsibilities.

We continually focus on delivering a high quality audit.

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

management and staff.

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

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

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

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

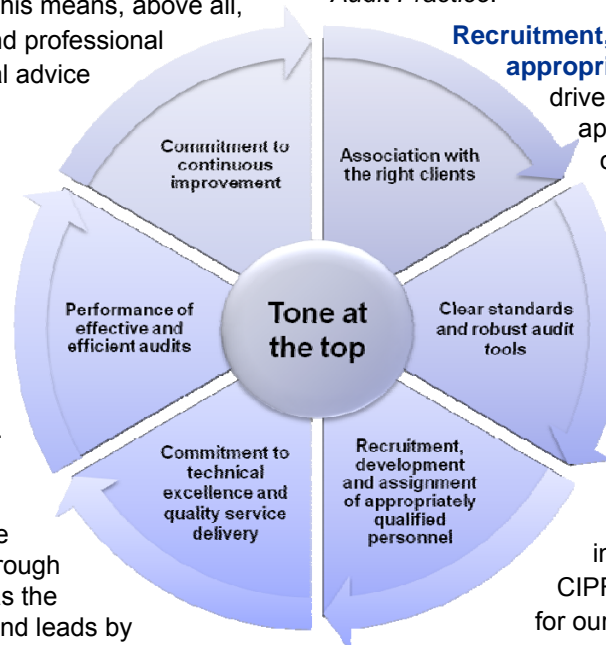
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

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

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

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

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



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

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

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

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

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

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

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

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

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

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

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/>).

The latest Annual Regulatory Compliance and Quality Report (issued June 2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.



cutting through complexity™



Report author: Tim Pouncey/
Sonya McDonald
Tel: 74214

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 18th September 2015

Subject: Internal Audit Update Report 1st June to 31st July 2015

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

Summary of main issues

1. The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council’s Corporate Governance arrangements. Reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.
2. This report provides a summary of internal audit activity for the period 1st June to 31st July 2015 and highlights the incidence of any significant control failings or weaknesses.

Recommendations

3. The Corporate Governance and Audit Committee is asked to receive the Internal Audit 1st June to 31st July 2015 update report and note the work undertaken by Internal Audit during the period covered by the report.

1 Purpose of this report

- 1.1 The purpose of this report is to provide a summary of internal audit activity for the period 1st June to 31st July 2015 and highlight the incidence of any significant control failings or weaknesses.

2 Background information

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

3 Main issues

- 3.1 The report details the work undertaken by the Internal Audit Section. The report also contains a summary of completed reviews along with their individual audit opinions.
- 3.2 There are no issues identified by Internal Audit in the June to July 2015 Internal Audit Update Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.
- 3.3 Internal Audit will continue to undertake a follow up audit on reports with limited or no assurance or where the impact has been determined as 'Major' to ensure the revised controls are operating well in practice.

4 Corporate Considerations

4.1 Consultation and Engagement

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

4.2 Equality and Diversity / Cohesion and Integration

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

4.3 Council policies and Best Council Plan

- 4.3.1 The terms of reference of the Corporate Governance and Audit Committee require the Committee to review the adequacy of the Council's corporate governance arrangements. This report forms part of the suite of assurances that provides this evidence to the Committee. The Internal Audit Plan has links with each of the 6 strategic objectives for 2015-16 and has close links with the council's value of spending money wisely.

4.4 Resources and value for money

- 4.4.1 In relation to resources and value for money, the Internal Audit work plan includes a number of value for money reviews and a number of initiatives in line with the council's value of spending money wisely. These will be included in the regular update reports to the Committee.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 None.

4.6 Risk Management

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

5 Conclusions

- 5.1 There are no issues identified by Internal Audit in the June to July 2015 Internal Audit Update Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.

6 Recommendations

- 6.1 The Corporate Governance and Audit Committee is asked to receive the Internal Audit June to July 2015 Update Report and note the work undertaken by Internal Audit during the period covered by the report.

7 Background documents

- 7.1 None.

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**Internal Audit
Update Report
1st June to 31st July 2015**

CONTENTS

Section

1. INTRODUCTION

Background

Progress against the Operational Plan

How Internal Control is Reviewed

**Progress against the Operational Plan –
Individual Reviews**

2. SUMMARY OF AUDIT ACTIVITY AND KEY ISSUES

3. AUDIT PERFORMANCE

Section 1

INTRODUCTION

1.1 Background

1.1.1 The changing public sector environment continues to necessitate an ongoing re-evaluation of the type and level of coverage required to give stakeholders the appropriate level of assurance on the control environment of the Council.

1.1.2 This update report provides stakeholders, including the Corporate Governance and Audit Committee, with a summary of internal audit activity for the period 1st June to 31st July 2015.

1.2 Progress against the Operational Plan – High Level

1.2.1 The following table shows the progress against the operational plan for the period 1st June to 31st July 2015.

1.2.2 Overall resources for 2015/16 are now less than was previously reported to the Committee (shortfall of 376 days against the original plan) due to staff turnover as 3 members of staff have left the Internal Audit Section since the audit plan was presented to the Corporate Governance and Audit Committee. This has resulted in a corresponding saving on the Internal Audit expenditure budget that is being factored in to the regular monthly reporting to Executive Board on the overall financial position of the authority. Consideration is being given to reserving a number of audit assignments of relatively lower risk from the audit plan which would only be completed should additional resources be available.

1.2.3 Audit coverage of the authority’s key financial systems remains high priority. However, this has provided an opportunity to look further at alternative ways in which assurance could be provided on the key financial systems, for example, using data analytics techniques. Internal Audit continues to actively manage resources to direct these towards the areas of highest risk to ensure that an evidence based Head of Internal Audit opinion can be provided on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control in accordance with the Public Sector Internal Audit Standards.

Assurance Block	Total Days per Audit Plan 2015/16	Days spent at 31 st July 2015	% completion at July 2015
Spending Money Wisely	400	137	34%

Assurance Block	Total Days per Audit Plan 2015/16	Days spent at 31 st July 2015	% completion at July 2015
Anti-Fraud and Corruption	694	241	35%
Key Financial Systems	718	94	13%
Grants and Other Head of Audit Assurances	108	44	40%
Compliance	460	176	38%
Procurement	315	85	27%
Risk Based Audits	490	192	39%
ICT	245	18	7%
Housing Leeds	250	69	27%
Total Financial Resource Risks	3680	1056	29%
<u>Contingency</u>			
General Contingency	300	107	36%
Total Contingency	300	107	36%
Total Audit Days	3980	1163	29%

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

Assurance Block	Total Days per Audit Plan 2015/16	Days spent at 31 st July 2015	% completion at July 2015
External Contracts	237	27	11%
Secondments	135	74	55%
Total Days	372	101	27%

1.3 *How Internal Control is reviewed*

- 1.3.1 There are three elements to each internal audit review. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to give an assurance on the control environment.
- 1.3.2 However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.
- 1.3.3 Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

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

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

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

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

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

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

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

1.4 Progress against the Operational Plan – Individual Reviews

1.4.1 The individual reports, and the opinions given within those reports, are detailed in the following table. Not all audit reviews will have an opinion in each of the boxes as this is dependant on the type of review undertaken. The following table includes reports issued between 1st June and 31st July 2015:

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment Assurance	Compliance Assurance	Organisational Impact		
Key Financial Systems					
Sundry Income Year End Reconciliation (Civica to Financial Management System)	Substantial		N/A	Strategy and Resources	04/06/2015
Leeds Welfare and Benefits Service – Counter Fraud	Good	Substantial	N/A	Citizens and Communities	05/06/2015
Income Management System to Financial Management System Year End Reconciliation	Substantial		N/A	Strategy and Resources	05/06/2015
Council Tax Year End Reconciliation	Substantial		N/A	Citizens and Communities	15/06/2015
Business Rates Year End Reconciliation	Substantial		N/A	Strategy and Resources	15/06/2015
Housing Rents Year End Reconciliation	Substantial		N/A	Environment and Housing	26/06/2015
Creditors Year End Reconciliation	Substantial		N/A	Strategy and Resources	06/07/2015
BSC Central Payments Service	Substantial	Substantial	Minor	Civic Enterprise Leeds	10/07/2015
Year End Reconciliation of Housing Benefit and Council Tax	Substantial		N/A	Citizens and Communities	31/07/2015

Internal Audit Update Report - 1st June to 31st July 2015

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment Assurance	Compliance Assurance	Organisational Impact		
Risk Based Reviews					
<i>Procurement</i>					
Joint Venture – professional property and building services	Acceptable	Limited	Minor	City Development	16/06/2015
<i>Other</i>					
Commissioning of external residential and independent fostering agency placements	Acceptable	Monitoring and accuracy of payments: Acceptable Call off process: Limited	Moderate	Children's Services	10/06/2015
Troubled Families Programme	Good	Acceptable	Minor	Children's Services	31/07/2015
Spending Money Wisely					
Spending Money Wisely Challenge Review 2014/15 – summaries for Chief Officers	N/A – Summaries of transactions			Cross-Cutting	23/07/2015
Compliance Reviews					
Calverley Parkside Primary School Follow Up Review	N/A	Medium	N/A	Children's Services	10/06/2015
Travel and Subsistence	N/A	Substantial	Minor	Adult Social Care	10/06/2015
Travel and Subsistence	N/A	Substantial	Minor	City Development	11/06/2015
Directorate Purchasing Cards	N/A	Acceptable	Minor	Environment and Housing	18/06/2015
Travel and Subsistence	N/A	Good	Minor	Environment and Housing	18/06/2015
Decision Making	N/A	Substantial	Minor	Children's Services	26/06/2015
Decision Making	N/A	Substantial	Minor	City Development	27/06/2015
Aireborough Leisure Centre Follow Up Review	N/A	Good	N/A	City Development	29/06/2015
Key Performance Indicator – Number of People supported in to jobs	N/A	Substantial	Minor	Children's Services	30/06/2015
Key Performance Indicator – Number of complaints received about council services	N/A	Chief Executive's Office: Substantial Environmental Action: Good	N.A	Citizens and Communities/Environment and Housing	30/06/2015
Area office cash handling arrangements	N/A	Limited	Moderate	Adult Social Care	02/07/2015
Travel and Subsistence – Business Support Centre	N/A	Acceptable	Minor	Civic Enterprise Leeds	02/07/2015
Directorate Purchasing Cards	N/A	Acceptable	Minor	Civic Enterprise Leeds	02/07/2015
Ebor Gardens Primary School	N/A	Limited	N/A	Children's Services	07/07/2015

Internal Audit Update Report - 1st June to 31st July 2015

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment Assurance	Compliance Assurance	Organisational Impact		
Whitecote Primary School	N/A	Good	N/A	Children's Services	10/07/2015
Stanningley Primary School	N/A	Good	N/A	Children's Services	16/07/2015
Crossgates Primary School	N/A	Good	N/A	Children's Services	16/07/2015
Carr Manor Community School - 6 th Form Funding	N/A	Acceptable	Minor	Children's Services	16/07/2015
Roundhay School 6 th Form Funding	N/A	Substantial	Minor	Children's Services	16/07/2015
Nursery Fees Follow up Review (Burley Park Children's Centre)	N/A	Acceptable	Minor	Children's Services	20/07/2015
Rents and Leases of Commercial Properties	N/A	Good	Minor	City Development	20/07/2015
Nursery Fees Follow Up Review (Cottlingley Children's Centre)	N/A	Acceptable	Minor	Children's Services	23/07/2015
Housing Leeds Assurance Framework					
Quality Management Systems – Construction Services	Acceptable	Acceptable	Minor	Environment and Housing	04/06/2015
Housing Needs: Customer Experience	Acceptable	Acceptable	Minor	Environment and Housing	04/06/2015
Welfare Reform Initiatives	Good	Acceptable	Minor	Environment and Housing	09/06/2015
Quality Management Systems – Property and Contracts	Acceptable	Good	Moderate	Environment and Housing	29/06/2015
PFI Gas Servicing	Acceptable	Acceptable	Moderate	Environment and Housing	02/07/2015

Report Title	Results/Opinion	Directorate	Date Issued
Head of Audit Assurances			
Leeds City Region Annual Return – Year Ended 31 st March 2015	The body's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31st March 2015. Internal audit has been carried out in accordance with the body's needs and planned coverage. Internal Audit found and reported that, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the body.	Leeds City Region	15/06/2015
Local Transport Capital Block Funding Grant No. 31/1859	To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Local Transport Capital Block Funding (Integrated Transport and Highways Maintenance) Specific Grant Determination 2010 No 31/1859 have been complied with.	City Development	23/06/2015

Internal Audit Update Report 1st June to 31st July 2015

Report Title	Results/Opinion	Directorate	Date Issued
Cycling Ambition Grant no 31/2213	To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Cycling Ambition Specific Grant Determination 2013-14 No 31/2213 have been complied with.	City Development	23/06/2015
West Yorkshire Plus Transport Fund	To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the expenditure incurred by the local authority meets the criteria on the schemes specified in the 27 September 2013 report to the West Yorkshire ITA.	City Development	23/06/2015
Disabled Facilities Capital Grant	To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to Disabled Facilities Capital Grant Determination (2014t1S) No 91t2244 have been complied with.	Environment and Housing	10/07/2015
Assessed and Supported Year in Employment (AYSE) Grant Claim	Our work included examination, on a sample basis, of evidence relevant to the regularity and propriety Leeds City Council's income and expenditure. From the work carried out, to the best of our knowledge, assurances can be given that the grant paid for the period 2014/15 was applied for the purposes intended by the DfE and the financial transactions conform to the Grant Funding Agreement and objectives specified.	Children's Services	22/07/2015

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

Section 2

SUMMARY OF AUDIT ACTIVITY AND KEY ISSUES

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

2.1 Key Financial Systems

Year- End Reconciliations

2.1.1 Internal Audit has re-performed the year-end reconciliations for the following key financial systems:

- Sundry income
- Council Tax
- Business Rates
- Housing Rents
- Income Management System
- Creditors
- Housing Benefits

2.1.2 In all cases, substantial assurance was provided. Reconciliations were undertaken promptly and accurately with appropriate supporting documentation. The review of the year-end reconciliation for Payroll is currently in progress.

2.2 Spending Money Wisely

Spending Money Wisely Challenge - 2014/15 review

2.2.1 The results of the Spending Money Wisely Challenge review for 2014/15 were reported to this Committee on the 9th July 2015. At the meeting, members requested further detail on the areas of non-compliance with the council's Contract Procedure Rules (CPRs).

