



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Meeting to be held in Civic Hall, Leeds, on
Tuesday, 20th June, 2017 at 10.00 am**

MEMBERSHIP

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

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 apologies for absence (If any)</p>	
6			<p>MINUTES OF THE PREVIOUS MEETING</p> <p>To receive and approve the Minutes of the previous meeting held on 7th April 2017.</p> <p>(Copy attached)</p>	1 - 10
7			<p>MATTERS ARISING FROM THE MINUTES</p> <p>To consider any matters arising from the minutes.</p>	
8			<p>PUBLICATION OF DRAFT STATEMENT OF ACCOUNTS 2016/17</p> <p>To consider a report by the Chief Officer (Financial Services) which presents the Draft Statement of Accounts 2016/17, prior to publication</p> <p>(Report attached)</p>	11 - 16

Item No	Ward	Item Not Open		Page No
9			<p>ANNUAL ASSURANCE REPORT ON EMPLOYMENT POLICIES AND PROCEDURES AND EMPLOYEE CONDUCT.</p> <p>To consider a report by the Chief Officer Human Resources which presents the Annual Assurance Report on Employment Policies and Procedures and Employee Conduct, demonstrating that they are up to date; fit for purpose; effectively communicated and routinely complied with.</p> <p>(Report attached)</p>	17 - 24
10			<p>ANNUAL ASSURANCE REPORT ON CORPORATE RISK AND PERFORMANCE MANAGEMENT ARRANGEMENTS</p> <p>To consider a report by the Director of Resources and Housing which presents the Annual Assurance Report on Corporate Risk and Performance Management Arrangements, demonstrating that they are up to date; fit for purpose; effectively communicated and routinely complied with.</p> <p>(Report attached)</p>	25 - 32
11			<p>ANNUAL DECISION MAKING ASSURANCE REPORT</p> <p>To consider a report by the City Solicitor which presents the Annual Decision Making Assurance Report and provides one of the sources of assurance which the Committee is able to take into account when considering the approval of the Annual Governance Statement.</p> <p>(Report attached)</p>	33 - 66

Item No	Ward	Item Not Open		Page No
12			<p>INTERNAL AUDIT UPDATE REPORT APRIL TO MAY 2017</p> <p>To consider a report by the Chief Officer (Financial Services) which provides a summary of the Internal Audit activity for the period April to May 2017 and highlights any incidence of any significant control failings or weaknesses.</p> <p>(Report attached)</p>	67 - 80
13			<p>INTERNAL AUDIT ANNUAL REPORT AND OPINION 2016-17</p> <p>To consider a report by the Chief Officer (Financial Services) which provides the annual internal audit opinion and basis of the Internal Audit Assurance for 2016/17.</p> <p>(Report attached)</p>	81 - 106
14			<p>ANNUAL GOVERNANCE STATEMENT</p> <p>To consider a report by the City Solicitor which presents the Annual Governance Statement (AGS) for approval by the Committee.</p> <p>(Report attached)</p>	107 - 132
15			<p>WORK PROGRAMME 2017/18</p> <p>To receive a report of the City Solicitor which notifies Members of the of the Committee's draft work programme for the 2017/18 year.</p> <p>(Report attached)</p>	133 - 138
16			<p>DATE AND TIME OF NEXT MEETING</p> <p>To note that the next meeting will take place on Friday 22nd September 2017 at 10.00am in the Civic Hall, Leeds.</p>	

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Corporate Governance and Audit Committee

Friday, 7th April, 2017

PRESENT: Councillor P Grahame in the Chair
Councillors R Wood, J Bentley, P Harrand,
N Dawson, J Illingworth, K Groves,
G Hussain, R Grahame and J McKenna

53 Appeals Against Refusal of Inspection of Documents

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

54 Exempt Information - Possible Exclusion of the Press and Public

There were no items identified where it was considered necessary to exclude the press or public from the meeting due to the nature of the business to be considered.

55 Late Items

Appendix 5 to Agenda Item No. 5 was inadvertently omitted from the Agenda pack and was circulated at the meeting.

56 Declaration of Disclosable Pecuniary and Other Interests'

There were no declarations of disclosable pecuniary interest made at the meeting.

57 Apologies for Absence

Apologies for absence were received from: Councillor K Bruce, Councillor A Sobel.

58 Minutes of the Previous Meeting

RESOLVED – That the minutes of the previous meeting held on 27th January 2017 were accepted as a true and correct record.

59 Matters Arising from the Minutes

The Head of Governance and Scrutiny Support advised the committee that in respect of Minute No. 42 (iv) a further meeting had been arranged for the Chair to meet with officers from the Valuation Office Agency (VOA) to maintain a dialogue between the VOA and the Committee. However due to unforeseen circumstances this was not possible.

A query was raised in relation to whether the VOA took into account postal code changes as part of the assessment of the Ratings List. The Head of Governance and Scrutiny replied that it was not his understanding that this was a feature of the calculation of the Ratings List.

In relation to Minute No. 48 the Head of Governance and Scrutiny Support confirmed that at the meeting of full Council in February, the recommendation made by this committee relating to the appointment of external auditors was approved.

60 Annual Information Governance Report

The Head of Information Management Governance submitted a report of the Director of Resources and Housing which presented the annual assurance report to the committee on Information Governance.

Committee noted the re-structure of the Information Governance Management Team and the new senior leadership accountabilities for Information risk necessitated by the retirement of the Deputy Chief Executive.

Members received varying levels of assurance in respect of;

Cyber Assurance and Compliance – where limited assurance was reported as the council no longer meets Public Service Network (PSN) certification requirements. It was reported that arrangements were in place to meet monthly with the Cabinet Office to work towards meeting an action plan agreed with the Cabinet Office in order to regain certification.

Members queried what the impact was on the Council's business by not having PSN certification.

The Head of Information Management Governance assured the committee that this did not impact on current service delivery as the council still had access for example to .GCSX email accounts and Department of Work and Pensions Systems.

Members commented that Cyber Security training and awareness for staff and members should be a priority and that consideration should be given to undertaking tests to establish whether the training was effective.

The Head of Information Management Governance agreed to feed this back to the PSN Remediation Board for further consideration.

Members discussed the arrangements whereby employees and councillors who had left the council had their access rights removed.

Members' also indicated their wish to receive an update on progress on regaining PSN certification in September 2017.

Information Access and Compliance – where full assurance was provided that processes and procedures were in place to facilitate citizens' rights to request and had provided information under the Data Protection Act and the Freedom of Information Act.

Members noted the further additional work was required to meet the more stringent requirements of the new General Data Protection Regulations when they come into force in May 2018 and the outstanding actions agreed with the Information Commissioners Office in 2013 following concerns relating to the processing of personal data.

Members commented that the Council must strive to be as open as possible and not, as had been experienced from other public bodies in recent scrutiny inquiries, attempt to misuse the term Personal Data to what is generally regarded as public information.

A Member raised a concern relating to child protection issues and whether, out of normal working hours, duty officers would have access to the necessary information to help support vulnerable people at a time of crises.

The Head of Information Management Governance agreed to respond to the member concerned.

Members requested that the correspondence from the Cabinet Office in relation to the withdrawal of PSN Certification be circulated to Members of the committee.

Members also sought clarification as to what interim measures were undertaken on contracts where the requirements of the contract related to the control or processing of personal data.

The Head of Information Management Governance confirmed that letters were sent to all such contractors to remind them of their responsibilities under the Data Protection Act and that now all contracts of this nature include specific contract terms relating to these responsibilities.

Records Management – where reasonable assurance was provided that processes and procedures were in place to provide a framework to deliver data protection compliance.

Members commented that the retention periods for contracts, particularly in respect of financial information on PFI contracts, need to be as long as possible to help inform future contract negotiations and aid transparency.

Members noted the position with regard to the INSPIRE Standards and the steps being taken to publish more geo –spatial data sets.

RESOLVED –

- (i) To note and welcome the assurance provided at paragraph 10.2 of the submitted report that the information governance practice and procedures outlined in the report provided a level of assurance to the Committee
- (ii) That a further report be brought back to the Committee in September which will specifically address the issue of Cyber Assurance and Compliance

61 Annual Business Continuity Report

The Principal Officer Resilience and Emergencies presented a report of the Director of Resources and Housing detailing the Annual Business Continuity Report.

The report provided assurances to the committee that the business continuity arrangements were fit for purpose, up to date, were routinely complied with and had been effectively communicated and monitored.

Members discussed the impact of reductions in funding in particular the health and social care sector and the impact that this was having on resilience across the council and third sector organisations.

The Principal Officer Resilience and Emergencies assured the committee that a new Adult Social Care and Health Resilience Group had been established to look at these types of issues

It was also reported that a government led initiative 'Resilience Direct' was being rolled out to enable shared data between the council and partner agencies to support a multi-agency response to incidents

Members also sought and received assurances that processes were in place to ensure risks identified from the Cabinet Office nationally were routinely considered and fed into relevant business continuity plan arrangements.

In response to Members questions the Principal Officer Resilience and Emergencies also commented:

- that where the review of a plan was still outstanding this does not, of itself, make the plan redundant;
- that a desk assessment exercise be undertaken for business continuity plans from Adult Social Care commissioned service providers in accordance with ISO22301.
- Minutes from the West Yorkshire Resilience Forum were available to only those with the appropriate security clearance;

RESOLVED – To note and welcome the assurance provided in paragraph 5.1 of the submitted report that the business continuity arrangements were fit for

purpose, up to date, were routinely complied with, had been effectively communicated and were monitored

62 Procurement Assurance Report

The Executive Commercial Solicitor presented the Annual Assurance report of the Chief Officer Projects, Programmes and Procurement Unit in relation to procurement policies and practices.

The committee received assurance that these arrangements were compliant with legislation, were up to date, fit for purpose and effectively communicated with no procurement challenges being brought against the council in-year.

Members were also advised that off and non-contract spend had continued to reduce year and year.

In noting that the Scrutiny Board Resources were following up on previous scrutiny work on procurement - Members requested further specific details of:

- The value of off/non-contract spend and contracts that have been entered into via waivers;
- Contracts that had been renewed because they had reached the end of their contract life but for which a competitive tendering exercise had not yet been completed.

A Member raised a concern in respect of whether end of contract reports routinely assessed whether goods provided had been fit for purpose and provided value for money. A specific issue raised related to the deployment of tactile paving and whether any shortcomings of the material in wet weather had been picked up as part of contract monitoring or end of contract reporting arrangements.

The Executive Commercial Solicitor agreed to look at the specific issues raised and report back to the Member concerned.

RESOLVED – To note and welcome the assurance provided in paragraph 5.1 of the submitted report that the procurement policies and practices were compliant with legislation, up to date, fit for purpose, and effectively communicated; and that off and non-contract spend continued to reduce year on year.

63 KPMG Audit Plan 2016/17

The Principal Financial Manager submitted a report of the Chief Officer (Financial Services) presenting KPMGs full audit plan for 2016/17, detailing their audit approach, the timing of the audit work and highlighting any significant risks identified to date.

Tim Cutler, a Partner at KPMG attended committee to present the detail of the plan and answer questions from Members.

Draft minutes to be approved at the meeting
to be held on Tuesday, 20th June, 2017

Mr Cutler highlighted the following from the plan:

- That materiality for planning purposes has been set at £18 million and that uncorrected omissions or misstatements would be reported to committee at £0.6 million;
- That two significant risks had been identified which would require audit attention – these being:
 - Changes in pension liabilities arising from the LGPS Triennial Valuation
 - Valuation of Property Plant and Equipment
- The Value for Money Judgement which would be reported on in respect of:
 - Informed decision making;
 - Working in partnership, and;
 - Sustainable Resource deployment – in respect of which more detailed assessment, was considered necessary due to the worsening financial position and challenges facing the whole local government sector.

Members queried the level at which misstatements would be informed to the committee.

Mr Cutler confirmed that £18m was the level at which the accounts would be qualified (as they would not represent a true and fair view) if adjustments were not made, and £600k was the level at which a request for an adjustment would be made by KPMG to the council and at which those details were drawn to the committee's attention.

The Principal Finance Manager informed the committee of the council's approach to materiality in making adjustments to the final accounts. Where it was agreed with KPMG that there was an error, any amounts over £1m would always be adjusted for by the council. Any error identified in the accounts between £250k and £1m would be considered for adjustment, depending on the significance of its impact on the financial statements.

Clarification and assurance was sought on how the audit would consider the minimum revenue provision and whether the council's approach remained prudent.

Mr Cutler confirmed that KPMG had reviewed the changes to the council's minimum revenue provision policy for 2017/18 and were satisfied that the new policy met the statutory requirements for setting aside a prudent provision.

A Member raised a query as to the level of staffing which it would be prudent for the Council to operate with – as this was an operational matter for the Council Mr Cutler was unable to provide a response as it was beyond the remit of KPMG and their Value for Money Audit judgement.

RESOLVED –

- (i) That the contents of the report be noted
- (ii) To approve the nature and scope of the audit plan as presented by KPMG

64 Internal Audit Update Report January to March 2017

The Acting Head of Internal Audit presented an update on Internal Audit Activities during the period since the last meeting of the committee.

It was reported that the audit work had found no issues requiring the direct intervention of the committee with many audit reviews receiving good or substantial assurance opinion. Four reports containing limited assurance had been reported, two of which were linked. All had action plans in place with recommendations agreed by management being either implemented or underway.

Members' attention was drawn to a school where concerns relating to Fraud have been identified. It was not possible to share any further information as do so would prejudice ongoing Police investigations; an undertaking was given to update the committee as soon as it was appropriate to do so.

A Member of the committee also queried progress on the outstanding Whistleblowing referrals.

The Acting Head of Internal Audit confirmed that the outcome of whistleblowing investigations would be incorporated within the Annual Report.

RESOLVED –

- (i) To receive the Internal Audit Update report covering the period January to March 2017, noting the work undertaken by Internal Audit during this period
- (ii) To note there had been no limitations in scope and nothing had arisen to compromise the independence of Internal Audit during the reporting period

65 Internal Audit Plan 2017-18

The Acting Head of Internal Audit presented for Members approval the Internal Audit Plan for 2017-18.

Members were informed that the plan had been prepared following a risk based methodology taking account of a range of issues including the Best Council Plan Priorities, other previous audit work and the council's risk register. The plan was structured to enable the Head of Audit opinion to be

provided on the Council's governance, risk management and internal control arrangements at the end of the Plan period.

Members queried whether KPMG had been consulted on the plan.

The Acting Head of Internal Audit confirmed that KPMG were aware of the content of the plan.

A further query was raised as to whether any coverage had been included in the plan covering Members' responsibilities for input to Ward Based Initiative or MICE money.

The Committee asked that this be incorporated into the Audit Plan for 2017-18.

RESOLVED - That, subject to the addition of audit work specified, to approve the proposed Internal Audit Plan for 2017-18.

66 Internal Audit Charter

The Acting Head of Internal Audit presented for Members approval amendments to the Internal Audit Charter.

Committee noted that the Public Sector Internal Audit Standards (PSIAS) require that the purpose, authority and responsibility of the internal audit activity was formally documented in an Internal Audit Charter.

Members noted that amendments to the charter were recommended following the external assessment of Internal Audit by Nottingham City Council.

RESOLVED – To approve the amendments to the Internal Audit Charter.

67 Annual Assurance Report on the Financial Management and Control Arrangements

The Chief Officer (Financial Services) as the newly appointed Section 151 Officer presented an Annual Assurance Report on the financial management and control arrangements. Supporting the presentation of the report for the last time was the Head of Corporate Finance, Mr Neil Warren, who was leaving the Council to take on the role of Chief Finance Officer at Wakefield MDC.

The Committee thanked Mr Warren for his contributions in supporting the work of the committee and wished him well in his new role.

The committee noted the assurances provided that the Council had in place effective and robust arrangements for financial planning, financial control and other financial management activities and that those arrangements were in place, were fit for purpose, up to date and embedded across the organisation.

Assurance was provided by the Chief Officer (Financial Services) that recommendations arising from the Business Rates Working Group would be implemented.

Members sought clarification on the National Funding Formula for Schools and when that will be implemented for Leeds' Schools.

The Chief Officer (Audit and Investment) assured Members that detailed work is being progressed to ensure that Schools and Elected Members are able to understand the implications of the Leeds funding formula from 2018/19 financial year onwards.

Members were advised that the Executive Member (Children and Families) had asked that a member seminar was in the process of being arranged on this matter.

RESOLVED – To note the assurance provided that the appropriate systems and processes were in place to ensure sound financial management and control across the Council

68 Approval of Corporate Governance Code and Framework

The Head of Governance and Scrutiny Support presented a report of the City Solicitor detailing changes to the proper practice requirements contained in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 Edition.

Members were informed that the 2016 Framework recognised that local government continued to develop and shape its own approach to governance, taking account of the specific environment within which individual local authorities operate.

Members were also advised that the focus of the 2016 Framework differed from previous proper practice in that now;

- There was a defined emphasis on achieving outcomes while acting in the public interest at all times and;
- The attainment of sustainable economic, societal and environmental outcomes had been identified as a key focus of governance processes and structures.

Appendix 2 of the submitted report presented the newly drafted document – Leeds City Council Corporate Governance Code and Framework which;

- Reflects and demonstrates those commitments;
- Reflects the governance arrangements operating within Leeds City Council and how they contribute to the principles contained in the 2016 Framework;
- Simplifies the presentation of Council's governance arrangements and code in one document and aid understanding.

RESOLVED –

- (i) To note the requirements of the 2016 Framework
- (ii) To approve the Corporate Governance Code and Framework as set out in Appendix 2 of the submitted report

69 Work Programme

The Head of Governance and Scrutiny Support presented a report of the City Solicitor setting out the draft work programme and provisional dates for the committee for the new Municipal Year.

RESOLVED –

- (i) To note the contents of the report
- (ii) To provisionally approve the meeting dates for the Committee in the 2017/18 Municipal year as detailed within Appendix 1 of the submitted report

70 Date and Time of Next Meeting

RESOLVED – To note that the next meeting will take place on Friday, 23rd June 2017 at 2.00pm in the Civic Hall, Leeds (To be confirmed).

Report of the Chief Finance Officer

Report to Corporate Governance and Audit Committee

Date: 23rd June 2017

Subject: Publication of Draft Statement of Accounts 2016/17

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 Chief Finance Officer has reviewed the 2016/17 accounts and certified that they are a true and fair view of the Council's financial position.
- 2 The accounts have been drawn up based on proper accounting practice as required by the Accounts and Audit Regulations 2015.
- 3 The accounts will be available for public inspection for thirty working days commencing 26th June 2017.
- 4 Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner. The final outturn position for the general fund was an underspend of £2.6m.

Recommendations

- 5 Members are asked to:
 - Note the 2016/17 unaudited Statement of Accounts as certified by the Responsible Financial Officer, prior to their release for public inspection.

1 Purpose of this report

- 1.1 The purpose of this report is to present to the Committee the 2016/17 Statement of Accounts prior to them being made available for public inspection. The Statement of Accounts is included with the agenda as a separate document for Committee members and will be published on the Council's internet site.

2 Background information

- 2.1 Whilst it is not a statutory requirement for members to formally approve these unaudited accounts before the 30th June, members of this committee requested that that they receive the accounts prior to them being made available for public inspection.

3 Main issues

3.1 Main Financial Issues

- 3.1.1 The following is a summary of the main financial issues raised by the 2016/17 unaudited accounts:
- The final outturn position for the year was a £0.8m use of the General Fund Reserve, which was £2.6m less than the figure budgeted for. Within this overall improved position there was an overspend of £7.9m against the Children's Services budget, which was offset by an underspend of £6.4m against the City Development budget and net savings across other directorates and within corporate budgets.
 - The Housing Revenue Account outturn position resulted in the use of £10.0m of its revenue reserves. This included the use of £7.7m of reserves set aside to contribute to the Swarcliffe PFI scheme and the Little London, Beeston and Holbeck PFI scheme, and was after additional contributions of £3m to the Major Repairs Reserve to fund future capital expenditure.
 - The Council's net worth has increased during the year by £391m, and as at 31st March 2017 stands at £1,244m. Within this increase in the net worth, there has been an increase of £658m in the value of tangible fixed assets, partly offset by an increase in the net pensions liability of £80m. Net borrowing for capital and treasury management purposes has increased by £174m, reflecting an increase of £163m in the capital financing requirement and a slight reduction in the level of revenue balances which can be used to offset external borrowing.
 - The council's level of usable reserves decreased by £45m to £275m. The majority of the decrease was in ringfenced reserves, with usable capital reserves decreasing by £12m and ringfenced revenue reserves (primarily relating to the HRA and to schools) decreasing by £21m. The level of unringfenced revenue reserves fell by £12m, primarily due to the planned use of £10m of health and social care reserves during the year.
 - The position within the Collection Fund for business rates has slightly improved, with the closing deficit for 2016/17 having reduced by £25m to £49m, of which 49% (£24m) will fall on the council. A significant element of this deficit (£22m for the council) was taken into account when setting the

2017/18 budget. The outturn position therefore means that a further £2m will have to be recovered when the 2018/19 budget is set.

A full analysis of these and other financial issues is included in the Foreword of the Chief Finance Officer which can be found at the front of the accounts.

3.2 Responsibilities and Timeframes for Approving the Statement of Accounts

3.2.1 The Accounts and Audit Regulations 2015 determine the roles and responsibilities for approving local government accounts. Under these regulations it is the responsibility of the Responsible Financial Officer to certify that the accounts are a true and fair view of the Council's financial position before the 30th June. The accounts must then be available for public inspection for thirty working days, which must include the first ten working days of July. This Committee is charged with approving and publishing the final audited accounts before the 30th September.

3.2.2 To enable members to discharge their responsibilities for approving the accounts at the September meeting of the committee, the following assurances can already be given, or will be given within the approval process:

- On 30th May 2017 the Chief Finance Officer in his capacity as the Responsible Financial Officer signed the 2016/17 accounts, confirming that he is satisfied that they present a true and fair view of the Council's financial position.
- The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which represents proper accounting practice for local authorities, as required by the Accounts and Audit Regulations 2015.
- KPMG have carried out interim audit work covering the council's organisational and IT control environment, the controls over key financial systems, and the process for producing the financial statements. No reportable concerns have been notified to date in these areas, and KPMG's full report on this audit work will be presented at the September meeting of this Committee.
- KPMG will undertake a detailed audit of the accounts in July and August to ascertain that, in their view, the accounts show a true and fair of the Council's financial position. They will report any significant issues back to this Committee in September.
- Stakeholders have thirty working days while the accounts are on deposit to look through the accounts and supporting documentation and raise any questions with the auditors or to object to the accounts. If considered significant the auditors would pursue the complaint or questions and determine if the accounts need amendment. Any significant issues raised in this way would be reported back to this Committee in September. For 2016/17, subject to Committee approval, public inspection will commence on the 26th June.
- Members have the opportunity to question officers on any aspect of the accounts at this Committee or in the September Committee prior to approving the accounts.

- 3.2.3 The committee will be aware from a report presented at the January 2016 meeting that the Accounts and Audit Regulations 2015 will require councils to approve their draft accounts by 31st May from 2017/18 onwards. The council has been working towards this goal gradually, and these 2016/17 draft accounts have been approved on 30th May, in line with the deadline which will apply from 2017/18 onwards.

3.3 Accounting Issues Impacting on the Financial statements

- 3.3.1 There have been no significant changes in accounting policy affecting the 2016/17 accounts.

3.4 External Audit Issues

- 3.4.1 In September 2016, KPMG reported back to this Committee its main audit findings in respect of the 2015/16 accounts and any recommendations or risks for the following year's accounts. There were two recommendations relating to the production of the accounts. One of these concerned ongoing audit work on the valuation of the PFI Waste plant, on which a verbal update was provided by KPMG at the January 2017 meeting of this Committee. The other recommendation concerned the process for reviewing related party transactions, and this has been amended for the preparation of the 2016/17 accounts. In their annual audit plan which was presented to the committee in April 2017, KPMG identified two key areas of audit risk for the 2016/17 accounts, the valuation of property, plant and equipment, and the valuation of net pension liabilities.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 This is a factual report from the Chief Finance Officer on the Council's 2016/17 financial accounts and consequently no public, ward member or councillor consultation or engagement has been sought.

4.2 Equality and Diversity / Cohesion and Integration

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

4.3 Council policies and City Priorities

- 4.3.1 The Statement of Accounts is an audited publication which provides all stakeholders with the confidence that public money has been properly accounted for and that the financial standing of the Council is on a secure basis.
- 4.3.2 As required by the Accounts and Audit Regulations 2015, the accounts are to be made available for public inspection for thirty working days. Local electors and taxpayers have the right to look through the accounts and supporting documentation as well as the right to object to the accounts and question the auditors.

4.4 Resources and value for money

- 4.4.1 This is a factual report of the Chief Finance Officer on the financial accounts of the Council for 2016/17. There are no additional financial or value for money implications.

4.5 Legal Implications, Access to Information and Call In

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

4.6 Risk Management

- 4.6.1 The Council's external auditors provide a risk assessment on the accounts process as part of their annual audit plan, which was presented at the previous meeting of this Committee. The specific areas identified as audit risks will be covered as part of their audit work over the summer, and any issues arising will be reported at the September meeting of this committee.

5 Conclusions

- 5.1 Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner and has maintained the level of general reserves at a prudent level. The Council's net worth has increased, reflecting an increase in the value of its fixed assets, partly offset by an increase in the pensions deficit recognised in the accounts. Overall the Council continues to balance its finances and has a proven process for managing future budget pressures.
- 5.2 The Responsible Financial officer has certified that the accounts are a true and fair view of the council's financial position.

6 Recommendations

- 6.1 Members are asked to:
- Note the 2016/17 unaudited Statement of Accounts as certified by the Responsible Financial Officer, prior to their release for public inspection.