2.2.2 It is important to note that the majority of the council's expenditure is made on-contract with assurance taken that the primary considerations of achieving value for money have been addressed during the procurement of the contract. The Spending Money Wisely Challenge review for 2014/15 specifically targeted a restricted population of payments made off-contract with individual values in

the sample selected ranging from £237 to £77k. The range of values for the transactions where non-compliances were found was £278 to £25k. The review found that:

- The largest single reason for the non-compliances in the sample was that the supplier chosen was of a specialist nature or the sole provider of the goods or service purchased. A direct appointment was made without the relevant written record or waiver to support the action. A number of other direct appointments were fully funded by third parties who nominated the supplier.
- In a quarter of the non-compliant cases, evidence had not been retained to confirm that the correct number of quotes had been sought. In each of these cases, the procuring officers had advised Internal Audit that quotes had been obtained prior to the procurement and were confident that value for money had been achieved but were unable to provide the evidence of this during the audit.
- Other reasons for non-compliance included the urgency of the procurement; lack of awareness of the procurement rules that should be followed and the identification of additional work after the terms of the initial engagement had been set.

2.2.3 The issues highlighted above have been raised with the relevant Chief Officers. Internal Audit has recommended that officers who have not complied with CPRs should be required to undertake procurement training and that appropriate action is taken for consistent breaches of CPRs.

2.2.4 Internal Audit is currently in the process of reviewing the actions taken by the directorates to address the issues highlighted. The results of this follow up review will be reported to the Committee at the next meeting.

Spending Money Wisely Challenge – 2015/16 work

2.2.5 Internal Audit is continuing to review a sample of transactions to test compliance with CPRs and assess whether the expenditure meets the council's value of spending money wisely. The first two reviews are being undertaken in City Development and Environment and Housing. The outcomes of these reviews will be reported to the Committee at the next meeting.

2.3 *Information Governance and ICT*

Information Governance – Contracts and Commissioning

- 2.3.1 At the Corporate Governance and Audit Committee meeting on the 20th March 2015, members discussed the information governance weaknesses that had been highlighted in a recent audit review of contracts. The Committee resolved to receive examples of information governance issues that have arisen in contracts.
- 2.3.2 The examples relate to the level of detail within the clauses of the contracts regarding data sharing with contractors, compliance checks in respect of data cleansing and access to data once a contract has expired.
- 2.3.3 The follow up review is currently on-going but it has been confirmed that both services reviewed during the previous audit now use the latest tender and contract documentation templates produced by the Projects, Programmes and Procurement Unit (PPPU) to ensure all relevant issues are covered.
- 2.3.4 During the original audit, a contract within Housing Services could not be located. A signed copy of this contract has now been obtained. Housing Services are currently reviewing their filing system to ensure contracts are easily located in the future.
- 2.3.5 The original audit found that in December 2014 approximately 50% of staff had completed the Level 1 Information Governance training. This has now increased to 96%. Action is being taken to ensure that all those outstanding are being progressed where applicable.
- 2.3.6 The outcome of the follow up audit will be reported to the Committee at the next meeting.

Early Leavers Initiative

- 2.3.7 Members expressed an interest in the Early Leavers Initiative at the previous Committee meeting and it was noted that an audit of this area was due to be undertaken. The scope of the audit includes confirming that there is a robust process to ensure that only appropriate business cases are recommended for approval, the criteria for approval has been met, payment calculations are checked and appropriately authorised, payments are accurately processed and savings are accurately calculated and promptly reported. The audit is currently in progress and the results will be reported to the Committee at the next meeting.

2.4 *Compliance Reviews*

Area office cash handling arrangements

- 2.4.1 The Council takes on an appointee or deputy role in the management of a number of service users' finances. This role requires the transfer of any

money/expenditure incurred on behalf of service users to be supported by receipts. An unannounced visit to an area office covering cash handling arrangements highlighted that improvements were required to procedures including spot checks of cash withdrawals to ensure monies are fully accounted for and formalising guidance on the retention and storage of all accounting records including receipts. Further enquiries are being made by the Directorate into a small number of transactions for which there were no receipts (5 transactions with a value of £439.) Team Managers have already been reminded of the need to undertake spot checks of cash transactions to ensure they are fully supported by receipts and a sample of quality audits will be undertaken by the Directorate. Internal Audit will carry out a follow up review later in the year to ensure the recommendations have been implemented and to provide assurance that the internal checks undertaken by Directorate staff have been robust.

Ebor Gardens

- 2.4.2 A review of the financial procedures at Ebor Gardens Primary School was carried out and limited assurance was provided for compliance with procedures due to the weaknesses identified in the administration of the school fund, procurement procedures, inventory controls, and controls over dinner monies and free school meals.
- 2.4.3 An action plan to address the recommendations made has been agreed with the school and a follow up review will be carried out in January 2016 to ensure the recommendations have been implemented.

Follow up of previous audit reports

Calverley Parkside Primary School

- 2.4.4 A review of the financial procedures at Calverley Parkside Primary School was carried out during January 2015 and a low assurance opinion was provided for compliance with procedures due to the weaknesses identified in the administration of the school fund, procurement procedures, inventory controls and incomplete records for income. This was reported to Corporate Governance and Audit Committee in the February to May 2015 update report.
- 2.4.5 The follow up review has now been undertaken and has resulted in an improved assurance opinion as it was confirmed that significant progress has been made in implementing the recommendations reported in the previous audit.

Aireborough Leisure Centre

2.4.6 As reported in the August to November 2014 update report, a review of the controls in place for cash and banking at Aireborough Leisure Centre resulted in an opinion of low level compliance mainly due to issues and working practices relating to the computerised system which is used for processing transactions on the tills (the XN system.) These were:

- The system allowed amendments during the cash up process with no record of these amendments being retained by the system;
- The system did not comply with the Council's Managing Passwords policy in that passwords are not required to be changed at all;
- It appeared that passwords to the XN system had been shared or for duty officers to log onto the system to allow other staff to use their login to authorise cancellations and refunds for operational reasons.

2.4.7 A follow up review has now been carried out to assess progress made against the recommendations made. The review provided an opinion of good assurance as stronger controls are now in place and compliance against them has improved although some errors were still detected. A follow up review of the XN System is also being undertaken separately.

2.5 Risk Based Audits

Professional property and building services joint venture review

2.5.1 Internal Audit has recently undertaken a review of the management of the council's joint venture for professional property and building services, the primary aim being to ensure that this is being managed in such a way as to obtain assurance that value for money is being delivered to the Council.

2.5.2 The review provided acceptable assurance on the control environment, however limited assurance has been given in respect of compliance with the control environment. This reflects the absence of formal performance management reporting of the contract in the last 18 months and that evidence of the approval of the design freeze is not being retained.

2.5.3 An action plan to address the recommendations made has been agreed and a follow up review will be carried out later in the year to ensure this has been implemented.

Commissioning of external residential and independent fostering agency placements

2.5.4 A review of the commissioning arrangements in place for the placement of children with external fostering agencies and residential care providers has been undertaken. This provided acceptable assurance for the control environment

and compliance with controls in relation to the accuracy of payments made to providers and the contract monitoring arrangements in place. However, it was not possible to provide assurance on the accuracy of the charge rates for placements with non-Framework providers due to the absence of the Individual Payment Agreements and evidence of the negotiation process.

- 2.5.5 Limited assurance was provided for compliance with the agreed “call-off” process due to a lack of evidence to verify expected controls (e.g. Authorisation for the external placement via a Delegated Decision Note, the completion of the Decision to Seek Accommodation Form and Record of Actions document). However, monitoring arrangements are in place to ensure that any external placement continues to be in the child’s best interest and whether there may be other more cost effective options, such as independent semi supported living.
- 2.5.6 The issue of the report was delayed pending the receipt of further evidence and supporting documentation from the Placement Service. This information, including trend analysis on the amount of expenditure on non-framework providers, remained outstanding at the time of reporting and will be reviewed during the course of a follow-up audit. The follow up audit will be undertaken later in the year and will review the extent to which the recommendations made within the report have been implemented.
- 2.5.7 Information has subsequently been provided by Commissioning Services which indicates that total expenditure for 2015/16 to date with providers not on the framework contract is 4.7% of total expenditure for independent fostering agencies and 21.2% for external residential placements. This information will be reviewed further as part of the follow up review.

2.6 *Counter Fraud and Corruption*

Reports Issued

- 2.6.1 In accordance with our agreed protocols, a report is issued to the relevant Director and Chief Officer for each investigation conducted by Internal Audit. The reports provide details of the allegations, findings and conclusions as well as value adding recommendations to address any control weaknesses identified during the course of the investigation. Internal Audit has issued 1 such investigation report during this period.
- 2.6.2 At the Corporate Governance and Audit Committee meeting on the 20th March 2015, members requested that they are informed of the departments where fraud has been discovered. Whilst there are a number of referrals that are in the process of being investigated, there are currently no new cases of confirmed fraud to be brought to the attention of this Committee.

Data Matching

- 2.6.3 Work is on-going to review and investigate the 5,780 recommended matches that have been issued by the National Fraud Initiative (NFI). The outcomes of this work will be reported to the Committee at a future meeting.

Section 3

AUDIT PERFORMANCE 2015/16

At 31st July 2015

3.1 PUBLIC SECTOR INTERNAL AUDIT STANDARDS

3.1.1 Internal Audit continues to monitor compliance with the Public Sector Internal Audit Standards (PSIAS) on an on-going basis. The results of the most recent self-assessment exercise to confirm conformance with the PSIAS were reported to Corporate Governance and Audit Committee in the annual internal audit report for 2014/15 on the 9th July 2015.

3.2 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

Improvement Action Plans

3.2.1 The Quality Assurance and Improvement Actions Plans for 2014/15 and 2015/16 were reported to Corporate Governance and Audit Committee in the annual internal audit report for 2014/15 at the meeting on 9th July 2015. There are a number of actions which have now been implemented. A progress update is provided below:

Improvement Action Plan for 2015/16			
	Action	Timescale	Status
1	Performance information to be included in the regular update reports to CG&AC will be discussed and agreed with members of the Committee. This will be included in the reports on an on-going basis.	9 th July 2015 On-going	Performance information is included in each update report and discussed with members. The Internal Audit Charter and the QAIP was discussed and agreed on the 9 th July 2015.
2	Review and update the Section's quality procedures and ensure these are fit for purpose and effective.	31 st July 2015	The review has now been completed. The Section's procedures are fit for purpose.
3	Investigate options for integrated Audit Management Software (timesheets and working papers) including business case and implement new automated working practices/documentation.	By 31 st March 2016	In progress.

Improvement Action Plan for 2015/16			
	Action	Timescale	Status
4	Review and update audit reporting protocols with Directorates.	31 st July 2015	The aim of the review was to assess whether the existing reporting protocols were up to date and fit for purpose. This confirmed that the protocols were fit for purpose but amendments were made to update – where necessary – the client contact officers for the issuing of draft and final reports.
5	Review and update the Internal Audit Technical Manual to ensure this reflects current working practices and meets the requirements of PSIAS.	31 st July 2015	The review has been completed. The Technical Manual reflects current working practices and meets the requirements of PSIAS.
6	Ensure the recommendations made in the Information Governance review of Audit and Investment have been fully implemented.	30 th September 2015	In progress.

3.2.2 The only action which remains outstanding from the 2014/15 Improvement Action Plan is the external assessment process for conformance with the Public Sector Internal Audit Standards which needs to be completed by 2017/18 at the latest. In addition, further work is being undertaken during 2015/16 to formalise assurance mapping and this action is shown as being partly implemented.

3.3 ENSURING QUALITY

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

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

3.3.3 A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditee's opinion on a range of issues and asks for an assessment ranging from 5 (for excellent) to 1 (for poor). The results are based on the percentage of those assessments that are 3 (satisfactory) or above.

- 3.3.4 The results of the questionnaires are reported to the Audit Leadership Team and used to determine areas for improvement and inform the continuing personal development training programme for Internal Audit staff. The results are also benchmarked with other core cities who have adopted the same questionnaire.
- 3.3.5 As at 31st July 2015, 20 completed Customer Satisfaction Questionnaires had been received in relation to audit reports issued since 1st April 2015.

Results from Customer Satisfaction Questionnaires

Question	2015/16	2015/16
	Actual to date At 31 st July 2015 - %	Average Score At 31 st July 2015
	Score 3 or above	
Notice	100%	4.63
Scope	95%	4.30
Understanding	100%	4.25
Efficiency	95%	4.50
Consultation	100%	4.45
Professional/Objective	100%	4.60
Accuracy of Draft	100%	4.40
Opportunity to comment	100%	4.65
Final Report - Clarity & Conciseness	100%	4.40
Final Report – Prompt	85%	3.95
Recommendations	100%	4.11
Added Value	100%	4.20
Overall Average Score		4.37

- 3.3.6 The results from the Customer Satisfaction Questionnaires are again encouraging given the increasing complexity of some of the audit assignments included within the audit plan.
- 3.3.7 These results are in line with previous update report but show an improvement in the areas of level of consultation on the scope and objectives of the audit and the efficiency of the audit (increased from 90% to 95% scoring 3 or above.) In addition, the Section has been reviewing its procedures with the aim of improving the timeliness of issue of final reports. It is encouraging to see that

this area has improved since the previous update report from 70% to 85% scoring 3 or above.

Report of: Deputy Chief Officer Human Resources

Report to: Corporate Governance and Audit Committee

Date: 18th September 2015

Subject: Report to the Corporate Governance and Audit Committee regarding employment policies and procedures and employee conduct.

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

Summary of main issues

Leeds City Council has employment policies and processes in place to govern employee conduct. This report provides assurance to the Corporate Governance and Audit committee that: the requirements of employee conduct are established and regularly reviewed; requirements relating to employee conduct are communicated and feedback is collected on whether expected behaviours are being demonstrated; and employee conduct is monitored and reported.

Recommendations

- 1 The Corporate Governance and Audit Committee are asked to note the assurances provided within this report regarding employment policies and procedures and employee conduct.

1 Purpose of this report

- 1.1 To provide assurance to the Corporate Governance and Audit committee that: the requirements of employee conduct are established and regularly reviewed; requirements relating to employee conduct are communicated and feedback is collected on whether expected behaviours are being demonstrated; and employee conduct is monitored and reported.

2 Background information

- 2.1 An internal audit of “Employee conduct – central controls” was completed in 2015 and this concluded that overall there was “Good assurance”. A recommendation from the audit was that a reporting mechanism be introduced to the Corporate Governance and Audit Committee to give assurance that the key employment policies and procedures are fit for purpose, effectively communicated, working as intended and regularly reviewed.

3 Main issues

3.1 Employee Code of Conduct

An Employee Code of Conduct is in place and is set out in Part 5 of the council’s constitution ‘Codes and protocols’. It was revised in 2013 to align it with the Members Code of Conduct. Any breach of the employee code of conduct can lead to disciplinary action. In addition to this the Council has also established a set of values to inform the way that the council delivers services and the way in which staff work.

- 3.2 Employees have access to the Code of Conduct and associated policies via the Toolkit section on InSite along with guidance and supplementary notes. It is the duty of managers to ensure that the Code of Conduct is available to employees who do not have access to InSite. There is also an induction checklist that is completed for new starters and this covers making employees aware of the Code of Conduct on the first day of their employment.

- 3.3 The Code of Conduct is referenced every time a communication goes out about any of the policies and procedures which link to the code. An example from July 2015 was the “Think Check Share” news item regarding security of confidential council information. In addition to regular council-wide reminders regarding the code of conduct, individual services identify when specific reminders are needed.