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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Report of: Chief Officer Human Resources

Report to: Corporate Governance and Audit Committee

Date: 20th June 2017

Subject: Annual assurance report on 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

1. This is the annual report to the committee concerning the Council's employment policies and employee conduct. From the review, assessment and on-going monitoring carried out, the Chief Officer HR has reached the opinion that, employee conduct is properly managed, policies are regularly reviewed and employee conduct forms part of normal manager/ employee relations.

Recommendations

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

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 issued in June 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. The first such report was presented in September 2015 and the second one in June 2016.
- 2.2 An internal audit of register of interests issued in August 2016 concluded that overall there was “acceptable assurance” on the control environment and “good assurance” on compliance and the recommendations made in the audit report are being implemented.
- 2.3 An internal audit of gifts and hospitality issued in August 2016 concluded that overall there was “good assurance” on the control environment and “good assurance” on compliance and the recommendations made in the audit report are being implemented.

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 employees work. In 2017 the values were refreshed and “tweaked” to reflect the feedback from colleagues. The changes were:

- Get the best deal on price, quality and social impact
- I am part of a team with a “can do” attitude
- Working with people - Engaging all communities
- Take a “no wrong door” approach if someone needs help

- 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.

- 3.4 The Code of Conduct is referenced every time a communication goes out about any of the policies and procedures which link to the code. In addition to regular council-wide reminders regarding the code of conduct, individual services identify when specific reminders are needed.

3.5 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. In the period April 2016 to March 2017, 135 gifts/ hospitality were registered, 48 of which are recorded as rejected. The vast majority of the 87 gifts/ hospitality which were accepted are for attendance at seminars/ award ceremonies/ networking events and were made to employees working within City Development. 60 of the 87 records are valued at £60 or under. On an annual basis Directors are sent a copy of the register for their directorate and they are responsible for reviewing this to ensure that they are satisfied that there are no concerns, either with what individual officers have declared over the year or with any particular firm making inappropriate offers. No such concerns were identified in the last annual review and there have no referrals in 2016/17 to the HR casework team for any breach of the gifts and hospitality policy.

3.6 Employee Register of Interests

There is a rolling programme in place for the completion of Register of interest forms. 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. For 2016/17 the business support centre has received 1010 responses. The details of declarations that have been made have been sent to the relevant Directors for review and they have also been given the details of the 70 non responders so these can be chased up. 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, employment outside the council and personal relationships with contractors. There have been no referrals to the HR casework team in 2016/17 for any breach of the register of interests policy.

- 3.7 Mandatory "Information governance level 1" training for all employees is in place and is reviewed and refreshed every 2 years. The latest training was launched in June 2016 and to date 91% of all employees have completed. Employees with IT access completed an e-learning package and those without IT access received a leaflet to their home address. The next training which is being developed at the moment will ensure employees understand their responsibilities under the new General Data Protection Regulations which become law on 25th May 2018.

3.8 Politically restricted posts

The Local Government and Housing Act 1989 (as amended) states that people in certain council jobs cannot be active in political parties. Those posts are known as 'politically restricted' posts. Posts may be politically restricted for two reasons: they may be specified posts or the post may have sensitive duties. As a guide, the top three tiers of management are likely to be specified posts. Posts will be designated as "sensitive duties" if the role involves regularly advising the authority, or regularly dealing with the media. 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. In May 2017 there were 88 politically restricted posts, 77 of which were filled. There have been no referrals in 2016/17 to the HR casework team for any breach of the politically restricted posts policy and procedure.

3.9 Appraisals

Our values and behaviours clearly set out expectations for all managers and supervisors. Arrangements are in place to assess the performance of employees 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 high levels of completion rate on time. 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. In the mid year appraisal employees are invited to give feedback on how well they feel their manager is performing against the values.

Latest mid year completion rate = 97.8% (collected in December 2016)

Latest full year completion rate = 98% (collected in June 2016)

3.10 Employee Engagement Survey

The annual staff survey collects more general feedback on how well the expected behaviours are being demonstrated. This is the third year that we have run the Employee Survey in its current format, with a set of questions aligned to our 'Doing our Best' ambitions, values and manager habits. We improved our response rates in 2016, with 7,500 people completing the survey, a response rate of 53% (up on returns in the previous 2 years of 44% and 45%). 6 out of 8 directorates achieved a response rate of more than 50%.

- 3.12 We achieved an overall engagement score of 7.5 out of 10. This was based on answers to the question 'If a friend asked you to give a score from 1 to 10 working for Leeds City Council, what would it be?' All directorates have scored higher than 7 out of 10. The scores for 23 of the 26 survey questions improved between 2015 and 2016.

3.13 Given the tough climate we continue to work in, it's hugely encouraging to see such results. We have maintained and improved performance across the organisation during a very challenging year. An area for development is how to increase the number of responses from employees without IT access. Only 760 of the 7500 responses came from this group. This is a drop on previous years, and means 90% of all responses this year were from staff with IT access.

3.14 Handling disciplinary matters

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 which may lead to an investigation under the disciplinary policy. The outcomes of investigations for 2014/15, 2015/16 and 2016/17 are shown in the table below.

Outcome of disciplinary investigations.	2014/15 Number of employees	2015/16 Number of employees	2016/17 Number of employees
Dismissed	37	17	28
Offered an alternative to dismissal	1	4	0
Final or written warning	37	27	35
Resigned	25	15	17
(Management instruction*)or recommendation to management.	51	20	30
No further action	15	18	14
Frustration of contract	0	0	1
Total number	166	101	125**

*"Management instructions" were part of the old disciplinary procedure and have been replaced in the new policy (live 1st July 2015) by informal action via line managers.

**** 40 cases ongoing as at 31.03.17**

- 3.12 The revised Improving Performance policy was introduced in August 2016, the revised Improving Attendance was introduced in October 2016, the revised Grievance Resolution policy was introduced in January 2017 and the revised Probationary policy was introduced in May 2017. In all these policies there is an emphasis on managers taking early action to avoid issues escalating unnecessarily and also on taking an individualised approach to supporting their employees to be at work and be their best.
- 3.13 The 2016/17 absence rate for the Authority was 9.31 days lost per FTE. This is an increase on the 2015/16 outturn of 8.90 days but still compares favourably with the 2014/15 figure of 9.41. In 2016/17 there were 73 ill health capability dismissals and 47 ill health retirement dismissals.

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.

4.3 Council policies and the Best Council Plan

- 4.3.2 An internal audit of register of interests issued in August 2016 concluded that overall there was “acceptable assurance” on the control environment and “good assurance” on compliance.
- 4.3.3 An internal audit of gifts and hospitality issued in August 2016 concluded that overall there was “good assurance” on the control environment and “good assurance” on compliance.

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

An internal audit of register of interests issued in August 2016 concluded that overall there was “acceptable assurance” on the control environment and “good assurance” on compliance. An internal audit of gifts and hospitality issued in August 2016 concluded that overall there was “good assurance” on the control environment and “good assurance” on compliance. As an employer there is legal responsibility to ensure that certain employment policies are in place and as a good employer Leeds City Council wants to achieve a culture where all employees are clear on their responsibilities and can be their best. The monitoring of employee conduct allows trends to be spotted and early intervention prevents where possible issues escalating to formal procedures.

5 Conclusions

From the review, assessment and on-going monitoring carried out, the Chief Officer HR has reached the opinion that, employee conduct is properly managed, employment policies are regularly reviewed and employee conduct forms part of normal manager/ employee relations. In particular:

a. In relation to the requirements of employee conduct being established and regularly reviewed:

- The Code of Conduct is accessible to employees and fit for purpose.
- Politically restricted posts have been matched to the specified and sensitive criteria.
- There is a programme of review for employment policies to ensure they are fit for purpose.

b. In relation to the requirements of employee conduct being communicated and feedback being collected on whether expected behaviours are being demonstrated:

- Annual reminders regarding gifts and hospitality are issued and Directors review annually the declarations that have been made.
- There is rolling programme for the completion of register of interests for employees in identified high risk posts and declarations are reviewed by Directors.
- Through the appraisal process managers rate employees on their overall performance and also on the behaviours they demonstrate.
- Through the annual engagement survey feedback is gathered direct from employees on how well behaviours are being demonstrated.
- Mandatory “Information Governance Level 1” training is in place and is reviewed and refreshed every 2 years.

c. In relation to the requirement that employee conduct is monitored and reported:

- Where appropriate employees are referred for investigation under the disciplinary policy.
- There have been no referrals to the HR casework team in 2016/17 for any breach of the politically restricted posts policy, the gifts and hospitality policy or the register of interests policy.

6 Recommendations

Members are requested to consider and note the positive assurances provided in this report in relation to:

- 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:

7 Background documents

7.1 None.

Report of the Director of Resources and Housing

Report to: Corporate Governance and Audit Committee

Date: 23rd June 2017

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. It explains the current arrangements and the work planned during 2017/18 to review the authority's Risk Management Policy, Performance Management Framework and Best Council Plan. The review will include consideration of key performance indicators and reporting - with key themes around accountability, improved benchmarking and service/project value for money – and consideration of Internal Audit recommendations, latest guidance, updated standards and any changes in statutory / government requirements of risk and/or performance management in local authorities.
2. The report provides one of the sources of assurance the Committee is able to take into account when considering 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)'.

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 for consideration and approval by this Committee at today's meeting.

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.

2 Background information

- 2.1 On 24th June 2016 Corporate Governance & Audit Committee received the previous annual assurance report on the council's corporate risk and performance arrangements. This report updates the Committee on arrangements during 2016/17 and summarises work planned for 2017/18.

3 Main issues

3.1 *Best Council Plan & Performance Management 2016/17*

- 3.1.1 For an organisation's risk and performance management arrangements to be effective, its strategic objectives and supporting key performance indicators (KPIs) must be up to date, effectively communicated and monitored and action taken as appropriate. During 2016/17, assurance on the adequacy of the performance management was demonstrated by the following:

- The strategic ambitions, outcomes and priorities of the council are set out in the Best Council Plan (BCP). The BCP was refreshed for 2017/18 and approved by Full Council on 22nd February 2017. The refreshed BCP takes into account local and national developments, such as November's Autumn Statement, policy developments, the latest socio-economic analysis, local and regional partnership plans and the council's budget-setting processes. The BCP was developed through ongoing engagement with partners, officers, and members, including Scrutiny members.
- The 20 'Best City' priorities previously included in the 2016/17 BCP have been simplified, better incorporating the 'breakthrough projects' and making the linkages between the council's vision, ambitions and priorities more explicit than previously. There are now seven priorities.
- The 2017/18 BCP was widely communicated through items in the staff 'Essentials' online newsletter and publication of the BCP on the authority's Internet and Intranet sites. Hard copies of the 'Plan on a Page' have been distributed to all elected members and senior officers with the full 28 page document also provided to Executive Members, leaders of the political parties and the Corporate Leadership Team (CLT). The Plan on a Page has also been circulated to council buildings and displayed on notice boards.
- At the time of writing, the Insite Intranet BCP page has been viewed over 2,600 times (1,854 unique visitors) between April and May 2017; the leeds.gov BCP pages receiving 798 hits (587 unique visitors) between April and May 2017. The average time spent on the page was 28 minutes.
- The 2017/18 BCP was developed in conjunction with the 2017/18 Budget with initial proposals for both being considered alongside each other by the Executive Board in December 2016, with formal proposals in February 2017 and subsequently approved by Full Council. This co-development helps ensure that the council's strategy and allocation of resources both inform and are informed by each other with the annual budget and medium-term financial

strategy now more clearly being the financial expression of the council's ambitions, policies and priorities. A document has recently been produced to show this through a one-page visual representation aligning the 2017/18 net revenue budget with the 2017/18 BCP Best City population outcomes. This was published on the authority's Internet and Intranet sites and communicated to staff and members through the internal Essentials online newsletter.

- Beyond the authority's financial plans, the BCP continues to draw on and link with a range of other supporting council and partnership plans. These include the Leeds Joint Health & Wellbeing Strategy; Safer Leeds Plan; Children & Young People's Plan; Better Lives Strategy; Leeds Housing Strategy and the emerging Leeds Transport Strategy and Growth Strategy amongst others. 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.
- As part of the 2017/18 BCP refresh, the KPIs have again been updated: a set of 37 'Best City' KPIs to help measure progress over time against the 8 outcomes and 7 priorities set out in the BCP. The majority of these are taken from the supporting council and partnership plans, facilitating a consistent view of performance. The Best City KPIs are supplemented by additional 'Best Council' KPIs that help measure progress against our Best Council ambition of being a more efficient and enterprising organisation.
- Progress in delivering the BCP ambitions, outcomes, priorities and breakthrough projects is reported to CLT each month (including items raised by directors themselves). This facilitates cross-council ownership, discussion and follow-up action of specific areas as needed. This is part of a combined monitoring report, integrating policy, performance, financial and workforce information. Directors discuss relevant issues with Executive members.
- CLT monthly reporting is accompanied each quarter by a more detailed report on the 'BCP Scorecard': the most significant 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. In 2016/17 directorates were encouraged to submit more wider contextual information behind the indicators, including 'proxy' measures, to inform CLT of ongoing progress against KPIs where the results are only available annually.
- The quarterly scorecard is published on the council's intranet and also 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.
- The BCP informs the appraisal objectives set for the Corporate Leadership Team and so performance against the BCP outcomes and 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 Leader. We can confirm that this took place for both the mid-year and end of year appraisals in 2016/17 and that the 2017/18 BCP outcomes and priorities have informed the development of CLT members' new 2017/18 appraisal objectives. The BCP information on Insite includes a prompt for staff to link their individual appraisal objectives to the BCP outcomes and priorities.

- The guidance and template for Committee and Executive Board reports include sections for authors to evidence how the contents of their reports support the BCP. During the year, work was undertaken with Governance Services and other stakeholders to update the report-writing guidance and template.
- A year-end performance report that highlighted the progress made throughout 2015/16 in delivering the strategic objectives set out in the 2015/16 BCP was considered by Executive Board on the 27th July 2016. A similar report looking back on the 2016/17 BCP will be presented to Executive Board on 17th July 2017.

3.1.2 Independent assurance has been received through a recent Internal Audit review of the BCP 2017/18 Refresh and Performance Management Framework. The review provided good assurance on the overall control environment. It confirmed that the process to refresh the BCP complied with the requirements of the Budget and Policy Framework and followed the approach agreed at the outset with the relevant parties.

3.1.3 Internal Audit made one key recommendation relating to the absence of a documented performance management framework, although it was confirmed that work is underway to develop one. Internal Audit carried out a high level review of the approach being taken to develop the framework compared to best practice, and confirmed that the process showed consideration of the factors that contribute to effective performance management. The approach being taken to develop the framework should ensure that performance management arrangements within the council going forward will be proportionate and effective in driving improvements and supporting good decision making.

3.2 Risk management 2016/17

3.2.1 During 2016/17, assurance on the adequacy of the council's risk management arrangements was demonstrated by the following:

- Corporate, directorate, programme and project registers continue to be maintained, with significant risks escalated to appropriate boards and management teams as required. This includes quarterly updates on the risk status of all the council's programmes and complex projects to the Strategic Investment Board as part of the corporate risk register and the opportunity for all directors to raise prospective risks each month through the CLT monthly BCP combined monitoring reports.
- Financial risks are included within both the corporate and directorate risk registers. An annual assurance report on the financial management and control arrangements was reviewed by this Committee on 7th April 2017, the report providing assurance that the council has in place robust arrangements for proper and effective financial control, governance and other financial management activities.

- The corporate risk register continues to house the most significant risks to the council including the seven 'standing' corporate risks that will always remain on the register, these being:
 - Safeguarding children
 - Safeguarding adults
 - Health and safety
 - City resilience (emergency planning)
 - Council resilience (business continuity management)
 - Financial (both the in-year budget risks and medium-term financial sustainability)
 - Information safeguarding
- New corporate risks on Major Cyber Breach and Devolution were agreed during the year.
- The 4Risk software system continues to be used by all council directorates to administer their corporate risks. We can confirm that all corporate risks have been updated on the system each quarter during 2016-17.
- The corporate risk map continues to be published on the council's Intranet site and Leeds Observatory following each quarterly update.
- An annual report summarising how the council manages its most significant risks was reported to the Executive Board on the 27th July 2016. A similar report for 2016/17 is due to be considered by the Executive Board on 17th July 2017.
- The guidance and template for Committee and Executive Board reports include sections for authors on risk management. As noted above, both were updated in 2016/17, with the Risk Management section strengthened.
- Risk management workshops and training sessions continue to be offered to council services. In 2016/17, the Senior Risk Management Officer facilitated a lessons-learned review on the Leeds Triathlon; undertook ongoing risk management work with staff involved in delivering the Leeds West Indian Carnival and also delivered a series of training sessions for Housing Services' Property & Contracts staff.
- Quarterly meetings took place during 2016/17 between the Senior Risk Management Officer and Principal Officers from Internal Audit. The purpose of the meetings included sharing information on:
 - Emerging themes from Internal Audit reports regarding control weaknesses / failures and risks arising;
 - Feedback to Internal Audit on any new risks/risk areas identified and any updates/changes to existing risks; and
 - Whether audits are required to review any emerging risks arising after the initial audit plan has been agreed.

Internal Audit reviews

- 3.2.2 In 2016/17 Internal Audit carried out a review into Environment & Housing's (E&H) risk management directorate arrangements. The scope focused on whether: risks to the achievement of council plan objectives are identified; risks are analysed and escalated in line with corporate risk management processes and there is

evidence that identified directorate risks are being effectively managed, escalated and reported. Internal Audit gave E&H 'acceptable assurance' for their risk control environment. Although risk registers were in place at a service area level and for individual programmes and projects, there was no single risk register that recorded E&H directorate's most significant risks or how they were being managed. The recommendations from the review are being addressed through the council's new organisational structure, whereby future risks from areas formerly within E&H will be included in either the Communities and Environment or Resources and Housing directorate risk registers.

3.2.3 During 2016/17 Internal Audit also reviewed the council's corporate risk management arrangements using CIPFA's risk maturity assessment guidance. Each of the review's eight objectives were graded using a scale from 1 (risk naïve) to 5 (risk enabled). Best practice identifies that public services should attain at least level 3 in order to contribute to the overall control framework, and this was either met or exceeded in all but one area which related to partnership risk management. The results of the assessment found that:

- The highest levels of maturity (level 5: risk enabled) were reached in terms of categorising and prioritising risks, and demonstrating a clear understanding of how risks are to be managed.
- Existing arrangements for risk identification and monitoring compared positively against best practice and were assessed as meeting level 4 (risk managed).
- Several areas that provide the foundation for effective risk management in the above areas were assessed as meeting level 3 (risk defined). These covered the risk management policy, risk responsibilities and embedding risk management into the council's processes.
- The remaining area relating to partnership risk received the lowest maturity rating of our assessment (level 2: risk aware). Partnership arrangements are an increasingly important way of delivering council priorities and recommendations were made which will increase the council's risk maturity in this area and support the effective management of partnership risks moving forward.
- A recommendation was made to review Corporate Governance and Audit Committee's role in relation to risk management, with best practice guidance being used as a basis for this review.
- The report noted that not all of the eight risk maturity areas will need to meet level 5 (risk enabled) and the additional resources required to achieve this should be considered compared to the authority's appetite to achieve full maturity.

3.2.4 The recommendations made from both risk management audits will be considered and implemented as appropriate as part of a planned review of risk management later in 2017/18.

3.3 Staffing

3.3.1 Two members of staff currently lead on the corporate arrangements for risk management, performance management and the Best Council Plan. Both staff members remain up to date with good practice in these areas through continuous professional development and networking, including:

- The Head of Business Planning and Risk is CIPFA-qualified and works closely with Finance colleagues to better integrate strategy and finance. She continues to serve on the ALARM (the Public Risk Management Association) North East & Yorkshire committee and in 2016 was elected as a director to the national ALARM Board; is an ALARM Registered Risk Practitioner and represents the council at regular meetings of the Core City local authority Heads of Performance Management.
- The Senior Risk Management Officer is also CIPFA-qualified; is a member of both ALARM and the Institute of Risk Management (IRM), successfully obtaining the IRM diploma qualification in September 2016 and continues to serve on the IRM North East Regional Group.

3.4 2017/18

- 3.4.1 In 2016/17 all intelligence-related functions were included within the scope of a broader review of the council's support services. The outcome was the formation of the Intelligence and Policy Service on 1st April 2017, bringing together staff from across the council working on data analysis, mapping (e.g. ward and locality profiles), performance management, risk management, policy development, business planning and strategy, and consultation and engagement.
- 3.4.2 During 2017/18, as part of the wider intelligence and policy work programme, the new service will review the council's Risk Management Policy and Performance Management Framework and undertake a significant review of the Best Council Plan for 2018/19. This will include KPIs and reporting - with key themes around accountability, improved benchmarking and service/project value for money – and consideration of Internal Audit recommendations, latest guidance, updated standards and any changes in statutory / government requirements of risk and/or performance management in local authorities. In the interim, the current arrangements outlined in sections 3.1-3 will continue.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Key stakeholders have been engaged in maintaining the council's corporate risk and performance arrangements. These include the Executive Board, Scrutiny Boards, the Corporate Leadership Team and Intelligence and Policy Service colleagues.
- 4.1.2 We will continue to widely consult and engage when reviewing the council's risk and performance management arrangements.

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 refresh and ongoing review and monitoring of delivery of the Best Council outcomes and priorities form part of the council's budget and policy framework.

4.4 Resources and value for money

- 4.4.1 The council's risk and performance arrangements are managed within existing resources. The arrangements also help the council to target and prioritise resources to help achieve value for money

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 BCP key performance indicators is published on the council's website and the Leeds Observatory, as is the most up to date copy of the corporate risk map. The management of the council's most significant risks and performance related to delivering the 2016/17 Best Council Plan objectives and priorities will be published through annual reports due to be presented to the Executive Board on 17th July 2017.
- 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 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)'.

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 in support of the Annual Governance Statement, due for consideration and approval by this Committee at today's meeting.

7 Background documents

- 7.1 None



Report authors:

Kate Sadler (0113 39 51711), Mark Turnbull, John Mulcahy and Helen Cerroti

Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 20th June 2017

Subject: Annual Decision Making Assurance Report

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary of main issues

1. This is the annual report to the committee concerning the Council's decision making arrangements. The assurances contained within this report will feature in the draft Annual Governance Statement (to be considered by committee later in this agenda).

Recommendations

1. Members are requested to consider and note the positive assurances provided in this report given by the Head of Governance and Scrutiny Support, the Chief Planning Officer, the Head of Service (Legal) and the Head of Elections, Licensing and Registration that the decision making framework in place within Leeds City Council is up to date, fit for purpose, effectively communicated and routinely complied with.
2. Members are requested to advise the Head of Governance Services in relation to whether amendments should be proposed to the definition of key decision set out in Article 13 of the Constitution (see paragraph 3.64).

1. Purpose of this report

- 1.1 This is the annual report to the committee concerning the Council's decision making arrangements.
- 1.2 The report provides one of the sources of assurance which the committee is able to take into account when considering the approval of the Annual Governance Statement.

2. Background information

- 2.1 The Council's decision making framework, which is detailed within the Council's Constitution, comprises of the systems and processes through which decision making is directed and controlled. Whilst a number of these systems and processes are put in place in direct response to primary and secondary legislation, others reflect the implementation of locally adopted definitions and choices made to ensure maximum transparency and accountability within Council practice and procedure.

Reporting Period

- 2.2 The Committee has received annual assurance reports in respect of executive decision making, Regulation of Investigatory Powers Act, licensing and planning matters. Most recently, the Annual Decision Making Assurance Report was received by committee on 24th June 2016 covering the period to 31st March 2016.
- 2.3 The information set out in this report therefore reflects decision making arrangements for the period 1st April 2016 to 31st March 2017.
- 2.4 In order to avoid duplication of effort it has been agreed that the annual licensing report, which is agreed by Licensing Committee before being received by Full Council, will be received as the assurance report in relation to decision making for licensing. The most recent report was considered by Licensing Committee on 7th February 2017 and received by Council on 29th March 2017. The information set out in the annual licensing report reflects decision making arrangements from 1st January to 31st December 2016. Since the annual licensing report was published, Licensing Committee continues its function for the overview of licensing decisions and activities, and there are no issues that require to be brought to the attention of this committee at this time.

3. Main issues – Executive decision making

Review and Amendment of the Decision Making Framework

- 3.1 The Council's decision making framework is set out in the Constitution which is published on the Council's website. Article 15 of the Constitution makes provision for review and amendment of the Constitution.
- 3.2 The Monitoring Officer is required to keep the Constitution under review to ensure that its aims and principles are given full effect. Specific authorisation is given to permit the Monitoring Officer to make any necessary amendment to the Constitution to give effect to legislation or to a decision of either the Council or the Executive. Similarly the Monitoring Officer may amend any part of the Constitution for the purpose of clarification.

- 3.3 In addition each document in the Constitution is allocated to a Member decision making body or to an officer with authority to amend that document. These decision takers review these documents regularly with a view to ensuring that they are up to date and fit for purpose.

In Year Amendments

- 3.4 During the course of 2016/17 municipal year there have been a number of in year amendments to the Constitution.
- 3.5 Most significant in scale of these have been the changes associated with the organisational restructure of the Council which took effect on 1st April 2017. The restructure required significant amendment to the Officer Delegation Scheme (for both Council and Executive functions) in addition to a number of consequential amendments to give clarification in relation to decision making processes and procedures set out in the constitution.
- 3.6 More minor amendments include:-
- Amendment to Article 14 to provide for electronic signing of contracts;
 - Amendment to the Contracts Procedure Rules following a periodic review to ensure they reflect current legislation, best practice and council policy ; and
 - Amendment to the Council Procedure Rules to allow greater flexibility around the appointment of substitutes to Plans Panels and the Housing Advisory Board.