3.4 Gifts and hospitality

The rules on the acceptance of gifts and hospitality are communicated to managers and staff annually to ensure all employees are aware of the process. This communication normally takes place in early December as offers of gifts and hospitality traditionally see an increase in the run up to the Christmas period.

- 3.5 In the reporting period to July 2015, the majority of offers made were for hospitality and attendance at seminars /workshops / conferences and were less than £25 in value. In addition there were 149 offers made which were declined.

3.6 Employee Register of Interests

Annual reviews of the Employee Register of Interests are carried out for all post holders who work in 'high risk' posts. All employees who hold one of these posts are required to complete a register of interests form by the end of March each year to confirm whether they have any interests. Directors and chief officers have a responsibility to assess declarations and take the necessary actions to address any potential conflict of interest. Examples of declarations include duties such as school governors and other voluntary activities with other organisations. A review of posts deemed to be "high risk" was completed in late 2014 and this resulted in the number of posts on the list increasing. This is a reflection on the delegated levels of decision making, as the number of senior posts in the council reduces. High risk posts are identified using the following criteria: posts that give significant advice or speaking for the council; posts where there is significant authority to make decisions; and posts with significant discretion over spending.

3.7 At any point there will be leavers, new starters and internal promotions in and out of these posts. In addition, staff are required to complete an expression of interest form if their individual circumstances change. The cohort of 'employees/post in scope' is therefore not a static picture and it can therefore reasonably be expected that at any point in time, there inevitably will be a small number of employees who have yet to complete their expression of interest form. As a result, a half-year review is scheduled at the end of each September to monitor completion during the year. This interim review will therefore shortly be carried out. However, as at 9th September 2015, the reported completion rate is 98%, where staff on extended leave (e.g. maternity leave, long-term sickness absence) will be included in this remaining 2% (they are required to complete the form on their return to work).

3.8 Politically restricted posts

An exercise was conducted in early 2015 to ensure politically restricted posts were matched to the specified and sensitive criteria. New positions are categorised from the creation of the post. There are currently 74 politically restricted posts and there have been no referrals in the past 12 months to the HR casework team for any breach of the politically restricted posts policy and procedure.

3.9 Expectations from managers and supervisors

Manager Challenge, launched in April 2014 is a programme for 2,500 managers and supervisors designed to ensure that all of our appraising managers/supervisors have a shared understanding of the council's values. The programme is supported by a range of learning opportunities and is continuously evaluated.

3.10 Appraisal data

Arrangements are in place to assess the performance of staff against expected behaviours through the two formal appraisals each year, a 'full year' appraisal (1 April to 30 June) and an 'interim appraisal' (1 October to 31 December). At the end of each appraisal window, any outstanding appraisals are chased up and this

has resulted in the completion rate for 2014/2015 being 99.8%. In the 'full year' appraisal cycle, managers are required to rate employees' performance in terms of how well they are performing against the council's values in the way they carry out their work, and their overall performance. The distribution of performance ratings is shown in Table 3 (these data exclude staff employed in Civic Enterprise Leeds as these were not available at the time of writing this report).

Table 3 Distribution of performance ratings:

	% of staff Performance Against Council Values	% of staff Overall Performance
Exceeding expectations	12%	13%
Meeting expectations	86%	83%
Not meeting expectations, development needed	2%	4%
Unsatisfactory performance	Less than 0.5%	Less than 0.5%

3.11 There are also formal routes for staff to report non-compliance with the Code of Conduct through raising a grievance or submitting a whistleblowing concern. In addition to this, there is an annual staff survey which collects more general feedback on how well the expected behaviours are being demonstrated. Questions in the survey are linked back to the council's values and there are several that have links to the requirements of the Code of Conduct, for example. 'I know what is expected of me at work' and 'I'm treated fairly at work'.

3.12 Handling disciplinary matters

A revised disciplinary policy was implemented as of 1st July 2015. The new policy is ACAS compliant and was subject to detailed consultation with service managers and trade union colleagues. Informal mechanisms including regular supervision between an employee and the supervisor/manager are used to raise and correct minor misconduct matters, but for more serious issues the formal policy is used.

3.13 In 2014/2015 166 employees were subject to disciplinary investigations. The outcomes of those investigations are shown in Table 4 below.

Table 4: Outcomes of disciplinary investigations

Outcome	Number	Outcome	Number
Dismissed	37	Different post as an alternative to dismissal	1
Final Written Warning	26	First Written Warning	11
Management Instruction	27	Recommendations to management	24
No further action	15	Resigned	25

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 Reviews of employment policies are subject to consultation with service managers and trade union colleagues.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 All reviews of employment policies include Equality Impact Assessments. These ensure equality, diversity, cohesion and integration is considered throughout the development, implementation and review or establishment of any key decisions, strategies, policies, services and functions. A piece of work is underway to analyse the impact of employment policies on the protected equality characteristic groups and this will be presented to the Inclusion and Diversity Member Steering Group, expected timeframe Autumn 2015.

4.3 Council policies and the Best Council Plan

4.3.1 An internal audit of “Employee conduct – central controls” was completed in 2015 and this concluded that overall there was “Good assurance”.

4.4 Resources and value for money

4.4.1 Effective management of our workforce has a positive impact on our overall salary costs.

4.5 Legal Implications, Access to Information and Call In

4.5.1 This report is not subject to call in. All employment policies are legally compliant and if they are not followed then there is a risk of employees taking legal action against the Council through Employment Tribunal claims.

4.6 Risk Management

- 4.6.1 An internal audit of “Employee conduct – central controls” was completed in 2015 and this concluded that overall there was “Good assurance”.

5 Conclusions

- 5.1 This report provides assurances to the Corporate Governance and Audit Committee that employee conduct is properly managed, policies are regularly reviewed and employee conduct forms part of normal manager/ employee relations.

6 Recommendations

The Corporate Governance and Audit Committee are asked to note the assurances provided within this report regarding employment policies and procedures and employee conduct.

7 Background documents¹

- 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.



Report author: Neil Warren

Tel: 07781 276865

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 18th September 2015

Subject: Financial Management and Control Arrangements

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

Summary of main issues

1. The purpose of this report is to provide assurance that the Council has in place robust arrangements for proper and effective financial control, governance and other financial management activities.
2. Recognising the significant financial challenges facing the Council, not least the continuing reduction in government funding, it is critical that the Council has in place sound arrangements for financial planning and management.
3. The Council's Responsible Financial Officer (RFO) has established an effective financial control environment and specifically robust arrangements for strategic financial planning and effective financial management and control.
4. The Council has a sound framework for reviewing and challenging financial performance, has realistic plans in place to make the necessary savings in the current 2015/16 financial year and is taking the appropriate steps to deliver them.
5. The financial management and control framework is subject to a number of independent assessments, including the Council's internal audit function which has reviewed and given substantial assurance on the Council's main financial processes, the integrity of the accounts and the accuracy of the major financial systems.
6. External audit has again given independent assurance on the Council's accounts and accounting practice as well as the arrangements to ensure value for money and the controls around the key financial systems.
7. The financial management and control framework is continually being assessed and reviewed to ensure that it remains fit for purpose. This will continue and any issues and developments will be reported back to this committee.

Recommendations

8. Corporate Governance and Audit Committee are asked to note the assurances provided that the appropriate systems and procedures are in place sound financial management and control.

1. Purpose of this report

- 1.1 The overall purpose of this report is to provide assurance to this Committee that the Council has in place effective and robust arrangements for financial planning, financial control and other financial management activities.
- 1.2 Given the significant financial challenges facing the Council both now and in the future it is essential that we continue to ensure that we have in place appropriate arrangements around financial performance, strategic financial planning, financial governance and financial control. This report outlines;
- The key systems, controls and procedures,
 - New developments and improvements which have been put in place,
 - New developments in the near future
 - New risks and any issues arising.
- 1.3 The report aims to give members assurance that the financial control and financial governance arrangements that are in place are fit for purpose, up to date and embedded across the organisation.

2. Background information

- 2.1 This is the fourth year of reporting to this Committee on the financial planning and management arrangements of the Council. Previous reports have outlined the following arrangements;
- a) Overarching Controls;
- The strategic role within the Council of the Responsible Financial Officer;
 - Professionally qualified and accountable staff;
 - Financial Regulations;
 - The monitoring of the Integrity of financial systems;
 - A statutory Code of Practice for Treasury Management arrangements.
- b) Main financial processes;
- Budget preparation and setting.
 - In year budget monitoring.
 - Closure of accounts and reporting.
- 2.2 Reports to this Committee over a number of years have provided a detailed assessment of these arrangements, along with appropriate assurances that they are fit for purpose and embedded. Rather than just report the main processes and arrangements again, this report seeks to highlight progress on addressing previously identified weaknesses and any new developments or risks that have

emerged over the last year. For information and reference, the basic processes and systems of financial control are contained within Appendix A.

- 2.3 Financial procedures and controls put in place by the Responsible Financial Officer are part of the overall financial control environment and form a fundamental part of the assurances received by this Committee when approving the Annual Governance Statement as required by the Accounts & Audit Regulations 2011.

3. Main issues

3.1 Strategic Financial Planning.

- 3.1.1 Whilst the precise scale of future reductions in government funding beyond 2015/16 will not be known until the Spending Review and Local Government Settlement are announced in November and December 2015, it is clear from the Chancellor's summer budget and other announcements that the Government's deficit reduction plans will extend through to at least 2019/20, with the announced reductions in public expenditure meaning that further savings will be required.
- 3.1.2 The current and future financial climate represents a significant risk to the Council's priorities and ambitions, and whilst we have been able to successfully respond to the challenge so far it is clear that situation will be increasingly difficult over the coming years. Although the Council has a basic legal duty to set a balanced budget, there are clearly also strong organisational reasons for ensuring that we have in place sound arrangements for financial planning and management. The financial strategy and annual budget, as well as a means of controlling spending to the available resources, is also a financial expression of the Council's ambitions, policies and priorities. Whilst the annual budget setting process can simply be seen as a year by year exercise, it is clear that this needs to be set within a context of a medium-term financial strategy. This is all the more critical given the financial challenges that we are facing.
- 3.1.3 The Council has a comprehensive approach to the development of its financial strategy, its annual budget and the identification of saving plans. Whilst there is currently an unprecedented level of uncertainty around future levels of government funding the Council has a proven history and capability in this area and prudent planning assumptions are already built into the developing 2016/17 to 2019/20 financial strategy with work underway to develop a range of options to meet the financial challenge.
- 3.1.4 However, there is no doubt that the Council will need to manage the significant challenge of identifying further financial savings and this will prove increasingly difficult over the coming years.

3.2 Financial Performance.

- 3.2.1 Budget management and monitoring is a continuous process which operates at a number of levels throughout the Council. Although directors are ultimately responsible for the delivery of their directorate budget, operationally these responsibilities are devolved down to budget holders across the various services.

A new Budget Accountability Framework was launched in May 2015 which more clearly articulates roles and responsibilities and aligns financial accountability and service decision-making and accountability. Every budget has a named accountable Budget Holder, supported by a Budget Monitoring Officer and a Finance Officer, who is responsible for managing, monitoring and forecasting income and expenditure against the approved budget.

- 3.2.2 Financial Monitoring across the Council is facilitated by the Council's Financial Management Systems (FMS). On a monthly basis budget holders, taking a risk-based approach, review their spend and commitments against the approved budgets and project their year-end position. There are also instances where spending is controlled on systems other than the Council's FMS, for example community care payments. In these instances, procedures are in place to ensure that information held in these systems is regularly reconciled to FMS. Ensuring the integrity of the accounts is as important to our budget monitoring processes as it is to the accounts, and this is a key role of the Corporate Integrity Forum which includes senior finance staff and is chaired by the Chief Officer – Financial Services.
- 3.2.3 Financial monitoring is undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. to reinforce this risk-based approach, specific project management based support and reporting around the achievement of the key budget actions plans has been put in place from 2015/16. In support of this, Financial Services are leading on a pilot in Children's Services which aims to bring together the range of support service functions in a more integrated way to support the Directorate in achieving its in-year budget action plans and service transformation programme.
- 3.2.4 As part of in-year budget management and monitoring, year-end projections for income and expenditure are submitted to the Deputy Chief Executive and the Corporate Leadership Team and are also reviewed and challenged by the corporate Finance Performance Group. In addition, budget monitoring reports are presented monthly to directorate leadership teams, individual executive members and the Executive Board as well as quarterly to scrutiny committees.
- 3.2.5 In line with the Council's value of Spending Money Wisely, it is critical that where projected overspends are identified that action is taken to bring spending back into line with the approved estimates or to identify other sources of funding such as areas of under spend. All Directorates have an agreed contingency plan to the value of 2% of their net managed budgets.
- 3.2.6 Within the year, any decision to amend the approved budget approved has to be undertaken within the virement rules which are agreed annually by Full Council as part of the budget setting process.

3.3 Financial Control Arrangements.

- 3.3.1 External audit has again given independent assurance on the Council's accounts and accounting practice as well as the arrangements to ensure value for money and the controls around the key financial systems.

3.3.2 It is important that this Committee is informed of the key assurances provided and that these processes are still fit for purpose and are being complied with. Members should therefore note the following assurances;

- The Council has tried and trusted arrangements for treasury management which complies with CIPFA's Code of Practice on Treasury Management and the Prudential Code. This Committee received a separate report Treasury Management Governance Report on the 28th January 2015 which reported on the robustness of these arrangements.
- In response to the Government's deficit reduction plans and subsequent cuts in the grants which we receive from government, by the end of 2015/16 the Council will have had to deliver significant financial savings. The establishment of robust and achievable budgets under such difficult financial circumstances provides strong evidence that the financial process underpinning the budget and budget monitoring processes is effective. KPMG have provided independent assurance that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- The 2014/15 Statement of Accounts have been prepared and audited within statutory timetables. KPMG have indicated that they will provide a clean audit certificate.
- The Internal Audit Annual Report and Opinion received by this Committee on the 9th July 2015 provided assurance to members that all of the key core financial systems and processes had been audited and all received either a substantial or good audit opinion.
- The Corporate Financial Integrity Forum, which meets each month and is chaired by the Chief Officer (Financial Services), has a key role within the financial control environment and its function is to help ensure that there are procedures and operations in place to provide the necessary quality, integrity and reliability of financial information and accounts. The overall purpose is to help ensure the financial stewardship of the Authority by monitoring;
 - The regular review and reconciliation of financial systems to the financial ledger
 - The regular review and reconciliation of balance sheet accounts.
 - The requirement to have effective systems and procedures in place to facilitate the posting of financial data to the ledger.
 - That there are up to date bank mandates for all bank accounts to which LCC officers are signatories and that bank statements are regularly received and reconciled.
 - Reviewing any other area of financial control or financial governance risk.

3.4 Addressing the key issues and developments raised in the 2014/15 Financial Management report and Future Challenges and Improvements

- 3.4.1 Financial Governance arrangements for partnership and other such arrangements – the introduction of new responsibilities and the development of new collaborative structures and service delivery models provide challenges in terms of transparency, demonstrating accountability and managing risk. Specifically for Financial Services the increasing complexity of the legal, accounting and taxation arrangements for these entities and partnerships present new challenges and the service is working closely with our partners to ensure proper financial governance arrangements are put in place for each separate arrangement. The 2015/16 Service Plan includes an objective to complete a Council-wide exercise by 31st December 2015 to identify and review joint-working arrangements with other organisations and to ensure that appropriate financial governance and control arrangements are in place. This information will also be used to develop financial governance toolkits to support staff going forward, working with Internal Audit to ensure such arrangements are reviewed as part of the annual audit plan.
- 3.4.2 Financial Regulations – The Responsible Financial Officer approved the new Financial Regulations in June 2014 and these regulations are supported by a set of Toolkits which provide detailed guidance and outlines the required process in order to aid compliance. By September 2015, all Toolkits will be published on online on Insite and by March 2016 the Financial Regulations will be reviewed to ensure that they remain appropriate and fit for purpose.
- 3.4.3 Financial Management System – Access. In their 2014/15 interim audit report KPMG highlighted an issue around the processes in place for the control of authorisation rights within FMS and specifically the controls in place when users change roles. Since April 2014, the FMS function has been delivered through a central hub (with the exception of schools) with access to the FMS controlled through standard templates (with exceptions where these can be justified). Each month, lists of staffing changes (starters/leavers/position changes, etc) are obtained and cross-checked against the list of FMS users. As an additional control, Corporate Financial Management issue six monthly lists of user access rights to each directorate Head of Finance for their detailed review (the next review will be completed by the end of September 2015). Also, any inactive FMS accounts are periodically checked and the system automatically locks passwords after 40 days of inactivity.
- 3.4.4 Financial Management Function - The medium-term vision for Financial Services is for that it will be smaller, but one that is risk-focussed and delivering a more efficient and influential service. In the previous report to this Committee it was recognised that as staff numbers reduce, the service needs to be redesigned, in order to continue to be effective. The Financial Services Management Team has established a number of actions contained within the Financial Services Service Plan for the delivery of an effective financial management with fewer resources.
- 3.4.4.1 Training and development of Finance staff in order to deliver the new redesigned service remains a priority in the Service Plan. In addition, in terms of succession planning and the on-going development of the staffing resource Financial Services continues to support a number of Trainee Professional Accountants as part of the Council's graduate training programme with further recruitment planned for 2016.

- 3.4.4.2 The continuing loss of experienced staff, particularly through the Council's Early Leaver Initiative does remain an issue for Financial Services. However, the Financial Services Management Team continually reviews the adequacy of resources and has in place succession plans and a clear vision as to the future shape of the service which recognises the current and future requirements of the Council. In the immediate-term, staffing resources will continue to be realigned to reflect priorities and risk and this will provide opportunities for both internal promotion and personal and professional development.
- 3.4.5 Business Rates Retention – the Business Rates Retention (BRR) scheme which was introduced in 2013/14 currently represents one of the key financial risks both in the current 2015/16 financial year and also to the medium-term financial strategy. Under the scheme business rates income is shared equally between local and central government¹. Local authorities that experience growth in business rates are able to retain 50% of that growth locally. The downside is that local authorities also bear 50% of the risk if their business rates fall or fail to keep pace with inflation, although a safety-net mechanism is in place to limit losses from year to year to 7.5% of their business rates baseline. The key risk to the Council is the exposure to reductions in rateable values, both from the collection of income due and the backdated appeals against the business rates payable. Although in setting the 2015/16 budget, an assumption was included as to potential scale of losses due to backdated appeals, this is still a significant risk. However, as in the case of Council Tax, any losses greater than those assumed in setting the budget will materialise through a collection fund and will not impact in the current year.
- 3.4.6 These issues are being closely monitored through a number of mechanisms and reported to the corporate Financial Strategy Group and corporate Finance Performance Group on a monthly basis and any significant issues are reported to the Corporate Leadership Team and Executive Board in the monthly financial health reports.

4. Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Extensive consultation was undertaken as part of the budget setting process, as outlined in the Revenue Budget and Council Tax 2015/16 report to Full Council on the 25th February 2015. This report has no direct issues requiring consultation or engagement.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 A specific equality impact assessment of the budget at a strategic level was undertaken and was report to Full Council on the 25th February 2015 as part of the Revenue Budget and Council Tax 2015/16. This report has no direct equality and diversity / cohesion issues.

¹ A useful outline of how BRR operates is contained in [Business rates retention: the story so far LGA, January 2014](#), pages 2 to 3. A summary showing how business rates are calculated can be found [here](#).

4.3 Council policies and Best Council Plan

- 4.3.1 As expressed within the Council Business Plan 2011 – 2015, spending money wisely is one of the Council's values, with the priority being for directorates to keep within their budgets. Ensuring that the Council has appropriate financial management systems and procedures in place is clearly a key aspect and as such this report does provide some assurances, albeit not comprehensive, assurance that money is being spent wisely.
- 4.3.2 The terms of reference of the Corporate Governance & Audit Committee require the Committee to consider the adequacy of the Council's policies and practices to ensure compliance with statutory guidance and the adequacy of the Council's Corporate Governance arrangements.

4.4 Resources and value for money

- 4.4.1 This report deals with the Council's overall Financial Control Environment and specific arrangements for ensuring effective financial management and control and is aimed at providing assurance to members as to their fitness for purpose.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The statutory responsibilities of the Council's responsible financial officer are defined under the Local Government Act 2007 and Accounts & Audit Regulations 2011. The report does not require a key or major decision and is therefore not subject to call-in.

4.6 Risk Management

- 4.6.1 A full risk register of all budget risks in accordance with current practice is maintained and subject to quarterly review. Any significant and new risks are contained in the budget monitoring reports submitted to each meeting of the Executive Board, together with any slippage on savings.
- 4.6.2 The Council's external auditors provide a risk assessment on the Council's financial resilience and the accounts process as part of their interim audit. As part of the interim report, officers are able to outline the processes put in place to mitigate these risks.

5. Conclusions

- 5.1 The Responsible Financial Officer has established an effective overall Financial Control Environment framework for financial planning and exercises effective financial management and control which, in his opinion, discharge his statutory responsibilities.
- 5.2 The framework of control and developments outlined in this report are fit for purpose, up to date, embedded and are regularly complied with.

5.3 Members can also take assurance from a number of rigorous reviews and assessments undertaken, including;

- External Audit have provided the following assurances;
 - That in their opinion, the accounts reflect a true and fair view of the Council's financial position and that they comply with proper practice.
 - That the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In particular, the Council has been able to deliver its savings plans and has a robust budget and budget monitoring processes in place to mitigate the significant risks presented by the current financial challenges.
 - That the controls on the Authority's key financial systems are sufficient to produce materially reliable figures for inclusion in the financial statements.
- Internal audit have assessed all of the major financial systems and controls and given either good or substantial assurance on the financial controls in place.
- Member scrutiny via Scrutiny Boards, Executive Board and Full Council ensures that the budget continues to meet the Council's priorities and objectives. In addition, Corporate Governance & Audit Committee approves the Council's accounts.
- Officer review of the financial strategy, annual budget and in-year budget management and monitoring processes through the Financial Strategy Group, Finance Performance Group, directorate leadership teams and the Corporate Leadership Team.
- Officer review of the adequacy of the control arrangements through the corporate Financial Integrity Forum.

5.4 Whilst the above arrangements should provide members with substantial assurance that the Council does have in place appropriate systems and procedures to deliver sound financial management and planning, it is important that this is kept continually under review and improved upon where appropriate.

There are a number of improvement priorities and objectives outlined in the 2015/16 Financial Services Service Plan for example financial governance framework for partnerships and similar arrangements; implementation of the Budget Holder Accountability Framework, integrated working with other support services, improvements in the financial management systems, and reviewing our internal and external financial reporting arrangements, etc.

6. Recommendations

6.1 Members of the Corporate Governance and Audit committee are asked to note the assurances provided that the appropriate systems and procedures are in place to ensure that the Council delivers sound financial management and planning.

7. Background documents²

7.1 None

² The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.

Appendix A

1. Overarching Financial Control Environment

1.1 In order that the Council's statutory Responsible Financial Officer can discharge his duties a number of overarching arrangements and controls are in place as part of an effective Financial Control Environment;

1.1.1 **Responsible Financial Officer Role (RFO)** - The Deputy Chief Executive, in the role of the Council's Responsible Financial Officer, undertakes a strategic role on the Corporate Leadership Team and has established appropriate arrangements to discharge his responsibilities in line with CIPFA's recommended practice.

1.1.2 **Professionally Qualified and Accountable Staff** - Financial management, within the Council, both corporately and within directorates is delivered by colleagues who are managerially responsible to the Deputy Chief Executive. Many of the staff within the Financial Management Service are professionally qualified accountants with many years of experience, and are themselves personally and professionally responsible for their actions and advice. This is reinforced through the Council's Performance and Appraisal scheme which incorporates the identification of key skills for finance staff, programmes of training, development and continuing professional development and peer review forums to ensure integrity as to the accounts and budget management and monitoring processes.

1.1.3 **Capital and Treasury Management Arrangements** - As previously reported to this Committee, changes have been made to the Capital Approvals framework to strengthen accountability for capital decisions and streamline the decision making process. This work continues with the focus on an enabling approach allied to transparency of decision making. The capital programme continues to be closely monitored with Directorates and progress on schemes reported on a monthly basis. Quarterly updates are presented to Executive Board. Proposals for new capital schemes must be accompanied by robust business cases and ensure that they are aligned to the Best Council Plan objectives.

The cost and affordability of the borrowing required to fund the capital programme is managed within the debt budget. The affordability of new borrowing and existing borrowing is reported on a monthly basis as part of the financial health reporting to Executive Board, with specific treasury strategy reports presented to Executive board at least three times a year. A further report to ensure compliance with the prudential code, treasury management code of practice and internal audit compliance is presented to Corporate Governance and Audit Committee on an annual basis.

1.1.4 **Financial Regulations** - The Council has a number of overarching Financial Regulations contained within the Council's constitution. Each regulation is supported by a series of toolkits to provide guidance.

1.1.5 **Integrity of Accounts** - The integrity of all the financial data is of fundamental importance in ensuring financial information is both timely and accurate in order

to correctly inform decision making. This is a key role of the Corporate Integrity Forum which includes senior finance staff and is chaired by the Chief Officer – Financial Services. The forum reviews all key financial control accounts such as cash and tax; the validity of all feeder systems into the financial ledger; along with such things as system access rights and coding structures.

- 1.1.6 **Framework for the Council's Treasury Management arrangements** - The Council also has tried and trusted arrangements for treasury management based on CIPFA's Code of Practice on Treasury Management and the Prudential Code.

2. Main Financial Processes

- 2.1 The above arrangements are intrinsic to all aspect of the overall Financial Control Environment but are perhaps best illustrated in practice through the annual financial cycle which covers;

- Financial Planning and Budget preparation and setting.
- In-year budget management and monitoring.
- Closure of accounts and year-end reporting.

2.1.1 Financial Planning and Budget Setting

- 2.1.1.1 Local authorities are under a statutory duty to set a balanced budget each year. Whilst at a basic level this can simply be seen as an annual exercise, given the financial challenges facing local authorities this needs to be set within a context of a medium term financial strategy. The financial year 2015/16 is the second year covered by the 2013 Spending Review and again presents significant financial challenges to the Council. The Council to date has managed to achieve considerable savings in the order of £250m over the past 4 years and the budget for 2015/16 requires the Council to deliver further significant savings. It is also now clear that the Government's deficit reduction plans will extend through to at least 2019/20, with the announced reductions in public expenditure meaning that further savings will be required.

- 2.1.1.2 The Financial Strategy does not attempt to provide a detailed budget for the next four years but it does recognise the Council's ambitions, policies and priorities and sets out the main financial challenges facing the Council and a broad framework for the delivery of efficiencies and savings to bridge the identified funding gap. This financial strategy is updated annually and will be next reported to the Executive Board in October 2015.

- 2.1.1.3 Within the context of the Financial Strategy, as well as being a financial expression of the Council's policies and priorities, the annual budget is also a means of controlling spending to the available resources and re-enforcing financial accountability and responsibility.

- 2.1.1.4 The annual budget process is led by the Deputy Chief Executive and involves a wide range of officers and members across the Council. The process starts soon after the budget setting of the previous year with an early assessment of available funding and key pressures. Undertaking such an assessment involves

a range of assumptions including the level of core government grant and other specific funding, council tax base, inflation, demand and demography trends, interest rates, levels of income and fees & charges as well as new or developing spending pressures. This part of the process will be led by Corporate Finance staff, but will involve financial and non-financial staff based in directorates and service areas. The process will, at such an early stage, invariably identify a budget shortfall. This high level exercise will be subject to a number of iterations with assumptions being subject to regular review and reassessment.

- 2.1.1.5 Directorates start to prepare and input detailed estimates into the budget module of the Council's Financial Management System (FMS) in late summer. These are done at cost centre level and involve budget holders reviewing their service priorities, spending requirements in conjunction with directorate based finance staff and in accordance with the corporately determined guidelines.
- 2.1.1.6 The development of options to balance to available resources is a key aspect in any budget process and needs to balance both capital and revenue pressures. This clearly can be a difficult area of work and whilst needing to be pragmatic and sufficient, it is crucial that the process reflects the Council's ambitions, policies and priorities. This is ensured through close engagement of senior officers and Executive Board portfolio Members at appropriate points in the process.
- 2.1.1.7 Following consultation, the Councils constitution determines that initial budget proposals are submitted to Scrutiny 8 weeks prior to the Council's budget meeting. In practice this is after Executive Board approval, and requires the proposals to be submitted to the December meeting of the Board.
- 2.1.1.8 Budget preparation and setting is a demanding process and operates to strict timescales. This places an emphasis upon not just process planning but also engagement with Elected Members and Senior Management.
- 2.1.1.9 In many ways the budget is an exercise in managing risk. With limited resources, it is inevitable that elements of the budget will depend upon actions which have yet to happen, or upon assumptions that may in reality vary from those assumed at budget setting. As such an important element of the budget process is the development and maintenance of a budget risk register which attempts to identify and assess the risks built into the budget estimates. It is important to appreciate that the time frame of the budget risk register is just one budget year. The budget risk register not only assists in assessing the robustness of the estimates but also acts as a means of assessing the adequacy of reserves in that it provides an assessment of what may go wrong in year.
- 2.1.1.10 Reaching a view of the robustness of the estimates and the adequacy of resources not only requires consideration of the processes and systems used in preparing the estimates, but also a consideration of the strength of the arrangement in place for internal financial control.
- 2.1.1.11 Along with Elected Member scrutiny, the budget process is subject to review by Internal Audit. In addition external audit, as part of their assessment of financial resilience, provided assurances as to the robustness of the budget itself.