Annual Review of Constitution

- 3.7 Further to the in-year amendments the Monitoring Officer undertook her annual review of the Constitution prior to the annual meeting of Council in May 2017. As always the Monitoring Officer sought the views of both Members and officers in identifying any areas of weakness within the delegation of functions or the practice and procedure reflected in the Constitution in relation to the decision making framework. Amendments were approved by the Leader as part of her executive arrangements, or by Full Council on the recommendation of General Purposes Committee.
- 3.8 Amendments included:-
- 3.8.1 Council Procedure Rules – the reflection of a whips agreement in relation to executive member summing up on minutes;
- 3.8.2 Chief Finance Officer Protocol – the introduction of a new protocol as a sister document to the monitoring officer protocol reflecting the statutory rights and responsibilities of the Chief Finance Officer; and
- 3.8.3 The realignment of Scrutiny Boards to reflect the altered organisational arrangements and changing priorities of the council.

Delegation of Functions

- 3.9 The delegations of functions to committees and to officers of the Council are set out in part 3 of the Constitution. Delegations to committees are expressed as the terms of reference of each committee. Delegations to directors are set out in the officer delegation scheme. The scheme is divided into two parts – the first reflecting the delegation of Council functions and the second the delegation of executive functions. Both parts contain general delegations to all of the officers to whom functions are delegated and specific delegations which reflect the remit of each officer.

3.10 These delegations are refreshed at the annual meeting of council each year when the Leader reports details of her executive arrangements for the forthcoming year and the Council formally approves the delegation of its functions.

3.11 In addition this year the delegation of functions to the Council's directors was amended to reflect the organisational restructure. Delegations are now set out in the Constitution to the following officers:-

- Chief Executive
- Director of Resources and Housing
- City Solicitor
- Chief Officer (Financial Services)
- Director of Communities and Environment
- Director of City Development
- Chief Planning Officer
- Director of Children and Families
- Director of Adults and Health
- Director of Public Health

Sub-delegation schemes

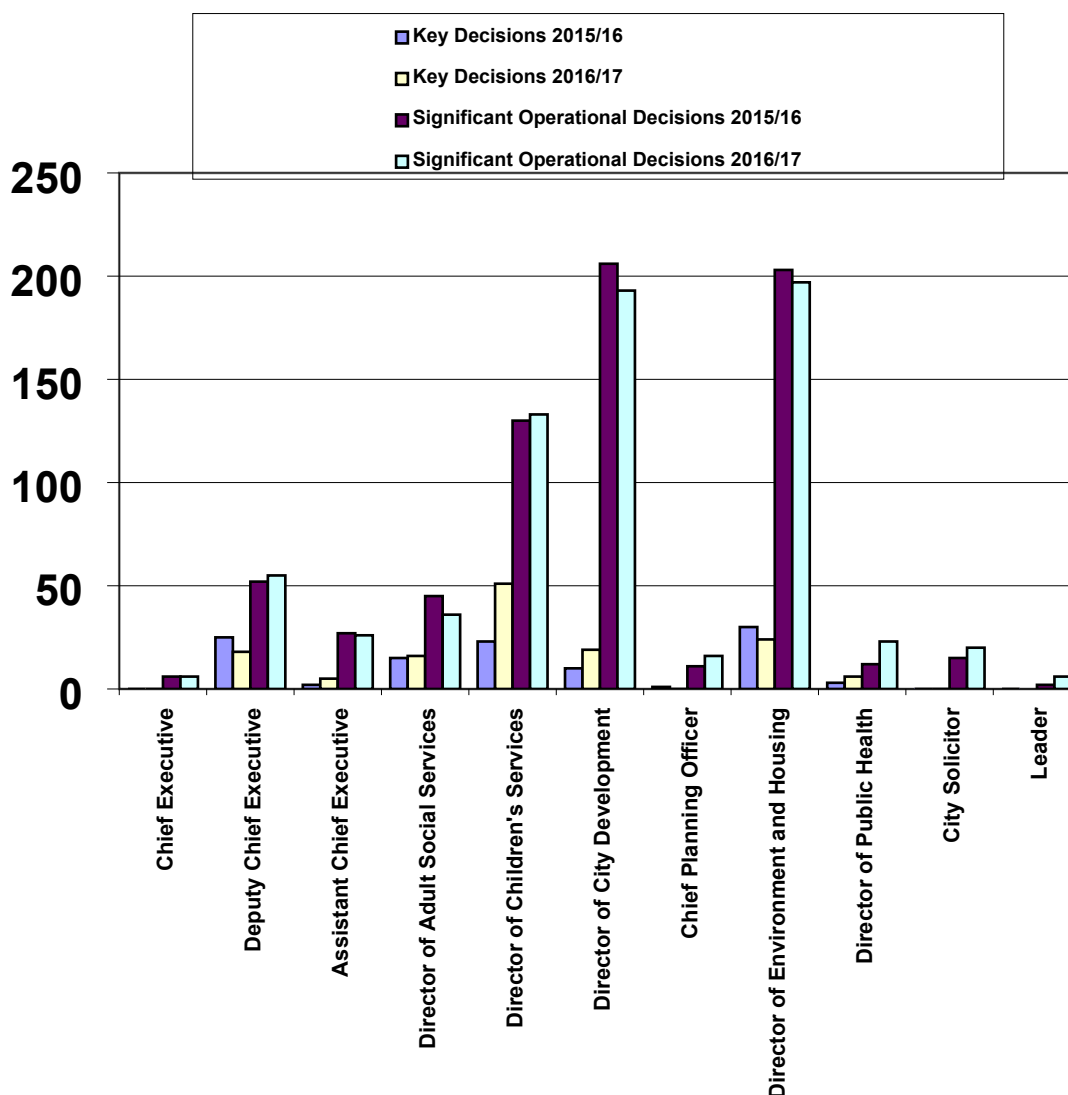
3.12 Each director (which term includes those Chief Officers who receive delegations directly through the constitution) is authorised and must arrange for the sub-delegation of those functions to officers of suitable experience and seniority through a sub-delegation scheme.

3.13 Each director is responsible for the creation, maintenance, review and amendment of their own sub-delegation scheme to ensure that each scheme accurately reflects the decision making responsibilities within their directorate.

3.14 The Monitoring Officer has confirmed that each director published a new sub-delegation scheme in time to take effect on 1st April when the new organisational arrangements took effect.

Publication of decisions

3.15 Each Director remains responsible for the publication of Key and Significant Operational Decisions, taken under their delegated authority, to the Council's website. The chart set out below shows the distribution of published decisions across the directorates and the relative numbers of Key and Significant Operational Decisions taken during this reporting period (2016/17) and also the corresponding reporting period for the previous municipal year (15/16). Information is shown according to the council structure at the time of publication so decisions are recorded against the directorate responsible for publishing them at the time.



- 3.16 Members will note the significant increase in the number of key decisions taken by the Director of Children's Services, from 23 decisions in 2015/16 to 51 in 2016/17. The number of Key Decisions taken by and on behalf of the Director of Children's Services in 2016/17 also stands out for being more than twice as many key decisions as are taken by any of the Directors. Further examination of the decisions taken within the Children's Services directorate show that 21 of these Key decisions related to the school learning places programme which is necessary due to the bulge in the school cohort at the current time.

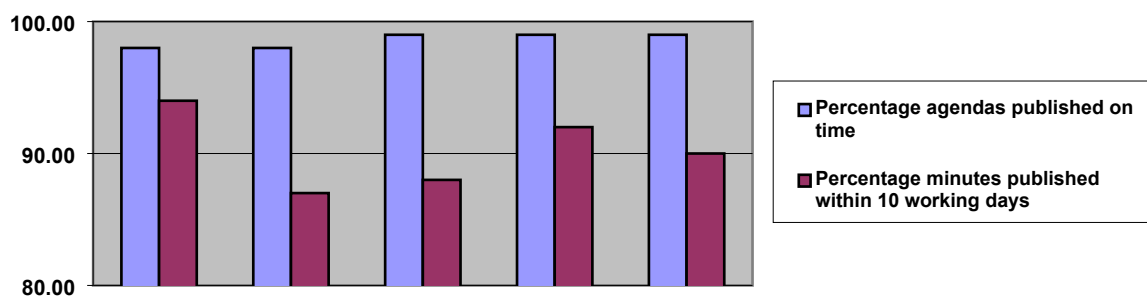
Performance Monitoring

3.17 Publication of Agendas

- 3.18 The Council is required to publish agendas and reports for committees five clear working days in advance of a meeting. This requirement is contained within Section 100B of the Local Government Act 1972 for Council Committees and in the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012 for Executive committees. Both pieces of legislation also contain exception provisions for meetings to be called at short notice.

- 3.19 The Head of Governance and Scrutiny Support has established a target for 99% of agendas to be issued and published within the five day statutory deadline; this being a reasonable measure of timely transparency and an indication of the extent to which exception provisions are utilised to call meetings at short notice.

- 3.20 Of 232 meetings which took place within the reporting period covered by this report, only two agendas were not issued within the 5 clear day deadline. This gives a performance of 99% agendas issued and published within the five day statutory deadline.
- 3.21 One of the two meetings for which the agenda was not issued within the required timescale was a meeting of the Employment Committee which was called at short notice in accordance with statutory requirements.
- 3.22 The remaining agenda related to the April 2016 meeting of the Scrutiny Board (City Development). The meeting included evidence from a number of external bus operators and publication was delayed waiting for written submissions in order to reduce the quantity of supplementary information brought to the meeting.
- 3.23 Publication of Minutes
- 3.24 There is no statutory framework stipulating the time period for the publication of committee minutes. To enable the decisions of the Council to be accessible and transparent the Head of Governance Service has established a local target; this being for 90% of draft minutes to be published on the Council's internet site within ten working days.
- 3.25 Of 275 committee meetings which have taken place within the period covered by this report, 21 sets of draft minutes were published outside of this locally established target. This gives a performance of 92% draft minutes published within the specified target period. This exceeds the established target and Members will note the improvement on the figure of 88% achieved in the reporting period covered in the previous report.
- 3.26 In addition Members should note that there has been 100% compliance with the requirement in the Executive and Decision Making Procedure Rules that minutes for all meetings of Executive Board are published within two working days of the meeting. This permits prompt availability of Executive Board decisions for call-in and minimises the delay to implementation necessary to allow for the call-in process.
- 3.27 Of the 21 minutes published outside the ten day target period, seven were published within eleven days, and a further six within fifteen days of the meeting. The longest period to publication was thirteen weeks in relation to the minutes of one licensing sub-committee meeting. On this occasion the minutes had been written but had not been published to the Council's public website in error. It should be noted that the decisions of that sub-committee, as with all licensing sub-committees, would have been notified to the applicants shortly after the meeting by licensing staff.
- 3.28 The table below shows performance indicators for agenda and minute publication for the previous three reporting periods, compared to this period and against target. Members will see that the improved rate of agenda publication has been sustained and that performance in relation to the publication of minutes continues to improve.



Key Decisions on List of Forthcoming Key Decisions

- 3.29 Regulations require that the Council publishes details of all likely Key Decisions no less than 28 clear calendar days before those decisions are taken. The Head of Governance and Scrutiny Support has set a target of 89% of all Key Decisions to be published to the List of Forthcoming Key Decisions no less than 28 clear calendar days before those decisions are taken. This target reflects the statutory provisions allowing for urgent decisions to be taken without complying with this requirement. Such decisions must however comply with the General Exception or Special Urgency provisions detailed below.
- 3.30 As details are published a significant time before the decision is taken it is not anticipated that the final details of the proposal will be available at the time this notice is given. Rather this publication is intended to alert Members and the public to the fact that decisions involving significant financial implications or impact on local communities are being considered. The details published include the contact details for the lead officer in relation to the decision in question, allowing Members and the public to seek further information and to contribute to the decision making process.
- 3.31 The Council's List of Forthcoming Key Decisions is available on Leeds.gov.uk. Decisions can be added to the List at any time, with flexibility in the way in which the timescale for the decision is expressed. As it is possible to amend the published details or even to 'unpublish' a decision if in the event a Key decision is not necessary, officers are encouraged to publish details of all decisions the Council may wish to take as early as possible in the contemplation of that decision.
- 3.32 During the period covered by this report (April 2016 to March 2017) of 139 Key decisions taken by officers 136 (98%) were included in the List of Forthcoming Key Decisions. For the same period of 67 Key decisions taken by Executive Board, 64 (96%) were included in the List of Forthcoming Key Decisions. In combination 97% of Key decisions were published to the List 28 clear calendar days before those decisions were taken.

General Exception

- 3.33 The General Exception is a statutory provision which permits a Key decision to be taken, although not included on the List of Forthcoming Key Decisions for the requisite period if it is impracticable to delay the decision until such time as those 28 clear calendar days have elapsed.
- 3.34 Regulations require that five clear working days' notice is given of general exception decisions, setting out the reason why it is impracticable to delay. This information is included in paragraph 4.5 of the corporate report template under the heading 'Legal

Implications, Access to Information and Call In'. In addition the information is set out in the delegated decision notice published in relation to officer decisions.

- 3.35 Regulations also require that the Chair of the relevant Scrutiny Board is notified that such a decision is to be taken. As all Members are automatically advised of the publication of all Key decisions, through the circulation of agendas and delegated decision notices, this statutory requirement is met.
- 3.36 Of the six Key decisions which were not included in the List of Forthcoming Key Decisions for 28 clear calendar days prior to those decisions being taken five (three officer and two Executive Board decisions) were taken under the General Exception. The reasons given in each case are set out in the table below:-

Officer Decisions	
D43302 April 2016	The decision related to acceptance of resettlement grant funding. The Government only finalised the details late on in the process with a need for immediate operational start across the region.
D44233 March 2017	The decision related to £4.9 million funding from European Structural Investment Fund to the Skills, Training and Employment Pathways project jointly developed by Leeds and Bradford Councils. A delay in commissioning would have limited the ability of the Council to meet the contractual obligations under the Department for Work and Pensions Funding Agreement and potentially put external funding at risk.
D44239 March 2017	The decision related to £3.5 million funding from the Building Better Opportunities Fund (match funded by European Structural Investment Fund and Big Lottery) for the Stronger Families project and required immediate approval by the Local Authority to sign and return the Grant Acceptance Form.
Executive Board decisions	
Minute 123 December 2016	The decision related to the purchase by the Council of an investment property. By the time terms had been agreed the deadline to publish the acquisition had passed and with the next Executive Board meeting not being until February 2017 there is a risk that the transaction may have been withdrawn from the Council
Minute 170 March 2017	The decision related to a £9.6 million investment in Children's Services. The funding required immediate approval by the Local Authority to allow implementation of the plans submitted to the Department for Education, therefore, the decision could not be deferred to the April Executive Board meeting.

Special Urgency

- 3.37 Special Urgency is a statutory provision permitting urgent decisions to be taken without giving even five working days' notice. In order to do so the Director must seek the agreement of the relevant Scrutiny Chair that the decision is urgent and cannot be deferred.
- 3.38 In accordance with Rule 2.6.2 of the Executive and Decision Making Procedure Rules¹, the Head of Governance and Scrutiny Support, on behalf of the Leader, is able to confirm that, of the six Key Decisions which were not on the List of Forthcoming Key Decisions for the required 28 day period, only one was taken under Special Urgency.

¹ Regulation 19 Executive Arrangement Regulations 2012

3.39 As required by Executive and Decision Making Procedure Rule 2.6.1 the agreement of the Scrutiny Chair that the matter was urgent and could not reasonably be deferred was recorded in the relevant Executive Board report. The reason given is shown in the table below:-

Executive Board decisions	
Minute 175 22 nd March	The decision related to £4.9 million funding from European Structural Investment Fund to the Skills, Training and Employment Pathways project jointly developed by Leeds and Bradford Councils. The Department of Work and Pensions required that the funding agreement is signed within 30 days of issue so the decision could not be deferred to the next meeting of the Executive Board.

3.40 Members will note that good and cogent reasons are given in respect of all six decisions which were not included in the List of Forthcoming Key Decisions for the required 28 clear calendar days. In considering the reasons given, Members are referred to the request at paragraph 3.64 of this report to consider whether amendments should be made to Article 13 to exempt decisions relating to the receipt of external funding from the definition of a Key decision.

3.41 The following table shows the comparison over the last three reporting periods in relation to the inclusion of Key decisions on the List of Forthcoming Key Decisions.

Reporting Period	1 st June 2014 to 31 st May 2015	1 st June 2015 to 31 st March 2016	1 st April 2016 to 31 st March 2017
Key decisions taken by officers	149	105	139
Key Decisions taken by Executive Board	70	61	67
Key decisions on List	210	157	200
Percentage Key decisions on list (target 89%)	96%	95%	97%
General Exception	8	5	5
Special Urgency	1	4	1

3.42 Members will note the increase in the percentage of Key decisions included in the List of Forthcoming Key Decisions. The Head of Governance and Scrutiny Support is of the view that it is unrealistic to expect that there will ever be total inclusion of Key decisions for the required 28 clear calendar days. This view is supported by the existence within legislation of the General Exception and Special Urgency procedures for taking decisions in shorter timescales. However the Head of Governance and Scrutiny Support continues to work towards increasing the percentage of Key decisions included in the List of Forthcoming Key Decisions.

Eligible Decisions Open For Call In

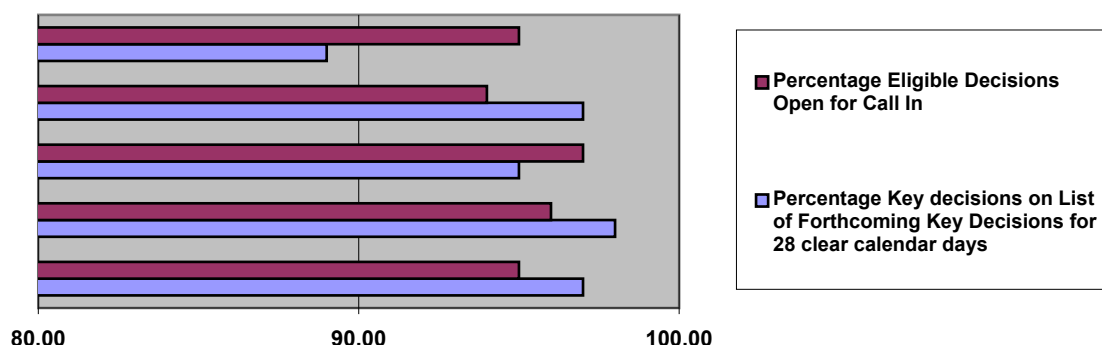
- 3.43 The Council is required to make arrangements for decisions of the Executive which have been taken but not yet implemented to be considered by an overview and scrutiny committee.
- 3.44 The Council's procedure is set out in the Executive and Decision Making Procedure Rules, and provides for non-executive members to Call In any eligible decision by 5p.m. on the fifth working day after the decision is published. All decisions of the Executive Board, Executive Decisions of the Health and Wellbeing Board and Key decisions of officers are eligible for call in apart from those:
- Which have been the subject of previous Call In;
 - Made in accordance with the Budget and Policy Framework Procedure Rules;
 - Made by the Leader in relation to the executive arrangements;
 - Made by community committees;
 - Made under regulatory arrangements;
 - Made by joint committees; or
 - Not taken by the authority.
- 3.45 Following consideration of a decision which has been Called In the relevant Scrutiny board may release the decision for implementation or recommend its reconsideration. Whilst the Scrutiny Board is not able to impose its own decision the provision of Call is an important element of democratic accountability arrangements as it allows Members to hold the executive to account.
- 3.46 Availability of eligible decisions for call in is one of the key performance indicators monitored by the Head of Governance and Scrutiny Support with a target of 95% of all eligible decisions being open for call in.
- 3.47 During the period covered by this report (April 2016 to March 2017) of 139 Key decisions taken by officers 128 (92%) were available for Call In. For the same period, of 155 decisions taken by executive Board of which 146 were eligible for Call In, 139 (95%) were available for Call In. In combination 94% of eligible decisions were available for call in.
- 3.48 The decision taker may exempt a decision from Call In if the decision is urgent (i.e. that any delay would seriously prejudice the Council's or the public's interests.) The reasons for urgency must be set out in the report relating to the decision. The table below sets out the reasons given for exempting decisions from Call In:-

Summary of reasons for exemption from Call In		
Officer Decisions		
D43541	Director of Children's Services	Decisions relating to building work in schools. Risk that Call In would delay work starting and risk disruption to pupils at beginning of 17/18 school year.
D43540	Director of Children's Services	
D43539	Director of Children's Services	
D43542	Director of Children's Services	
D43547	Director of	

	Children’s Services	
D43625	Director of Children’s Services	Decisions involving TUPE transfer of staff necessitating consultation which delayed publication. Call In would risk service delivery.
D43647	Director of Children’s Services	
D43921	Director of City Development	Decision relates to Bridgewater Place wind amelioration and Call In would risk extension of threat to public safety
D44221	Director of City Development	Decision relating to contractual arrangements with private sector. Call In would risk delay in implementation which in turn risks the financial stability of the agreement, potentially depriving the Council of a related substantial capital receipt.
D44233	Director of Children’s Services	Decisions relating to grant funding. Call In would risk delay in service delivery and therefore put funding at risk.
D44239	Director of Children’s Services	
Executive Board decisions – Key Decisions		
Minute 9	Director of Children’s Services	Decision relating to building work in schools. Risk that Call In would delay work starting and risk disruption to pupils at beginning of 17/18 school year.
Minute 28	Deputy Chief Executive	Decisions subject to contractual requirements which prevent compliance with Call In timescales.
Minute 123	Director of City Development	
Minute 175	Director of Children’s Services	Decisions relating to grant funding. Call In would risk delay in service delivery and therefore put funding at risk.
Executive Board Decisions – Other Decisions		
Minute 20	Director of City Development	Decision relating to grant funding. Call In would risk delay and therefore put funding at risk.
Minute 61	Deputy Chief Executive	Decision subject to deadline for accepting the Government’s 4-year funding offer
Minute 165	Director of City Development	Decision subject to statutory timescale

3.49 Members will note that the exemption of five officer and one Executive Board decisions was granted for decisions taken as part of the schools learning places programme. Whilst it is anticipated that further key decisions may be necessary within the programme the Director of Children and Families does not anticipate urgency of this kind arising around those future decisions.

- 3.50 The chart below sets out performance indicators for decisions on the List of Forthcoming Key Decisions and eligible decisions open for Call In over the previous three reporting periods.



- 3.51 Members will note that the percentage of Key Decisions included in the List of Forthcoming Key Decisions for at least 28 clear calendar days prior to the decision being taken remains significantly higher than target. Whilst the percentage of eligible decisions open for Call In has fallen during this reporting period the Head of Governance and Scrutiny Support is satisfied that the Executive and Decision Making Procedure Rules have been followed in that the relevant reports set out reasons for those exemptions. The rules do not permit any kind of appeal against a decision to exempt a decision from Call In however, given that agendas or delegated decision notices are published five clear working days before Key decisions are taken (except in cases of Special Urgency), opportunity exists for Members to raise concerns prior to the decision that the exemption would apply.
- 3.52 Training in relation to decision making emphasises the importance of complying with the publicity and Call In requirements of the decision making framework in enabling Members to satisfy their democratic mandate.

Decisions Not Treated as Key

- 3.53 The Head of Governance and Scrutiny Support can confirm that there have been no decisions taken within the reporting period that have been challenged under Executive and Decision Making Procedure Rule 6.1 as wrongly treated.

Embedding the decision making framework

Audit

- 3.54 The internal audit service have an Audit Plan, approved by this Committee which includes work designed to test the features of the decision making framework as part of their on-going programme of audit. The outcome of this work is reported back to the Committee as part of routine internal audit reporting.
- 3.55 Audits test decisions at both high and low level. They consider the way in which relevant framework, rules and procedures are complied with. Where potential for improvement is identified practical recommendations are made as to how compliance can be secured through practicable measures.

Training

- 3.56 The Principal Corporate Governance Officer continues to provide regular training in relation to Council Structures and Decision Making. This training is consistently fully booked and well received by officers attending.

- 3.57 In addition a bespoke session has been provided to support the work of colleagues in internal audit and finance.

Looking Forward

Definition of Key Decision

- 3.58 Members will have noted at paragraphs 3.36 and 3.39 above (setting out the reasons why decisions had not been included in the List of Forthcoming Key Decisions for the required period) that in four out of five of the General Exception decisions and in relation to the Special Urgency decision the reason given for being unable to meet the 28 day prescribed timescale related to the receipt of external funding by the Council. In view of this, at its meeting on 10th May 2017, the City Solicitor the Committee invited General Purposes Committee to consider an amendment to Article 13 of the Constitution, adding decisions relating to the receipt of external funding to the list of decisions exempted from the definition of a Key Decision. Rather than recommending the proposal to Council as part of the suite of amendments arising from the annual review of the Constitution General Purposes Committee asked that the City Solicitor seek the view of this Committee prior to any amendments being further considered.
- 3.59 Currently, Article 13.4a exempts from the definition of a Key Decision those “where this expenditure, saving or income will result from:-
- a Treasury Management decision in relation to the making, payment or borrowing of a loan; or
 - a decision to purchase energy under the terms of an energy supply contract which has been awarded following the appropriate procurement process; or
 - a decision to approve a care plan which the Council has a duty or power to provide as defined by s46 of National Health Service and Community Care Act 1990 and s2 of the Chronically Sick and Disabled Persons Act 1970. Ss17 and 20 Children Act 1989
 - the settlement of proceedings to which Leeds City Council is a party.
- 3.60 In accordance with Article 13.5b such decisions are caught by the definition of a Significant Operational Decision and therefore the requirement to publish those decisions as soon as practicable after they have been taken. This ensures that the Council continues to be ‘Open, honest and trusted’ in line with its values.
- 3.61 Excluding decisions relating to the receipt of external funding from the definition of Key Decisions would mean that they need not be included in the List of Forthcoming Key decisions for 28 clear calendar days before those decisions were taken. Although there are statutory provisions enabling decisions to be taken at shorter notice (the General Exception and Special Urgency) these provisions require the prior notification, and in the case of Special Urgency the agreement, of the relevant Scrutiny Board Chair.
- 3.62 In addition, where the decision is to be taken by an officer, the exclusion would remove the requirement to publish the report on which the decision is based five clear working days in advance of the decision being taken. Decision to be taken by Executive Board would continue to be published as part of the usual agenda process.
- 3.63 Decisions taken by Executive Board, whether Key, Significant Operational or Administrative decisions, are open to Call In, however only Key decisions taken by officers are open to Call In. Including decisions relating to the receipt of external funding in the exception from the definition of Key would therefore mean that they

would not be open to Call In if taken by officers although they would be published. It should however be noted that it remains open to the decision taker to exempt decisions from Call In if the decision is urgent.