2.1.2 In-year Budget Management and Monitoring

- 2.1.2.1 Budget management and monitoring is a continuous process which operates at a variety of levels throughout the Council. Although directors are ultimately responsible for the delivery of their directorate budget, operationally these responsibilities are devolved down to Budget Holders within the Council. In line with the Budget Holder Accountability Framework, every budget has a named budget holder who is responsible for managing and monitoring income and expenditure against the approved budget.
- 2.1.2.2 Financial Monitoring in the Council is facilitated by the Council's Financial Management System (FMS). The system holds information as to the approved budgets, actual spend and income, commitments and year-end projections. On a monthly basis budget holders review their spend to date, against the approved estimates and against profiled estimates. In addition, budget holders are also required to predict their end of year position which is done with the assistance of directorate finance staff, and clearly does involve a degree of judgement. In practice some budgets are more difficult to manage and project than others. There are also instances where spending is controlled on systems other than the Council's main FMS, for example community care payments. In these instances, procedures are in place to ensure that information held in these systems is regularly reconciled to FMS.
- 2.1.2.3 Financial monitoring is undertaken and operates on a hierarchical basis, whereby the monthly projections of budget holders are aggregated upwards to be reviewed by Budget Holders, Chief Officers, and Directors. The year-end projections for each directorate are submitted to the Deputy Chief Executive and are reviewed and challenged each month by the Corporate Finance Performance Group (FPG). This Group is primarily made up of Heads of Finance and is chaired by the Chief Officer - Financial Services. The year-end projections are then reported monthly to the Corporate Leadership Team and the Executive Board. As well as being accurate, monitoring also needs to be timely, and as such monthly reporting is operated according to a strict timetable. In addition, at each monthly FPG meeting, monitoring statements in relation to the capital programme and debt are also reviewed. Monitoring performance reports on the capital programme, capital receipts, council tax and business rate collection, and treasury/debt activities are considered during the year by Executive Board.
- 2.1.2.4 In line with the Council's values of Spending Money Wisely, it is critical that where projected overspends are identified that action is taken to bring spending back into line with the approved estimates or to identify other sources of funding such as areas of under spend. All directorates have agreed contingency plans identified to the value of 2% of their net managed budgets. In year, any decision to amend budgets is undertaken within the virement rules agreed annually by Full Council as part of the budget setting process. All such decisions are recorded as part of the delegated decision making process.
- 2.1.2.5 It is also important to appreciate that external and internal audit also review our budget and budget monitoring arrangements in order to assess whether they are

satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

2.1.3 Closure of Accounts

- 2.1.3.1 The first stages of the closedown process is a natural extension of the budget monitoring arrangements with budget holders compiling the final figures for their areas of responsibility to determine an outturn position to be reported to Executive Board. This report compares the budget to the final outturn for each Directorate and provides an explanation as to the reason for any variation, including explanations of major variations on individual capital schemes. This comparison to the budget provides a clear indication as to the robustness of the original budget setting and the quality of the budget monitoring process.
- 2.1.3.2 Alongside the budget monitoring process, significant accounting decisions are referred to the strategic accounting team within Corporate Finance to ensure compliance with applicable accounting standards. KPMG are also consulted on such decisions to ensure they are agreed by all parties before a major financial decision is made.
- 2.1.3.3 All changes to accounting practice are assessed and, where applicable, implemented by specialist officers in Corporate Finance. All finance officers and relevant directorate officers are informed of the implications of any changes. The application of appropriate accounting practice is assessed by the Council's external auditors and reported back to members of this committee.
- 2.1.3.4 The Chief Officer Financial Services oversees the closedown process and the Deputy Chief Executive reviews both the accounts themselves and the processes used to compile them, before certifying signing them as a true and fair view. The Council's external auditors provide members with independent assurance that, in their opinion, the accounts do reflect a true and fair view of the Council's financial position and that they comply with proper accounting practice.
- 2.1.3.5 New accounting requirements and outturn projections are taken into account when the budgets are set for the following year.

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Report of Deputy Chief Executive

Report to Corporate Governance & Audit Committee

Date: September 2015

Subject: Annual Business Continuity Report: Phase 2 Progress Update

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

Summary of main issues

1. The Business Continuity Programme comprises of two phases.

Phase 1 was completed September 2013 and focussed on the Council's 'critical' services. Critical Services are those that if disrupted would have an impact on human welfare and security of the community and its environment and would require recovery with 24 hours (or less) of the disruption occurring.

Phase 2 is to develop and implement business continuity plans for Council Services identified as 'ordinary'. Ordinary services are those that if disrupted would have an impact on human welfare and security of the community and its environment but do *not* need to be recovered within 24 hours of the disruption occurring. Phase 2 has a completion target date of September 2015.

This report sets out the current progress towards completion of Phase 2 by the target date of September 2015.

Recommendations

2. The Committee to note the progress made to date with completion of Phase 2.

1 Purpose of this report

- 1.1 To provide an update of current progress towards completion of Phase 2 by the target date of September 2015 as requested by the Corporate Governance & Audit Committee at the June 2015 meeting.

2 Background information

- 2.1 The Civil Contingencies Act 2004 made it a statutory duty of all councils to have in place plans and arrangements to be able to continue to deliver critical aspects of their day to day functions in the event of an emergency, to ensure that any impact on the community is kept to a minimum. Although Business Continuity Plans have been in place for our most critical services since the publication of the Act, the plans in many cases have not been maintained, nor were they developed using the good practice guidance contained within ISO 22301 Business Continuity Management System Requirements (published 2012).
- 2.2 In order for the Council to maintain compliance with the Act, a centrally managed Business Continuity Programme was initiated in 2012. The aim of the programme is to replace existing plans and identify any requirements for new plans all to be developed using the good practice guidance contained within ISO 22301. The BC Programme comprised of two phases:
- 2.3 Phase 1 was completed September 2013 and focussed on the Council's 'critical' services. Critical services are those that if disrupted would have an impact on human welfare and security of the community and its environment and would require recovery within 24 hours (or less) of the disruption occurring.
- 2.4 Phase 2 is to develop and implement business continuity plans for Council services identified as 'ordinary'. Ordinary services are those that if disrupted would have an impact on human welfare and security of the community and its environment but do *not* need to be recovered within 24 hours.
- 2.5 Phase 2 has a completion target date of September 2015.

3 Main issues

- 3.1 **Phase 2 Scope.** A total of 27 'ordinary' services were originally identified by the Directorate Resilience Groups as forming the scope of Phase 2. This has since been revised to the current total of 24. This revision evidences that the scope of Phase 2 is fluid, affected by for example; service restructures and/or additional services identifying the need to develop business continuity plans and gain greater resilience in the event of an incident occurring.
- 3.2 **Phase 2 Progress.** At the June 2015 meeting, the Corporate Governance & Audit Committee requested that a further progress update be provided for the September meeting.

3.3 The Committee also requested (at the June meeting) that the Head of Governance Services write to the Chief Officer (Strategy & Improvement) to highlight the Committee's wishes to see all Phase 2 plans completed by September 1st 2015. This request was fulfilled, and resulted in a B paper being produced for the 10 June Corporate Leadership Team Meeting setting out progress to date and work remaining.

3.4 The following is the current progress as at 08 September:

Phase 2 Business Continuity Programme	Total Number of Business Continuity Plans Required	Number of Business Impact Analysis Completed	Number of Business Continuity Plans in Development	Number of Business Continuity Plans Completed
Totals (June figures in brackets)	24 (23)	24 (23)	24 (16)	21 (7)

There are x3 business continuity plans still to be completed. These are:

- **Adel Beck Secure Children's Centre (Children's Services).**
- **Highway Network Management (City Development).**
- **Technical Services (City Development).**

In all cases, a draft plan has been produced with completion pending final review, implementation of any remaining revisions and sign-off.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The services proposed for inclusion in Phase 2 of the BC Programme were identified by the Directorate Resilience Groups prior to any developmental work commencing.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 Instruction is included when completing business impact analyses and business continuity plans for managers to take account of any potential impacts for staff and/or customers who may have general or specific access requirements in particular those characteristics protected by the Equality Act 2012.

4.3 Council policies and the Best Council Plan

4.3.1 The LCC Business Continuity Policy sets out the requirements placed upon all directorates and services.

4.3.2 Business continuity is linked to the outcomes and priorities of the Best Council Plan and City Ambitions.

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 The Civil Contingencies Act 2004 requires Category 1 responders (local authorities) to maintain plans to ensure that they can continue to perform their key functions in the event of an emergency, so far as is reasonably practicable.

4.5.2 Many of the LCC services covered by business continuity plans have a duty of care or a regulatory requirement to provide their service. This extends to maintaining services during an emergency or disruptive incident.

4.6 Risk Management

4.6.1 The Corporate risks LCC 1 City Resilience and LCC 2 Council Resilience are both 'standing' risks on the Corporate Risk Register 'unlikely to ever go away' for which CLT require quarterly assurances on how the risk is being mitigated and managed.

4.6.2 The West Yorkshire Community Risk Register provides an assessment of the risks agreed by the West Yorkshire Resilience Forum as a basis for supporting the preparation of emergency and business continuity plans.

5 Conclusions

5.1 This update report evidences the progress that has been made since June towards achieving the September 2015 Phase 2 target completion date.

5.2 Completion of Phase 2 will replace existing plans and develop new plans aligned with the good practice guidance contained within ISO 22301. This will continue to maintain the Council's compliancy with the requirements of the Civil Contingencies Act 2004 in relation to business continuity planning.

5.3 Phase 1 and Phase 2 will have developed and implemented business continuity plans for a total of x85 LCC services supporting a more resilient Council and City.

6 Recommendations

6.1 The Committee to note the progress made towards completion of Phase 2 by the target completion date of September 2015.

7 Background documents¹

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.

Report of the Deputy Chief Executive

Report to: Corporate Governance and Audit Committee

Date: 18th September 2015

Subject: Annual assurance report on corporate risk and performance management arrangements

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

Summary of main issues

1. This annual report presents assurances to the Corporate Governance & Audit Committee on the effectiveness of the council's corporate risk and performance management arrangements: that they are up to date; fit for purpose; effectively communicated and routinely complied with.
2. It provides one of the sources of assurance the Committee is able to take into account when considering approval of the Annual Governance Statement at today's meeting. It also enables the Committee to fulfil its role under the council's risk management policy and the Committee's own Terms of Reference to review the 'adequacy of the council's Corporate Governance arrangements (including matters such as internal control and risk management)'.
3. The report is supported by the independent assurances recently received from Internal Audit who concluded for their 'Achievement of Strategic Objectives 2014-15' audit (which incorporated corporate performance management) that 'Substantial assurance' – the highest rating - 'is provided for the control environment'. The second-highest rating, 'Good assurance' was given for their audit on 'Corporate risk management 2014-15'.

Recommendations

Corporate Governance & Audit Committee is asked to receive the annual report on the council's corporate risk and performance arrangements and note the assurances in support of the Annual Governance Statement due to be approved today.

1 Purpose of this report

- 1.1 This annual report presents assurances to the Corporate Governance & Audit Committee on the effectiveness of the council's corporate risk and performance management arrangements: that they are up to date; fit for purpose; effectively communicated and routinely complied with. It provides one of the sources of assurance the Committee is able to take into account when considering approval of the Annual Governance Statement at today's meeting.
- 1.2 It also enables the Committee to fulfil its role under the council's risk management policy and the Committee's own Terms of Reference to review the 'adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management)'.

2 Background information

- 2.1 On 10th July 2014, Corporate Governance & Audit Committee received the previous annual assurance report on the council's corporate risk and performance arrangements. This report seeks to update the committee on arrangements during 2014-15.
- 2.2 The assurances here are supported by the independent assurances on our corporate risk and performance arrangements provided by Internal Audit. They concluded for their 'Achievement of Strategic Objectives 2014-15' audit (which incorporated corporate performance management) that 'Substantial assurance' – the highest rating - 'is provided for the control environment' with no recommendations made. The second-highest rating, 'Good assurance' was given for their audit on 'Corporate risk management 2014-15' with one key recommendation made, already in the corporate team's work programme as a high priority: to refresh the risk management policy.

3 Main issues

Assurances on 2014/15 arrangements

- 3.1 The council's risk management policy and performance management framework are in the process of being refreshed to reflect the changes made to the risk and performance arrangements during 2014/15. As such, while the documents are, in places, currently out of date, the arrangements themselves have been updated where appropriate to ensure they remain fit for purpose, effectively communicated and routinely complied with. Both the new risk management policy and performance management framework will be brought to this Committee later in the year.

Performance management

- 3.2 For an organisation's performance management arrangements to be effective, its objectives and supporting key performance indicators (KPIs) must be up to date, effectively communicated and monitored and action taken as appropriate. During 2014-15, this was achieved as follows:
- The strategic objectives and priorities of the council are identified and set out in the Best Council Plan (BCP). Through consultation with members and officers, this is updated annually to ensure these objectives and priorities remain aligned to the financial environment, the budget setting process, supporting plans and key pieces of work underway. Last year's annual

review took place in spring 2014 and a revised BCP was approved by the Executive Board in May 2014. The BCP was then refreshed for 2015/16 and approved by the Executive Board in March 2015.

- The latest Best Council Plan refresh was communicated widely through 'Essentials' and the Chief Executive's blog to staff and both documents were published on the authority's Internet and Intranet sites. In its first week (including two bank holidays), the Insite page had been viewed by nearly 1,000 unique staff visitors.
- 'Objectives on a page' set out the outcomes, priorities and key performance indicators for each of the six objectives in the BCP. These have also been updated each year as part of the annual BCP refresh and subsequently published on both leeds.gov and Insite, the council's Intranet site, and signposted to officers and members through 'Essentials'.
- The BCP draws on and links with a range of supporting council and partnership plans. These include the Annual Financial Plan; Children & Young People's Plan; Health & Wellbeing Strategy; Core Strategy; Adult Social Care Local Account and Citizens@Leeds Strategy. The Executive Board, Scrutiny Boards, Community Committees and partnership boards (e.g. Children's Trust Board and Health and Wellbeing Board) receive relevant performance information on delivery of these related and supporting plans.
- Scrutiny Boards consider additional performance reports on areas relevant to their portfolios, incorporating both BCP and wider operational performance. Both the content and frequency of such reports are determined by the requirements of each specific Board.
- By taking account of both best city ambitions and supporting partnership plans within the BCP, the City Priority Plan 2011-15 was no longer needed as a separate document, though the vision and ambition remain important. As part of this year's review of the Constitution, all reference to the City Priority Plan was therefore removed from the council's policy framework with the decision-making template and associated guidance then revised and communicated to staff and elected members via 'Essentials'. This supports the aim of ensuring that our strategic planning and underlying performance management framework remain up to date and fit for purpose with the changes effectively communicated.
- Progress in delivering the Best Council objectives is discussed by the Corporate Leadership Team (CLT) each month (with items raised by directors themselves), facilitating cross-council ownership, discussion and follow-up action of specific areas of performance as needed.
- From November 2014, the CLT monthly reporting has been accompanied each quarter by a more detailed report on a new 'BCP Scorecard': the most significant key performance indicators (KPIs) that help measure progress on the BCP as a whole in delivering better outcomes for both the city and the organisation in-year and in the longer term. This report shows the direction of travel against the best comparative performance, thus providing directors with a clear insight into the council's overall performance against the BCP. We can confirm that during 2014-15, all scorecard KPIs have been updated by directorate performance teams with the latest performance information. The quarterly scorecard is published on leeds.gov and a link e-mailed to all elected members to alert them to this. It is also published on the Leeds Observatory alongside data relating to population, crime, deprivation, health,

the economy and the environment. These arrangements help to make the data available to a wide audience.

- A new 'KPI checklist' was developed through consultation with performance colleagues across the organisation and is now in place for all KPIs in the Best Council Plan scorecard. This provides assurance that the data behind these measures is robust and consistently reported.
- The BCP informs the appraisal objectives set for the Corporate Leadership Team and so performance against the BCP priorities is used as part of a suite of information for the Chief Executive's appraisals of his directors and his own appraisal with the council leader. We can confirm that this took place for both the mid-year and end of year appraisals in 2014-15.
- An annual performance report assessing 2014-15 progress in delivering last year's BCP and the year-end KPI scorecard was presented to the Executive Board on 15th July. This review process that looks back to take stock with the results used to inform future priorities and action plans complies with good practice performance management.
- The Core City local authorities' corporate performance teams hold six-monthly meetings to share good practice and to benchmark performance against those KPIs that are measured consistently. Representatives from Leeds have attended both meetings held in 2014-15, hosting the January 2015 meeting, while we also co-administer the new 'Knowledge Hub' site set up this year to facilitate information sharing.
- Internal Audit carried out a review during spring 2015 of the above arrangements. The scope of the review was 'to obtain assurance that the corporate arrangements in place for the achievement of strategic objectives and performance monitoring during 2014-15 was robust.' They concluded that 'Substantial assurance' – the highest rating - could be 'provided for the control environment' with no recommendations made.

Risk management

3.3 During spring 2015, Internal Audit also carried out a review into the council's corporate risk management arrangements, focusing on whether:

- Risks are aligned with strategic objectives;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organisation's risk appetite;
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

3.4 At the end of their review, they gave the second-highest rating, 'Good assurance', with one key recommendation made, already in the corporate team's work programme as a priority: to refresh the risk management policy. The arrangements described below support this independent assessment.

- Corporate, directorate, budget, programme and project registers are maintained, with significant risks escalated to appropriate boards / management teams as required. This includes quarterly updates on the risk status of all the council's programmes and major projects to the Strategic Investment Board and the opportunity for all directors to raise prospective risks each month through the CLT monthly Best Council Plan reports.
- We can confirm that all corporate risks have been updated each quarter during 2014-15 with the exception of three which are under review to ensure

the tangible risk is appropriately defined: these relate to workforce planning, school places and low carbon. However, the Committee can be assured that extensive work has taken place throughout 2014-15 and to date on these three areas, with regular reports provided to members, senior management teams and other stakeholders on progress and next steps. They are also captured through the performance management arrangements as all feature in the Best Council Plan.

- All corporate risks have a 'target risk rating' assigned to them: the level to which it would be feasible to bring the risk down to. This sets the risk appetite for each individual risk.
- An annual risk assurance report on the management of the seven 'standing' corporate risks (those that are unlikely to ever go away) was reported to the Executive Board on 15th July. The seven risk areas are:
 - Safeguarding children
 - Safeguarding adults
 - Health and safety
 - City resilience (emergency planning)
 - Financial (both the in-year budget risks and those in the medium-term)
 - Council resilience (business continuity management)
 - Information governance
- More detailed assurance reports on these corporate risk areas have been provided to members and/or senior management teams throughout 2014-15: for example, this Committee has provided much support to both the business continuity management and the information governance agendas and received regular updates; Ofsted has provided external assurance on the council's safeguarding children arrangements as part of its recent inspection; the LGA-led peer review into the council's safeguarding adults arrangements was positive with its recommendations being taken forwards by the new statutory Safeguarding Adults Board; monthly financial monitoring reports are taken to the Executive Board with a specific section on budget risks.
- The corporate report template requires report authors to include details on significant risks associated with the related subject/decision, supporting risk-based, informed decision-making. The Corporate Risk & Performance Team has carried out a quality assurance review of all reports to Executive Board in 2014-15 while still at draft stage and provided feedback to report authors with suggested improvements to the risk management section as needed.
- Programme and project risk registers are maintained for projects and programmes managed on behalf of directorates with the Projects, Programmes and Procurement Unit (PPPU) providing project support and specialist risk management advice and training. The 'PM lite' project management methodology adopted by the council in April 2015 also helps embed a standardised approach to risk management across the council's portfolio of projects and programmes. Corporate risk officers worked with the PPPU to refresh the risk management documentation within the PM lite online toolkit to ensure it remains up to date and fit for purpose.
- Risk management workshops take place for key programmes and projects. Those facilitated by the corporate Risk & Performance Team in 2014-15 have included the West Yorkshire Transport Fund, Victoria Gate and HS2/South Bank. On a scale of 1-4 (with 4 being 'strongly agree'; 3 being 'agree');

- 100% of participants strongly agreed or agreed that the events during 2014-15 have been worthwhile and beneficial (67% as 4; 33% as 3);
- 100% rated the facilitators at the highest level for their skills and knowledge (89% as 4; 11% as 3).
- The 4Risk risk management software system has been rolled out for all corporate risks and directorate risk registers (with the exception of Adult Social Care - scheduled to take place by the end of this month) with the migration of the risks from Word/Excel to a web-based system facilitating the update, monitoring and reporting of risks, as well as providing an audit trail of any changes made. At the time of writing, a 4Risk user survey is underway to gauge whether the software and the support provided by the corporate team is meeting user requirements.
- As part of the 4Risk implementation, corporate risk officers have worked with directorates to review all their directorate risks to ensure they remain up to date and fit for purpose. The corporate team also carries out horizon scanning exercises and benchmarks risk registers with the Core City local authorities. Potential gaps in Leeds' risks are fed back each quarter to directorate risk co-ordinators for them to consider when reviewing their directorate risk registers with management teams.
- The corporate team has provided face-to-face training to 128 4Risk system users, both on how to use the system but also using the opportunity to refresh their knowledge and understanding of risk management.
- The corporate risk team ensures it remains up to date with risk management good practice through benchmarking and Continuous Professional Development and brings this learning back into the authority's risk management arrangements:
 - The Principal Officer completed the CIPFA qualification in 2014-15 which incorporated modules on risk management; continues to serve on the board of ALARM North East & Yorkshire (the Public Risk Management Association) and is an ALARM Registered Risk Practitioner; and
 - The Senior Officer is CIPFA-qualified; Institute of Risk Management (IRM)-certified; serves on the IRM North East Regional Group and in 2014-15 began studying the IRM diploma.

2015/16

- 3.5 As noted above, key priorities for 2015/16 are to refresh both the risk management policy and performance management framework to ensure they remain up to date in reflecting the arrangements outlined above and fit for purpose. This refresh will be carried out in consultation with staff and members with the revised documents also brought to this Committee later in the year.
- 3.6 Day-to-day work will also continue, notably:
- Refreshing the Best Council Plan ready for 2016/17 with defined outcomes, priorities and key performance indicators, using the performance management methodology 'Outcomes Based Accountability'.
 - Maintaining rigorous, streamlined Best Council Plan reporting and publishing performance information.
 - Updating the corporate and directorate risk registers in line with emerging risks, including those resulting from amendments to our strategic outcomes, and priorities.

- Reviewing the council's approach to service planning and updating associated guidance documents and templates ready for 2016/17.
- Ongoing review and benchmarking of risk and performance arrangements through regular communications with colleagues in the Core City local authorities and other organisations and consideration of latest guidance, updated standards and any changes in statutory / government requirements of risk and/or performance management in local authorities.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.4 Key stakeholders have been engaged in proposing and developing revised risk and performance arrangements. These include the Corporate Leadership Team and directorate Heads of Performance. Others have been involved in specific areas: for example, the Executive Board on the refreshed Best Council Plan; Governance Services on revising the council's planning framework around city priorities; 4Risk users on changes to the risk management software.

4.1.5 We will continue to engage with members when reviewing the council's risk and performance management arrangements. The new risk management policy and performance management framework will be brought to this Committee later in the year.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 This is an assurance report with no decision required. Due regard is therefore not directly relevant.

4.3 Council policies and the Best Council Plan

4.3.1 The risk management arrangements in place support compliance with the council's risk management policy and Code of Corporate Governance, through which, under Principle 4, the authority should take 'informed and transparent decisions which are subject to effective scrutiny and risk management'.

4.3.2 The performance management arrangements focus around the Best Council Plan: its annual formal refresh and ongoing review and monitoring of delivery of the Best Council objectives and priorities. Significant risks to their delivery are identified and managed through the risk management arrangements.

4.4 Resources and value for money

4.4.1 The council's risk and performance arrangements are managed within existing resources with additional staffing savings achieved in 2014/15 through reducing the size of the corporate risk and performance team.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The council's risk management arrangements support the authority's compliance with the statutory requirement under the Accounts & Audit Regulations 2011 to have 'a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.'

4.5.2 Performance information on corporate key performance indicators is published on the council's website and the Leeds Observatory. The management of our most

significant risks and performance on delivering the Best Council Plan 2014/15 objectives and priorities has been published through the annual risk and performance report to the Executive Board on 15th July.

4.5.3 No decision is required; therefore this assurance report is not subject to call in.

4.6 Risk Management

4.6.1 There are no significant risks identified in the council's risk and performance management arrangements.

5 Conclusions

5.1 This report provides assurance on the council's corporate risk management and performance management arrangements. It provides one of the sources of assurance the Committee is able to take into account when considering today's approval of the Annual Governance Statement. It also enables the Committee to fulfil its role under the council's risk management policy and the Committee's own Terms of Reference to review the 'adequacy of the council's Corporate Governance arrangements (including matters such as internal control and risk management)'.

5.2 Independent assurance on the strength of these arrangements has recently been received from Internal Audit which gave a rating of 'Substantial Assurance' in their audit of 'Achievement of strategic objectives 2014/15' (incorporating performance management) and 'Good Assurance' for 'Corporate risk management 2014/15'.

5.3 The council's risk management policy and performance management framework are in the process of being updated to reflect the changes made to the risk and performance arrangements during 2014/15. As such, while the documents are, in places, currently out of date, the arrangements themselves have been updated where appropriate to ensure they remain fit for purpose, effectively communicated and routinely complied with. Both the new risk management policy and performance management framework will be brought to this Committee later in the year.

6 Recommendations

6.1 Corporate Governance & Audit Committee is asked to receive the annual report on the council's corporate risk and performance arrangements and note the assurances given prior to its consideration today of the Annual Governance Statement.

7 Background documents¹

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.

Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 18th September 2015

Subject: Annual Governance Statement

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

Summary of main issues

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

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

3. The attached Annual Governance Statement has been prepared in accordance with proper practices specified by the Accounts and Audit Regulations 2015.

Recommendations

4. Corporate Governance and Audit Committee is asked to;
 - i. approve the attached Annual Governance Statement and authorise the chair to sign the statement on behalf of the committee;
 - ii. note the intention of the Leader of Council, the Chief Executive, the Deputy Chief Executive and City Solicitor to also sign the statement.

1 Purpose of this report

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

2 Background information

- 2.1 The Annual Governance Statement is a public statement on the adequacy of the Council's governance arrangements, and, as directed by the Accounts and Audit (England) Regulations 2015, must accompany the statement of accounts.
- 2.2 The Regulations, specifically Regulation 6 requires authorities to conduct a review at least once a year of the effectiveness of its systems of internal control in accordance with 'proper practices'¹. These proper practices have been used as the basis for preparing the AGS which appears at Appendix 1.

3 Main issues

- 3.1 This year, as last, the review of effectiveness has been undertaken on an ongoing basis including internal and external audit of our internal control processes, and matters that have been the subject of reports to Corporate Governance and Audit Committee, the Executive Board and other member forums. In addition Directors have reviewed the attached statement and have confirmed that, to the best of their knowledge and belief, all matters of significance have been disclosed.
- 3.2 KPMG, having reviewed the Annual Governance Statement, have confirmed that in their view the statement complies with the requirements contained in 'Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE' (the relevant proper practices) and it is not misleading or inconsistent with other information that KPMG are aware of from their audit of the financial statements.
- 3.3 Corporate Governance and Audit Committee is asked to approve the attached Annual Governance Statement; and recommend that the Leader of Council, Chair of Corporate Governance and Audit Committee, Chief Executive, Deputy Chief Executive, and City Solicitor sign the document on behalf of the Council.

4 Corporate Considerations

4.1 Consultation and Engagement

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

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

4.2 Equality and Diversity / Cohesion and Integration

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

4.3 Council Policies and City Priorities

4.3.1 The Annual Governance Statement reports that whilst progress has been made in agreeing policies and implementing procedures to govern the management of data and information, a number of incidents of data loss have occurred during the year.

4.3.2 Following approval of the statement a review of the Council's Code of Corporate Governance will be undertaken.

4.4 Resources and Value for Money

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

4.5 Legal Implications, Access to Information and Call In

4.5.1 The Annual Governance Statement is a public statement on the adequacy of the Council's governance arrangements, and as directed by the Accounts and Audit (England) Regulations 2015, must accompany the statement of accounts.

4.6 Risk Management

4.6.1 The Accounts and Audit (England) Regulations 2015, specifically Regulation 6, requires authorities to conduct a review at least once a year of the effectiveness of its systems of internal control in accordance with proper practices. The system of internal control, including arrangements for the management of risk, assists the Council in effectively exercising its functions.

4.6.2 In addition the committee and the Executive Board have received regular reports which demonstrate that there is an on-going process for identifying, evaluating and managing risks.

5 Conclusions

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

6 Recommendations

6.1 Corporate Governance and Audit Committee is asked to;

- i. approve the attached Annual Governance Statement and authorise the chair to sign the statement on behalf of the committee;

- ii. note the intention of the Leader of Council, the Chief Executive, the Deputy Chief Executive and City Solicitor to also sign the statement.

7 Background documents

7.1 None



Annual Governance Statement 2015

1. SCOPE OF RESPONSIBILITY

- 1.1 Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities like Leeds this also includes how we relate to the communities that we serve.
- 1.2 We must conduct a review, at least once a year, of the effectiveness of our system of internal control and report our findings in an annual governance statement. The statement must be prepared in accordance with proper practices and be reported to a committee of Councillors. This document comprises our annual governance statement for 2014.