- 3.64 Corporate Governance and Audit Committee is asked to consider the facts set out above and advise the Head of Governance and Scrutiny Support with regard to decisions relating to the receipt of external funding whether:-
- Arrangements should be kept the same;
 - Arrangements should be kept under review so that the issue can be considered again as part of the annual review of the constitution for the 2018 municipal year; or
 - An amendment to the definition of Key Decision, excluding decisions relating to the receipt of external funding, should be proposed to General Purposes Committee for onward recommendation to Full Council.

Improving and Supporting Decision Making Practice

- 3.65 In conjunction with colleagues from audit, intelligence and policy, legal, finance, procurement and directorate support, the Principal Corporate Governance Officer is seeking to ensure that resources aimed at embedding the decision making framework are given focus to improve and support decision making practice across the council. Work will be targeted towards providing training together with advice and guidance to colleagues working with the framework whilst also providing check and challenge on a risk based approach to ensure that governance framework is consistently applied based on a shared and thorough understanding of the various thresholds, rules and procedures in place.
- 3.66 In addition the Principle Corporate Governance Officer will be seeking to work with colleagues across the council to ensure that the decision making framework is applied in such a way that it enables the transparent governance of decisions in the most efficient way.
- 3.67 As an example of this partnership approach to governance, a working group of officers responsible for governance within Directorates has been established with a view to:-
- Agreeing an offer of support for all Directorates. The offer seeks to share good practice, simplify and standardise procedures for the processing of reports for Executive Board, Full Council, Scrutiny Board and delegated decisions;
 - Working with corporate governance colleagues with regard to the implementation of the decision making framework; identifying practical issues and coming together to provide practicable solutions;
 - Providing standardised understanding and responses to frequently asked questions;
 - Supporting the City Solicitor in undertaking the annual review of the Constitution and changes to legislation.
- 3.68 The work undertaken by this group is a significant part of ensuring that the decision making framework is 'embedded and routinely complied with' in that it enables a co-ordinated and uniform approach and a standardised offer in terms of support whilst also eliminating duplication of effort and the associated drain on resource.
- 3.69 In addition to the formal decision making framework of the Council there are a number of bodies that guide and inform decisions made: for example, the best Council Design Team, Strategic Investment Board and programme boards. Later in the year the Chief Officer Strategy and Improvement will carry out a light touch

review of the purpose, membership and linkages between these bodies to minimise any duplication that may exist.

- 3.70 The Head of Governance and Scrutiny Support intends to work alongside this review in order to ensure that they support the legislative requirements, and practice and procedure adopted within the Council's governance framework.

Decision Making Governance Assurance Statement

- 3.71 From the review, assessment and on-going monitoring carried out, the Head of Governance and Scrutiny Support has reached the opinion that, overall, decision making systems are operating soundly and that arrangements are up to date, fit for purpose, effectively communicated and routinely complied with.

4. Main Issues – Regulation of Investigatory Powers (RIPA)

- 4.1 The Council received an inspection by the Office of Surveillance Commissioners (OSC), the regulatory body for the use of directed surveillance and Covert Human Intelligence Source (CHIS) powers under RIPA, on 27 July 2016. The inspection report which was issued on 23 August 2016, confirmed that of the 6 recommendations made in the 2013 inspection report, 5 had been discharged, and 1 had been partially discharged. Although the Council only authorised 1 directed surveillance operation since the previous inspection, and no CHIS operations, the report recommended that the Council should appoint further trained authorising officers to ensure resilience, and that the Council should also appoint officers as “controllers” and “handlers” for CHIS operations. The report also recommended that Members should receive regular RIPA reports, and that when the Police used the LeedsWatch CCTV system for covert surveillance, an adequate copy of the authorisation content should be provided, which showed that proper authorisation had been given. The report also recommended one minor change to the Council’s RIPA Guidance and Procedure document (an internal manual which sets out in detail the authorisation and approval procedures). Officers are working on the implementation of all the recommendations.
- 4.2 There have been no applications for directed surveillance or CHIS authorisations, since the June 2016 meeting. There has been no use of the powers to obtain communications data, over the same period. Given that the grounds for authorising surveillance are limited to preventing or detecting serious crime, and approval by a JP is now also required in both cases, it is unlikely that the use of directed surveillance or CHIS authorisations will increase. It is possible that Environmental Action may use the powers to acquire communications data in some serious cases, and preparations have been made so as to ensure that the Council is fully compliant with the RIPA rules and the relevant Code of Practice.
- 4.3 Members are asked to consider whether they require any changes to the RIPA policy appended to this report. No changes are recommended at this time. Although there is little use of these powers currently, officers will continue to update Members periodically on their use, and on any changes in policy or procedure which may be required as a result of legislation, or relevant Codes of Practice.
- 4.4 Having reviewed the use of the RIPA powers to authorise directed surveillance or CHIS, or to acquire communications data, together with the positive outcome of the OSC inspection, and the implementation of the report recommendations the Head of Service (Legal) has reached the opinion that the policies and procedures for the regulation of investigatory powers are up to date and fit for purpose, effectively communicated and routinely complied with.

5. Main Issues – Planning

Planning Matters

- 5.1 The Chief Planning Officer has responsibility to ensure that the council's arrangements for dealing with and determining planning matters are up to date, fit for purpose, effectively communicated, routinely complied with and monitored.
- 5.2 Planning Services has internal arrangements in place to provide assurance in the decision making process and to mitigate any potential risk of challenge on the grounds of partiality or bias. The service is firmly committed to a programme of continuous improvement, ensuring that processes take into account best practice and from learning from past errors. A number of actions and improvements have taken place over the last year and these are described below.

Decision making framework for planning matters

- 5.3 The framework for decision making in relation to planning matters in England and Wales is plan-led. This involves the authority preparing plans that set out what can be built and where. All decisions on applications for planning permission should be made in accordance with the Development Plan unless material planning considerations indicate otherwise.
- 5.4 The decision on whether to grant permission is within the context of the development plan and other material considerations which includes national and local planning policy and guidance. Material considerations cover a wide variety of matters including impact on neighbours and the local area.

Delegation and sub delegation schemes

- 5.5 The Chief Planning Officer is authorised to carry out specific functions on behalf of the council. All planning applications are considered to fall within the delegation scheme and will be determined by officers under the sub-delegation scheme, unless they fall into defined exceptional categories which were detailed in previous reports to this Committee. The Chief Planning Officer's delegation scheme was last reviewed and approved by Full Council in May 2016.
- 5.6 The sub delegation scheme sets out which functions have been sub-delegated by the Chief Planning Officer to other officers and any terms and conditions attached to the authority sub-delegated by the Chief Planning Officer. The latest sub delegation scheme was approved on 1 April 2017.
- 5.7 The Chief Planning Officer's sub-delegation scheme ensures that decision making is undertaken at the appropriate level of seniority and experience. For example, only officers at planning team leader level and above have the authority to determine major applications. Other applications can only be signed off by officers at PO4 level and above. No officer can 'sign off' their own applications and therefore an appropriate level of external scrutiny is brought to bear on each proposal before it is finally determined. The majority of decisions are made by officers under the delegation scheme and in 2016-17, officers made 97.9% of the decisions. This is necessarily high due to the sheer volume of applications received in Leeds, in order to maintain expeditious decision making.

Audit of Community Infrastructure Levy

- 5.8 In February 2017, Internal Audit commenced an audit into the Community Infrastructure Levy. The scope of the audit was to gain assurance over the arrangements in place to ensure income is identified and collected and that the monies are used in line with the intended purpose. After discussions with key staff, it was

agreed to undertake the audit in two stages due to the volumes and values currently involved; the first stage of the audit carried out in February 2017 involved the testing of a sample of schemes liable for CIL to ensure that all CIL income had been fully and accurately accounted for on FMS. The second stage of the audit will be undertaken during either 2017/18 or 2018/19 depending upon volumes and value of CIL income involved at the time.

5.9 We await the report and will take action as appropriate.

Planning performance 2016-17

5.10 The service collects a range of information and data to monitor its own performance and to take corrective action wherever necessary. The service reports on this performance twice a year in a half year and end of year performance report to the Joint Plans Panels.

5.11 In 2016-17, the service received 4,966 applications; this was a 5.6% increase from the previous year. This will be the fifth successive year that the service has seen an increase in number of applications being submitted. This is compared with national figures which has seen a 2% increase in overall workloads figures (year ending December 2015 compared with year ending December 2016)².

5.12 There have been 4,832 decisions made in the reporting period, 9.3% increase from the previous year.

5.13 The table below shows the services' performance in relation to applications being determined in time or within agreed timescale

	% Majors in time	% Minors in time	% Other in time
2016-17	93.1%	89.4%	93%
2015-16	96.6%	90.6%	93.5%
2014-15	88.7	85.1	91.8
2013-14	73.3	70.3	83.3
2012-13	61.3	77.4	88.9

5.14 The latest national figures³ for applications determined in time show that Local Planning Authorities decided 86% of major applications within 13 weeks or the agreed time. Therefore, Leeds performance is above the national average determination timescale. However, there has been a reduction in performance in comparison with the previous year, this is due largely to the resource constraints the service has been working within, carrying 6.6 vacancies twinned with the 5.6% increase in application numbers.

5.15 The resourcing situation is in hand, with two temporary principle planning officers joining the service and the recruitment process is underway for the appointment of two permanent planner posts.

5.16 Members have previously heard about the Planning Guarantee; under this Government initiative, applications over six months old without a decision and where there isn't an extension of time agreement in place, are liable for the planning fee to be

² Department for Communities and Local Government Statistical release Planning Applications in England: October to December 2016.

³ Department for Communities and Local Government Statistical release Planning Applications in England: October to December 2016.

returned to the applicant. In the reporting period, £775 has been refunded, relating to three schemes. Officers wherever possible will try to negotiate extension of time agreements with applicants to ensure the application remains in time and to mitigate the risk of returning any fees.

Plans Panel decision making

- 5.17 Occasionally the Plans Panel may make a decision contrary to the officers' recommendation (whether for approval or refusal). In these circumstances a detailed minute of the Panel's reasons is made and a copy placed on the application file. Thus, members are required to explain in full their reasons for not agreeing with the officer's recommendation, observing the 'Wednesbury principle' which requires all material considerations to be taken into account and all irrelevant information (ie non-material matters) to be ignored. This ensures there is, as far as possible, a robust and defensible position should the application be subject to a legal challenge or appeal.
- 5.18 A high number of decisions taken which are contrary to the officer recommendation may give the appearance that officers and members are not working well together and demonstrate a lack of trust in the decision making process. This has the potential to demonstrate a lack of confidence in the planning system in Leeds to applicants, local communities and investors.
- 5.19 In 2016-17, the three Plans Panels decided 105 applications. 11 were contrary to the officer recommendation, 8 at North and East and 3 at South and West Panel. Of these decisions, three have led to appeals, one is in progress, one appeal was allowed and another dismissed.
- 5.20 There is some inevitability that different decisions are reached, especially where decisions are finely balanced, or where different weight is attached to the potential planning considerations and the table below shows the position over the last few years.