Context

- 1.3 Our ambition is to be at the forefront of those local authorities that are able to demonstrate that they have the necessary corporate governance to excel in the public sector. We aspire to be the best local authority in UK, for Leeds to have a strong economy and be a compassionate, caring city that helps all its residents benefit from the effects of the city's economic growth.
- 1.4 We will focus on creating the right conditions for the economy in Leeds to prosper and hand in hand with that, ensure a consequence of that growth is a reduction in the inequalities that exist in Leeds.
- 1.5 The changing needs of our citizens and communities, ongoing significant reductions in resources and central government reforms continue to present a challenge to all councils. In addressing these challenges we must ensure that governance arrangements support the effective delivery of services and management of risk.
- 1.6 By applying the principles in our Code of Corporate Governance (summarised below) and applying our local codes of conduct for Members and employees, we commit to devising and delivering services to the citizens of Leeds in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.
- 1.7 Our Code of Corporate Governance outlines our governance principles:
- Focussing on the Council's purpose and community needs;
 - Having clear responsibilities and arrangements for accountability;
 - Good conduct and behaviour;
 - Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
 - Developing the capacity and capability of members and officers to be effective;
 - Engaging with local people and other stakeholders.

2. THE GOVERNANCE FRAMEWORK

- 2.1 Our governance arrangements are designed to ensure that we take an appropriate and proportionate approach to managing risk. The governance framework has been in place for the year to the date of approval of this annual governance statement. The arrangements are not designed to eliminate all

risks but rather provide a reasonable degree of assurance of our effectiveness..

2.2 Our governance framework in Leeds comprises the systems and processes, and culture and values that allow us to achieve our strategic objectives and provide services in an appropriate and cost effective way and can be summarised as:

- Our vision - that is our shared priorities and intended outcomes for citizens and service users documented in the Vision for Leeds, Best Council Plan and other documents contained in our Budget and Policy Framework;
- The committees, boards and panels we have established to ensure democratic engagement and accountability is central to our decision making;
- Our arrangements for the oversight and scrutiny of decisions and policy development by councillors;
- Delegation and sub delegation arrangements which document the roles and responsibilities of executive and non-executive councillors and our statutory (and other senior) officer functions;
- Our risk management arrangements that help us mitigate threats and make the most of opportunities which present themselves;
- Our performance and accountability arrangements that help us analyse and act on performance information as a means of improving services and delivering better outcomes for the citizens of Leeds;
- Our People Plan, Member Development Strategy, Values and codes of conduct which underpin how Members and employees work;
- Our arrangements for consultation and engagement with the community, particularly focussed to help ensure inclusivity;
- Our arrangements to safeguard our most vulnerable citizens including fully embracing the role of independent chairs of safeguarding boards for children and adults;
- A high performing and independent Internal Audit service that is well regarded by our External Auditors;
- Independent oversight and challenge provided by our External Auditors, Government Inspectorates and the Local Government Ombudsman;
- Our procedure rules and internal management processes for:
 - Financial management
 - Procurement
 - Information governance and data security
 - Health and safety
 - Decision making
 - Whistleblowing and complaints handling
 - Anti-fraud & corruption

3. REVIEW OF EFFECTIVENESS

- 3.1 We have a statutory responsibility for conducting, at least annually, a review of the effectiveness of our governance arrangements to ensure there is a sound system of governance and that those arrangements help enable us to secure continuous improvement in the way in which our functions are carried out. As part of this review, we consider a combination of economy, efficiency and effectiveness factors – with the aim being to ensure that we secure continuous improvement in the way we carry out our duties to the citizens of Leeds.
- 3.2 Our process of review is continuous and considers decisions taken and matters considered by Full Council and committees appointed by Full Council, the Executive Board, Corporate Leadership Team (and via consideration of this statement by our Corporate Leadership Team, Directors' knowledge of the operation of governance arrangements within their directorates), the work of the Corporate Governance and Audit Committee, internal auditors, service managers, work undertaken by external auditors and inspectorates and the opinion of the Local Government Ombudsman. This Annual Governance Statement draws together that work into one document.

A self-assessment of our effectiveness

Effective planning, risk and performance management arrangements

- 3.3 Our planning, risk and performance management arrangements have enabled members and senior management to **Focus effectively on the Council's purpose and community** needs. Internal Audit carried out reviews of the central control arrangements for 'achievement of strategic objectives' and 'corporate risk management' and judged these to provide substantial and good assurance respectively.
- 3.4 Through consultation with staff and elected members, the Best Council Plan was refreshed for 2015-16 and sets out our strategic objectives and priorities. In-year performance is reported to elected members and senior management quarterly against a Best Council Plan scorecard of the most significant key performance indicators (and subsequently published on the council's intranet and internet sites. Scrutiny Boards receive regular performance reports on services within their portfolios.
- 3.5 A year-end performance report, that highlights the progress made throughout 2014-15 in delivering the six strategic objectives set out in the Best Council Plan has been considered by our Executive Board. Producing this annual performance report is in line with best practice and the authority's performance management framework. The report draws on and links with a range of supporting council and partnership plans against which performance is regularly assessed and reported: these include the Annual Financial Plan; Children & Young People's Plan; Health & Wellbeing Strategy; Core Strategy; Adult Social Care Local Account and Citizens@Leeds Strategy.

- 3.6 An accompanying annual risk management report has also been considered by our Executive Board; the report summarises how the authority manages its most significant risks. As part of our decision making arrangements, all reports for key and major decisions consider risk management. This is a vital component of our governance arrangements as, to deliver our Best Council objectives, it is essential that we understand, manage and communicate the range of risks that could threaten the organisation and the vital services the council provides.
- 3.7 Of vital importance to us, is ensuring that we have arrangements in place to ensure our critical services can recover quickly from serious untoward incidents. Our Corporate Governance and Audit Committee led a concerted effort to ensure that business continuity plans are in place for all our critical services. The committee has continued its focus in this area to ensure that services, identified as non-critical, but which would impact on human welfare, the environment or security in the event of disruption, have robust business continuity arrangements in place.
- 3.8 The Senior Information Risk Owner responsibility has changed during the year with the Deputy Chief Executive, Strategy & Resources now undertaking this role, which includes having overall ownership of information risk management across the council, and acting as champion at Board level with regard to information risk.
- 3.9 The work required to address the recommendations of the Information Commissioners Audit report has been completed or is underway and significant, strategic work on Information Management and Information Governance is being undertaken to strengthen management of information in support of the business of the council, to respond to external requirements and to identify opportunities for efficiency and other value gains in the management of information.
- 3.10 The council is compliant with the Department of Communities and Local Government's Transparency Code 2014, and continues to lead in proactively making datasets available for re-use, via the Leeds Data Mill, thereby providing continued commitment to the council's value of being open and transparent.
- 3.11 Our Annual Council meeting approved changes to the terms of reference for our Scrutiny Boards, aligning these to our officer delegation scheme.
- 3.12 Last year we revised our locality committee arrangements to include new ways of working that are aimed at getting services and partners to think more locally, for more decision making to be devolved to the local level and for budgets to be locally provided. The changes made have quickly become embedded including a regular report to our full Council meeting on the work of the committees and enhancement of the delegations to Community Committees by new delegations for Parks and Countryside being agreed by our Executive Board. Our vision remains to continually improve the relationship between the citizen and the state, and in so doing improve trust in public services and ensure the delivery of local integrated and responsive services for local people.

3.13 In October the Executive Board approved, following prior consideration by the Scrutiny Board (Sustainable Economy and Culture), our Asset Management Plan for the period to 2017. The plan, set against the significant financial landscape, aims to deliver £3.5m on the cost of operating our assets, primarily through an asset rationalisation programme and the delivery of our ambitions to:

- ensure the estate is fit for purpose, is in the right location for public services and efficiently run;
- rationalise the asset estate to make budget savings and develop partnerships with others to share assets for the public good;
- using our assets to support economic growth, housing growth and regeneration;
- using our assets to provide us with an additional income stream to support our service delivery objectives.

Effective financial planning and management

3.14 Despite the 2014/15 budget again including some challenging decisions and risks – effective financial management across the Council culminated with a surplus of £0.7m against the General Fund budget (after the creation of a number of earmarked reserves). The Section 151 Officer has continued to ensure that effective budget monitoring and reporting arrangements (involving the Executive Board and Scrutiny) are in place. The Council's arrangements around financial accountability and responsibility have also been strengthened with clearer accountability for budget holders to keep expenditure within the approved budget. In addition, simplified Financial Regulations have been introduced that establish principles and rules relating to our systems of financial control.

3.15 The Corporate Governance and Audit Committee reviewed these arrangements in September 2015, noting that there were appropriate systems and procedures in place to ensure sound financial planning and management and that the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The committee also noted that a new budget management accountability framework was introduced in May 2015 to ensure arrangements remained proportionate and fit for purpose. In addition the Corporate Governance and Audit Committee undertook an assessment of our Treasury Management arrangements (January 2015) – the committee being assured that the arrangements complied with updated CIPFA guidance notes for practitioners contained within the Prudential Code for Capital Finance in Local Authorities.

Effective arrangements for accountability

3.16 Our Constitution, including the delegation scheme for Council and Executive responsibilities, has been regularly reviewed and updated to reflect various legislative and organisational changes. Sub delegation arrangements are in place and provide a clear description of decision-making responsibilities below director level. The way in which services are delivered continues to evolve with more services being commissioned and delivered in partnership.

- 3.17 Our Health and Wellbeing Board has completed its second year of work and has provided an open and transparent forum through which joint work on improving health and wellbeing is progressed. Our full Council meeting has now introduced a new defined element of business to consider the minutes of the Board.
- 3.18 Our Corporate Governance and Audit Committee has also considered the governance arrangements in Public Health. As part of those considerations the Committee sought assurances that arrangements to deal with serious untoward incidents are working as intended. The Director reported that regrettably during the last 12 months there had been one serious untoward incident reported arising from commissioned public health services. The Director of Public Health provided assurances that the arrangements for reporting such incidents and ensuring lessons are learned from them are though operating as intended. Our Corporate Leadership Team is scheduled to further consider the wider corporate serious untoward incident reporting arrangements in the early autumn.
- 3.19 This year we have embedded new arrangements for housing management. As part of these arrangements we have enhanced tenant involvement – both through membership of a newly established **Housing Advisory Board** and through a bolstered **Tenant Scrutiny** role – supported by our dedicated Scrutiny team.
- 3.20 We have fully participated in the work of the **West Yorkshire Combined Authority**, and, in doing so, we have, with neighbouring local authorities, reviewed and streamlined other aspects of regional governance, including the winding up of the Leeds City Region Leaders Board, and the establishment of a Business Rate Pool Joint Committee.
- 3.21 Our Executive Board has concluded a review of the governance and financial position of the **Leeds Grand Theatre and Opera House Trust Ltd** – with the Board agreeing that the Trust be restructured to become a fully independent charitable trust.
- 3.22 In February our Executive Board gave approval to proceed with proposals to establish 'Aspire' - a staff led mutual (a social enterprise Community Benefit Society with a wholly owned trading subsidiary) to deliver learning disability community support services. In advance of establishing the arrangements our Health and Wellbeing Scrutiny Board gave consideration to the proposals, with the board being reassured by the detail of the arrangements presented to them. In addition, a cross political group working group also reviewed the original proposals and were supportive of the direction of travel to establish the staff led mutual form of governance.
- 3.23 Effective whistleblowing procedures are a key part of good governance, establishing a culture of openness, probity and accountability across all aspects of the Council's work. Ensuring that employees, workers (agents and contractors), Members and the wider public are able to raise concerns through the correct channels allows the Council to address any risks as early as possible.

- 3.24 The Council has two policies that set out the means by which serious concerns can be brought to the attention of Internal Audit. The Whistleblowing Policy sets out the correct channels through which serious issues can be appropriately escalated from within the organisation and the Raising Concerns Policy provides guidance and direction to the wider public.
- 3.25 Changes to Public Interest Disclosure legislation prompted the need to review and update the Council's existing Whistleblowing Policy during 2014/15. To ensure consistency in approach across all whistleblowing channels, the Raising Concerns Policy was reviewed and updated alongside the Whistleblowing Policy. The Enterprise and Regulatory Reform Act 2013 has resulted in amendments to the whistleblowing provisions contained within the Employment Rights Act 1996. As such, Public Interest Disclosure legislation now restricts the definition of a protected disclosure to disclosures which, in the reasonable belief of the worker, are made in the public interest. The legislation also provides specific protection if an employee is subjected to detrimental treatment by colleagues as a result of making a protected disclosure. The policies have been updated to reflect these changes and to provide clear, consistent guidance and direction in accordance with best practice.
- 3.26 Assurances that the policies are routinely complied with are gained through regular reporting of the policy outcomes delivered through the regular Internal Audit Update reports provided to Corporate Governance and Audit Committee.
- 3.27 We have, through our General Purposes Committee, undertaken a review of our polling districts and polling places to ensure that these continue to meet community needs. We have also completed, in accordance with statutory requirements, Community Governance Reviews, when we have received valid petitions to do so.
- 3.28 The Leeds Safeguarding Children Board has commissioned and received a report to draw attention of the Board to the implications of the Louise Casey Report of February 2015, the Prime Minister's announcements in relation to tackling Child Sexual Exploitation (CSE), the further report published by Louise Casey of March 2015, and the findings of Ofsted in relation to the work being undertaken in Leeds to tackle the challenges of CSE and related issues.
- 3.29 In addition, our Assistant Chief Executive (Citizens and Communities) is leading a group looking at the issue of taxi licencing; as part of this exercise Leeds City Council has benchmarked Leeds against other local authorities. The Head of Vehicle Licensing is also working with colleagues across West Yorkshire developing a protocol on the issue. Similarly, the Directors of Children's Services are working on a protocol for information sharing in cases where children and young people may be crossing into other local authority boundaries.

Effective Conduct Arrangements

- 3.30 Registers of Interest for elected members and employees have been maintained and arrangements are in place for the declaration of appropriate interests when decisions are taken. Following a review of the central control arrangements for employees by Internal Audit (which provided good assurance), an annual report is now compiled by the Chief Officer HR to give assurance that key policies and procedures are fit for purpose, effectively communicated, working as intended and have been regularly reviewed. This report has been considered by our Corporate Governance and Audit Committee (September 2015).
- 3.31 The Standards and Conduct Committee has operated in accordance with the terms of reference approved by full Council and reported on its activities by way of an annual report in March 2013. No Leeds City Councillor, nor any Parish or Town Councillor (in the Leeds area), has been found to have failed to comply with the Code of Conduct adopted.
- 3.32 Arrangements are also in place for councillors and officers to register interests and resolve any conflicts of interest that might arise. These arrangements are being further enhanced in 2015 by way of work to explore mechanisms for officers to declare relevant interests at committee meetings. The proposal being that this be done in a similar way as arrangements required of elected members.

Effective decision making arrangements

- 3.33 Our decision-making arrangements are one of our key governance controls, linking to all the governance principles that are set out in our Code of Corporate Governance. The annual report to our Corporate Governance and Audit Committee (July 2015) in relation to our principle decision making processes provided substantial assurance that the arrangements are up-to date, fit for purpose and are functioning well. This was also supported by two targeted reports in two directorates (Children's Services and City Development) where substantial assurance was received on compliance with our decision making arrangements.
- 3.34 The City Solicitor has provided assurance to our Corporate Governance and Audit Committee (July 2015) concerning our compliance with the requirements of the Regulation of Investigatory Powers Act 2000 – both as regards directed surveillance and the use of covert surveillance sources and also as regards the acquisition and disclosure of communications data.
- 3.35 In addition the Scrutiny Officer has reported to full council (July 2015) in relation to the Council's Overview and Scrutiny arrangements. The Council sees Scrutiny as a key performance tool in ensuring that the Council meets its best city ambitions. The proportion of work undertaken by Scrutiny Boards that relates to pre-decision Scrutiny and the development of new policy is testament to the trust placed upon Scrutiny Boards by the Executive to help inform what are often high profile and sensitive decisions to be made. Scrutiny Boards have also continued to demonstrate their unique strength in bringing together a wide range of sectors and service users to identify solutions in addressing complex and cross cutting issues.

Effectively developing skills and capacity

- 3.36 Our Best Council Plan sets out our ambitions to become a more efficient and enterprising council. We are progressing this by improving our organisational design, developing our people and working with partners to effect change. Key strands of our work are to simplify and standardise our internal processes and develop an agile, skilled and diverse workforce with the ability to work flexibly.
- 3.37 We have recognised that this programme of change can only be delivered with colleagues and so we have invested in a number of initiatives, such as the Manager Challenge and Leadership Development programmes, to help create the flexibility, capacity and skills necessary to continue to meet our statutory responsibilities and provide front line services in a time of significant budget restraint. We also recognise the importance of undertaking 'quality' appraisals with colleagues. For the last two years over 97% of staff received an annual appraisal.
- 3.38 As community leaders, it is vital that our Councillors are supported to be as effective as possible. A variety of learning programmes is in place and is continually monitored and evaluated. Where needed, new learning programmes are developed and implemented quickly and effectively.

Effective Engagement

- 3.39 The delivery of Our Best Council Plan recognises the importance of effective engagement with the public, partners and staff and taking account of this in decisions that we take. A central theme running throughout our Best Council Plan is to tackle inequalities and so we also recognise the importance of taking account of equality considerations in the decisions we take.
- 3.40 The council has a well-established equality impact assessment process, designed to ensure that the council is both compliant with the legal requirement to show 'due regard' to equality and that we live up to the council's own ambitions to achieve equality. This being evidenced by an assessment undertaken by our Corporate Leadership Team that concluded the arrangements:
- are easily and effectively applied to decisions relating to existing and/or proposed functions, services, employment, policies, practices and strategies;
 - facilitate full consideration including all protected equality characteristics;
 - enable communities and interested groups to be involved appropriately in considering the impact of any proposals;
 - provide flexibility to apply the methodology to different types of decisions at different scales.
- 3.41 We have also further strengthened these areas to align with the council's wider priorities:
- Poverty, inequality and deprivation
 - Locality working
 - New communities and changing demographics

3.42 Our Scrutiny Board (Resources and Council Services) has also undertaken its own assessment of the equality impact assessment process. Scrutiny concluded the council has a well-established and effective equality impact assessment process both in its design and application. One of the key recommendations being that the Equality Team reports, by exception, those cases where an Executive Board Member has been advised that due regard has not been adequately considered during the decision making process.

3.43 Leeds has applied for reaccreditation at 'excellence level' of the Equality Framework for Local Government, by doing so it affirms the council's commitment to equality and diversity, recognises good practise, and areas to develop in relation to the following 5 performance areas:

- Knowing your communities;
- Leadership, partnership and organisational commitment;
- Involving your communities;
- Responsive services and customer care;
- A skilled and committed workforce.

Peer assessors will visit Leeds in November 2015 to consider our reaccreditation and will provide an opportunity to reflect on our approach to equality and diversity and achieving outcomes.

3.44 There has been increased effort in using digital channels to reach audiences with an improved website and a greater use of social media by a growing number of colleagues. Work is on-going to ensure that there are sufficient policy and technological safeguards to protect both employees and the council's reputation as social media use continues to grow.

3.45 We have embraced these new opportunities by webcasting our full council meetings and opening up meetings of our committees, boards and panels by enabling third party recording. Since introducing this engagement tool there has been in excess of 25,000 views of our full Council meeting – work is taking place to explore the scope of extending this coverage to our Executive Board and City Plans Panel meetings.

3.46 The council has worked with the trade unions to make significant reductions in staffing costs through: changing employment terms and conditions; a pause on agency, overtime and external recruitment; more flexible movement of staff across the council; and challenging spend as appropriate. In addition we have introduced the Manager Challenge programme to help embed excellent manager habits. Our staff survey results also tell us that we show continue with good levels of staff engagement, with the council having retained our status as an 'Investors in People' employer and with over 7000 colleagues (45% of the workforce) sharing their views in our annual employee engagement survey. By way of example we scored 7.2 out of 10 for our key engagement measure, which is 'If a friend asked you to give a score working for Leeds City Council from 1-10 (with 10 being the best), what would it be?'

Internal Audit Opinion

- 3.47 The annual report, from the Acting Head of Internal Audit, objectively examined, evaluated and reported on the control environment within the council and provided an opinion about the adequacy of the systems and processes in place.
- 3.48 On the basis of the audit work undertaken during the 2014/15 financial year, there are no outstanding significant issues arising from the work undertaken by Internal Audit. Furthermore, on the basis of the audit work undertaken during the 2014/15 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice.

An Independent opinion of effectiveness

- 3.49 The local authority has roles as provider, commissioner and sector leader. Inspection outcomes, both through the Office for Standards in Education (**Ofsted**) and the **Care Quality Commission** have been routinely monitored and appropriate action/intervention measures put in place. Of particular significance has been the outcome of an unannounced Ofsted inspection that was conducted between 20th January and 11th February 2014.
- 3.50 The outcome from that inspection was that Ofsted rated Children's Services in Leeds 'good' overall. The report outlined the five key areas that contributed to this overall judgement and on four of these: children who need help and protection; children looked after and achieving permanence; adoption performance; and experience and progress of care leavers, Leeds was rated as 'good'. In the fifth area, 'leadership, management and governance' Leeds had been rated as 'outstanding'. Alongside this, the Leeds Safeguarding Children Board (LSCB) was also found to be 'good'.
- 3.51 Ofsted also formally acknowledged the role of Scrutiny in Leeds, stating 'Scrutiny activity and oversight of children's services is impressive, with strong prioritisation and a comprehensive understanding of the needs of children, young people and their families. Robust challenge is achieved through a range of pertinent inquiries and a strong corporate parenting ethos that extends beyond looked after children'
- 3.52 A number of areas for improvement were identified by Ofsted which were in line with Leeds' own awareness and aspirations to take the service forward. A post inspection action plan was presented to our Executive Board in June 2015, alongside our proposed new Children and Young People's Plan, prior to submission to the Secretary of State and Her Majesty's Chief Inspector. Both these documents set the framework for this vital part of the council's safeguarding and leadership role in the community.

3.53 The Committee was advised of KPMG’s opinion in July 2015:

Aspect	Assessment
<i>Organisational controls:</i>	
Management’s philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Monitoring of controls	3
<i>IT controls:</i>	
Access to systems and data	3

Key

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

KPMG also commented that:-

- *“Your organisational and IT control environment is effective overall”*
- *“The controls over all of the key financial systems are sound”*
- *“Following our review of Internal Audit’s work on core systems we did not identify any issues which would cause us to change our audit approach”*
- *“The Authority’s overall process for the preparation of the financial statement is adequate”*
- *“The Authority has a good understanding of the key audit risk areas we identified and is making progress in addressing them”*
- *“We have not identified any specific value for money risks through our risk assessment”*

3.54 The external auditor’s annual report to those charged with governance, received in September, confirmed that in KPMG’s view the statement complies with the requirements contained in ‘Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE’ (the relevant proper practices) and it is not misleading or inconsistent with other information that KPMG are aware of from their audit of the financial statements.

4. SIGNIFICANT GOVERNANCE ISSUES

- 4.1 The independent opinion from our External Auditors provides considerable assurance in respect of the Council's governance arrangements. The External Auditor's recent Interim Audit assessed our organisational control environment as effective overall, with no significant issues or areas for improvement.
- 4.2 The wider context for local government remains challenging with the toughest financial settlement for decades; the uneven road to economic recovery; major policy reforms in welfare, education and health; a growing city and increasing demands for services.
- 4.3 We have a clear vision based on civic enterprise, an ambitious and positive vision of the future of local democracy, with ward councillors at its heart as community champions.
- 4.4 The Commission on the Future of Local Government recognised that there is a need to continue to seek more powers from Whitehall to enable us to shape our own destiny, both through our own authority and the collective voice of the West Yorkshire Combined Authority. The impetus around the devolution agenda continues apace and will be a catalyst to the continued review of the governance framework for not just the city but also for the wider region. Leeds will continue to be an enthusiastic and committed partner in the region, a loud voice for increased devolved power to cities, and a strong advocate for sharing power at a local level.
- 4.5 In this challenging and evolving environment we remain outcome-focused with plans which set out our ambitions that Leeds will become the UK's best council and best city.

The Best Council Plan sets out our aim for Leeds to be a compassionate, caring city that helps all its residents benefit from the effects of the city's economic growth, reducing inequalities that exist in the city. To support these ambitions, our six strategic objectives for 2015-16 are:

- Supporting communities and tackling poverty
 - Promoting sustainable and inclusive economic growth
 - Building a child-friendly city
 - Delivering the better lives programme
 - Dealing effectively with the city's waste
 - Becoming a more efficient and enterprising council
- 4.6 Underpinning these objectives, we have detailed outcomes, priorities and key performance indicators, using the performance management methodology 'outcomes based accountability'. Also to accelerate pace, we have established a new way of working that will break through traditional boundaries and engage partners and communities differently with a clear focus on outcomes.

The seven breakthrough projects are:

- Cutting carbon in Leeds
- Domestic violence and abuse
- Hosting world class events on a global stage as a smart city
- Housing growth, and jobs for young people
- Making Leeds the best city to grow old
- Reducing health inequalities through healthier lifestyles
- Rethinking the city centre

- 4.7 Our values will continue to underpin how we work: Working as a team for Leeds; being Open, honest and trusted; Working with communities; Treating people fairly & Spending money wisely. Action plans have been drawn up to address recommendations arising from external and internal audit reports, findings from inspectorates and issues identified and reported by the Local Government Ombudsman.
- 4.8 As our organisation changes so our engagement with partners (to deliver services to meet need and improve the well-being of our citizens) becomes more extensive. Ensuring that our values and good governance are rooted in those arrangements, particularly in how we commission services and monitor outcomes, will continue to be a challenge in the years ahead.
- 4.9 The pace of change and the opportunities provided by devolution are significant. Our full Council meeting will continue its oversight of this agenda providing locally elected members the opportunity to debate and influence the direction of travel and the progress being made.
- 4.10 Of crucial importance is ensuring that meaningful powers and resources are devolved from Westminster and Whitehall to enable local decisions to be taken and provide the catalyst for a step change in the pace of economic growth, such as improvements to transport infrastructure that benefit the wellbeing and prosperity of our communities.
- 4.11 As we reported last year, whilst the reforms set out in the Care Act are welcomed, the new burdens and responsibilities present significant challenges and risks as well as opportunities for the Council. They consist of financial risks, the scale and pace of the implementation and additional demand through new carers and assessment responsibilities.
- 4.12 This means that that the implementation will continue to be highly sensitive and dynamic. We will continue to use 'Health Act Flexibilities' to commission care using a budget pooled between ourselves and the NHS and we will continue to ensure that our governance arrangements remain fit for purpose for decisions financed through the Better Care Fund.
- 4.13 We have a statutory responsibility to ensure that the provision of good quality learning places and to secure an appropriate balance between education supply, demand, choice and diversity. Our relationships with individual schools are crucial and it is vital that those relationships remain strong and effective in what continues to be a rapidly evolving governance and accountability landscape.

5. ASSURANCE SUMMARY

- 5.1 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making - collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people's needs. It is fundamental to showing public money is well spent. Without good governance councils will struggle to improve services.
- 5.2 From the review, assessment and on-going monitoring work undertaken and supported by the ongoing work of Internal Audit, we have reached the opinion that, overall, key systems are operating soundly and that there are no fundamental control weaknesses.
- 5.3 We can confirm, to the best of our knowledge and belief, and there having been appropriate enquiries made, that this statement provides an accurate and fair view.

Signed

Signed

Date

Date

Councillor Judith Blake
Leader of the Council

Councillor Ghulam Hussain
Chair, Corporate Governance and
Audit Committee

Signed

Signed

Date

Date

Tom Riordan
Chief Executive

Alan Gay
Deputy Chief Executive and
Section 151 Officer

Signed

Date

Catherine Witham
City Solicitor & Monitoring Officer

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Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 18th September 2015

Subject: Work Programme

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

1 Purpose of this report

- 1.1 The Purpose of this report is to notify Members of the Committee of the draft work programme for the 2015/16 year. 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 the draft work programme attached at Appendix 1 and determine whether any additional items need to be added to the work programme.
- 3.2 Members are asked to consider and note the provisional dates for meetings of the Committee in the 2015/16 municipal year; these have been set out in such a way as to enable the Committee to fulfil its functions and responsibilities in a reasonable and proportionate way.

3.3 Corporate Considerations

3.1 Consultation and Engagement

3.1.1 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.

3.2 Equality and Diversity / Cohesion and Integration

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

3.3 Council policies and the Best Council Plan

3.4 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.

3.5 Resources and value for money

3.5.1 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.

3.5.2 Legal Implications, Access to Information and Call In

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

3.6 Risk Management

3.6.1 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.

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

4 Conclusions

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

5 Recommendations

5.1 Members are requested to: consider the work programme attached at Appendix 1 and determine whether any additional items need to be added to the work programme.

6 Background documents¹

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

6.1 N/A

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**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME**

28th January 2016		
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 Update Report	To receive the Internal Audit quarterly report	(Acting Head Of Internal Audit) Sonya McDonald
Treasury Management Annual Report	To receive the annual Treasury Management Report providing assurance on the processes used by the department	Chief Officer (Financial Services) Doug Meeson
External Audit Appointment Requirements	To receive a report updating the Committee on the requirements in place for appointing an External Auditor for the Council	Chief Officer (Financial Services) Doug Meeson
18th March 2016		
Internal Audit Plan	To receive a report informing the Committee of the Internal Audit Plan for 2016/17	(Acting Head Of Internal Audit) Sonya McDonald

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

Internal Audit Update Report	To receive the Internal Audit quarterly report	(Acting Head Of Internal Audit) Sonya McDonald
Information Security Annual Report	To receive a report on the Council's Information Security arrangements.	(Chief Officer Strategy and Improvement) Mariana Pexton
Annual Business Continuity Report	To receive the annual report reviewing the Councils Business Continuity planning.	(Chief Officer Strategy and Improvement) Mariana Pexton
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
Review of Partnership Financial Governance Arrangements'	To receive a report reviewing partnership financial governance arrangements	Chief Officer (Financial Services) Doug Meeson