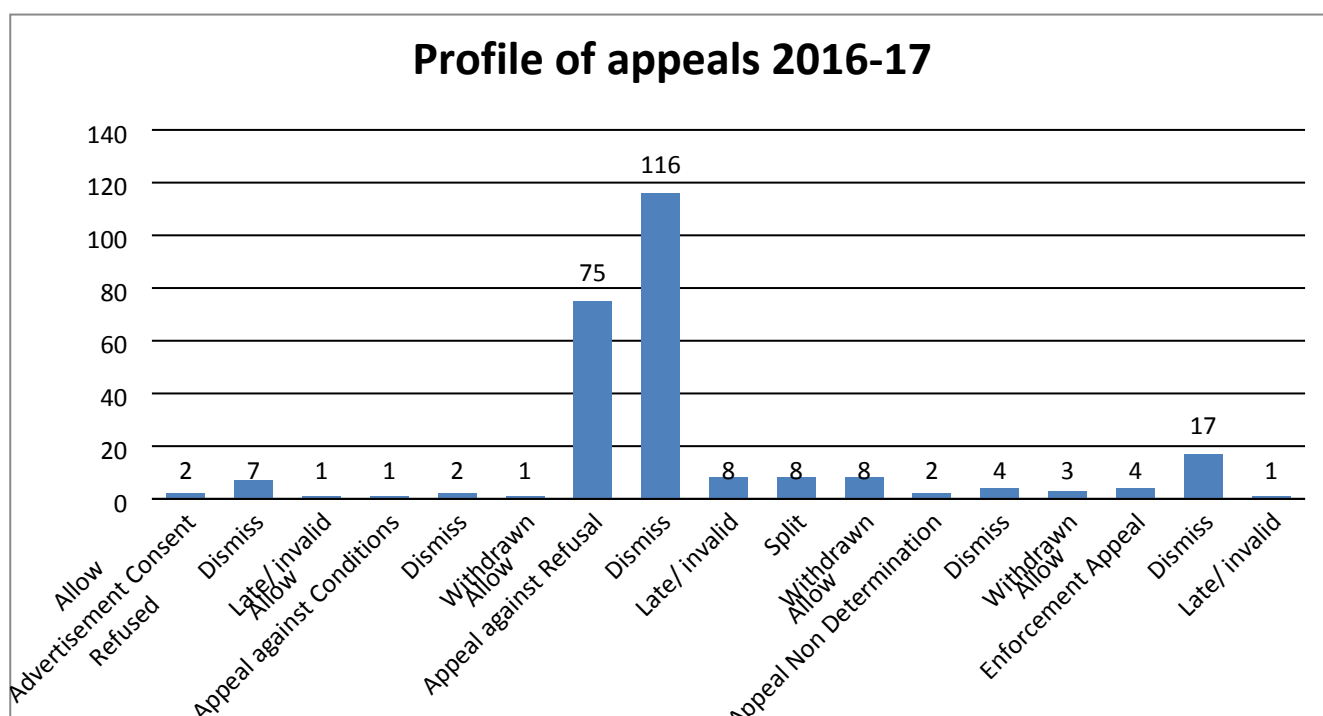
Year	Decisions	Decisions contrary to officer rec (as a % of the total no of decisions)	Appeals Against Refusal	Dismissed	Allowed	Costs awarded
2016-17	105	11 (10.4%)	3	1	1	0
2015-16	127	4 (3%)	2	0	1	0
2014-15	191	14 (7%)	9	4	5	0
2013-14	136	7 (5%)	0	0	0	0
2012-13	127	8 (6%)	3	0	3	2
2011-12	171	11 (6%)	5	1	4	0

Appeals

- 5.21 The service uses several indicators to determine the quality of decision making: number of lost appeals, number of ombudsman complaints received and numbers upheld. In 2016-17 there were 233 new appeals made and the Planning Inspectorate made 260 decisions on appeals. The figures are different because of the six month window allowed for appeals to be made. The table below shows the outcome of the

appeals for 2016-17. Performance on appeals dismissed has reduced from that on 2015-16 where 74.1% of appeals were dismissed compared with 63% dismissed in this reporting period.

Year	Appealed Decisions	Dismissed	Costs awarded Council	Costs awarded to Council
2016-17	260	63%	0	0
2015-16	231	74.1%	3 partial, 1 full	1 partial, 1 full
2014-15	237	66%	5	0
2013-14	251	71%	4	0
2012-13	187	67%	3	0
2011-12	254	69%	7	2



5.22 The chart above shows that most of the appeals made in 2016-17 were in relation to appealing against refusal of planning consent. Of the total appeals in 2016-17, 93 decisions related to householder appeals where 42% of them were allowed; since the relaxation of the permitted development (PD) on larger house extensions, it appears from analysis of the Planning Inspectorate's decisions that more household extensions are being allowed which are "marginal", given the PD fall-back position. The service is committed to further analysing these appeals and making changes to the way householder applications are dealt with, as appropriate.

5.23 A further eight appeals were for telephone kiosks in the city centre. The kiosks were refused by the service due to a legal point; the Council's view was that kiosks did not benefit from permitted development rights in that the proposed telephone/advertising unit fell outside the Electronic Communications Code and the permitted development rights. The kiosks were for the dual purpose of providing a public telephone service as well as an advertising facility and are therefore subject to separate consent. The Planning Inspectorate took an alternate view and in light of

these appeal decisions the service will amend its position in future. However, the appeals on the kiosks have skewed the appeal performance statistics, (without these appeals, performance would be running at 67% dismissed) and it is likely that this batch of applications and associated appeals was an isolated occurrence.

5.24 Analysis of the latest annual figures on decisions from the Planning Inspectorate⁴ show that Leeds has the seventh highest rate of S78 appeals and the third highest rate for householder appeals in England. Maintaining control of appeals is particularly important as the Government's new performance regime commencing in 2018 increases the threshold to 10% of an authority's total number of decisions on major and non-major applications made during the assessment period being overturned at appeal.

5.25 However, the service is currently well within this threshold; based on the last full years data available (2015-16); 4,384 planning decisions were made, of which 52 were allowed on appeal. This equates to just 1.18% of the total number of decisions being overturned at appeal. Nevertheless a close watch will be maintained on appeals performance.

5.26 There have been some significant appeal decisions during the reporting period, notably the Protected Areas of Serach (PAS) sites:

5.26.1 Grove Road, Boston Spa for up to 104 new homes, appeal was allowed in a decision by the Secretary of State in May 2016. (Reserved Matters application for 88 houses was deferred at North and East Panel in 13 April for further information)

5.26.2 Sandgate Drive, Kippax. The Council withdrew from this appeal in August 2016 on the basis that it was in the midst of challenging the Grove Road decision. The appeal was allowed.

5.26.3 Breary Lane, Bramhope, Bradford Road, East Ardsley and Leeds Road, Collingham. The appeals were conjoined and heard by inspector Ken Barton in February 2016. These three appeals have subsequently been allowed.

5.26.4 We are anticipating the Bagley Lane, Farsley decision in June 2017.

Customer complaints and Ombudsman cases

5.27 From April 2016 to March 2017 there have been 148 stage 1 and stage 2 complaints received by the LPA. This compared with 125 complaints received in the same period last year. This is a 15% increase in the number of complaints received when compared to the previous year.

5.28 The main theme of upheld complaints focus on the way planning applications have been advertised to neighbours and that comments received from neighbours not been taken in to account by officers. Action has been taken to ensure the appropriate number of site notices are erected by printing additional notices for the planning case officer to erect on site. Additionally, when any representations made by separate emails or letters are uploaded to Pubic Access, an auto generated email is sent to the planning officer informing them that new comments are available to take into consideration. The other main area of complaint was the lack of communication throughout the process. With the recent introduction of Enterprise Voice applicants and agents now have the option to leave a voicemail or email the officer direct, and feedback is being given to team leaders where complaints are upheld

⁴ Planning Inspectorate Statistics 1 November 2016 <https://www.gov.uk/government/statistics/planning-inspectorate-statistics>

5.29 The Local Government Ombudsman (LGO) reported 25 cases to the Planning Service during this period of which 17 were received closed with no further action being taken by the LGO. This compares with 14 new cases with 10 requiring no further action in 2015-16. Eight cases received in 2016-17 required investigation, with two cases which identified fault; two cases are awaiting a decision (Daisy Hill where the officer report was incorrect and Fish Farm Thorner where the complaint centred around how the application was considered).

Embedding the framework for planning matters

Officer training

5.30 As mentioned in previous reports to this Committee, the service places emphasis on ensuring that planning officers are up to date with current legislation, best practice and government initiatives. This ensures the decision making process is based on the most current and accurate information possible.

5.31 The planning reform agenda continues with the recent publication of the Housing White Paper which has implications for the planning system and the way new housing is delivered. It therefore continues to be a time of significant change and necessary to ensure that officers are up to date and receive training to support decision making. Officers receive training and updates at the planning case officers' meeting which takes place every 6 to 8 weeks. The Head of Planning Services provides a regular update of government reforms and changes that will impact on the way officers work. Guest speakers are also invited who provide information on planning and planning related information. The meetings facilitate two way communications to ensure agreement is reached on operational issues and a consistent approach is adopted across the service

Member training

5.32 Article 8.2.2 of the Council's Constitution, says that Members of the Plans Panels must complete all compulsory training and shall not sit as a Member of the Panel unless such training has been undertaken in accordance with the Council's prescribed training programme.

5.33 The compulsory training session in order to sit on Panel comprises one or two session(s), depending on the experience of members on planning matters and comprises:

- Planning update: This session updates members with the latest legislation and planning guidance. It also covers any changes to the planning system which will impact on the work of members.
- Additional training for members new to the Plans Panel. This training is run by the Area Planning Officer who goes through the procedural issues associated with the running of the Panel and the basic principles of planning. In this session officers will also identify some key planning issues, hot topics, direction of travel for policy and probity issues.

5.34 All Plans Panel members in 2016-17 have undertaken the prescribed training.

5.35 A report recommending changes to the Council Procedure Rules to allow greater flexibility around the appointment of substitutes to Plans Panels went to the General Purposes Committee (GPC) on December 5th 2016.

5.36 Council approved amendments to the Constitution so that in relation to each Plans Panel, the Council shall appoint a list of substitute members comprising all other members of the other Plans Panels, the Development Plan Panel and the Licensing

Committee. In addition, the list may include any members, nominated by their group Whip, who are not members of these committees, but have received appropriate training. A nominated member shall be entitled to attend meetings in place of a regular member, subject to the substitute member having received appropriate training and will also be bound by the Planning Code of Good Practice and other relevant policies and procedures whilst acting as a voting member of the Plans Panel. The recommendations from the General Purposes Committee went to Full Council on 11 January, who agreed the amendments to the Procedure Rules. All substitute members will be required to attend both the compulsory sessions, outlined above.

5.37 Members of this Committee has heard in the past of the work of the Joint Member Officer Working Group, a cross party group of members which meets regularly with officers to discuss planning matters and planning service improvement activities. In this reporting period JMOG has requested that a series of workshops should be held throughout the year focussing on particular planning issues. The workshops will be facilitated by internal staff and will be tailored to address the needs and issues relevant to Leeds. Workshop topics will be discussed and agreed with the Joint Member Officer Working Group. Workshops will be offered on current issues such as hot food takeaways, side extensions and housing design. In addition to providing members with the latest case law, appeal information and council position, the sharing of this information will try to ensure some consistency of decision making across the three Plans Panels. This will be particularly important in relation to decisions to refuse applications, where a consistent approach is important to evidence the decision, in light of the Government's revised performance thresholds, described above

5.38 The first workshop took place on 13th January on tall buildings. John Thorpe and internal consultees provided a refresher as the existing SPD was published in 2007; much has changed in particular in the South Bank area of the city in relation to tall buildings.

Work of the Plans Panels

5.39 A new report was presented to full Council in November 2016, describing the work and performance of the three Plans Panels and the Development Plans Panel. The report outlined the workload and other activity dealt with by the Panels and focussed on a number of significant applications which went before the Panels for determination. In future, full Council will receive an annual report of the working of the Plans Panels for their consideration.

5.40 The Joint Plans Panel continues to meet twice a year. Matters before the Joint Plans Panel during the reporting period have included updating members on the changes to permitted development, the governments planning reform agenda and performance reports. This meeting of the three Plans Panels is an effective way of sharing information and new processes and ensuring the Plans Panel have as much up to date information as possible to support them in their decision making.

Member notification of planning applications and appeals

5.41 A protocol was agreed by the Joint Plans Panel in 2013 and set out the way officers should communicate and involve ward members in planning applications. The protocol ensures that ward members are informed, communicated with and have the opportunity to be actively involved through the life of a planning proposal within their area. However, there is a need to give regard to the available resources and for timely decision making and some of the provisions in the protocol were out of date as internal processes and technology had moved on. The Joint Member Officer Working Group

(JMOWG) reviewed the protocol in March 2016 and a report went to the Joint Plans Panel in July 2016 recommending changes to the protocol.

5.42 The key recommendation was that a channel shift to use of technology was required; meaning all members should use Public Access for their information needs. With Public Access, members can self-serve to find information on an ad hoc basis or after registering and setting up “saved searches” to receive regular updates. Members would be sent a maximum of a daily email, with details of whatever information they have requested to receive from the system and could include:

- All applications in their ward
- Specific types of applications in their ward- eg just household, just major applications etc
- Appeals in their ward- new ones and decisions made

5.43 There are a number of benefits of moving to the automated system- it's cost effective-Public Access notification will remove a number of tasks currently undertaken by officers and instead be replaced by a timely automatic communication; it reduces human error of officers forgetting or omitting applications and there is no time delay. It also allows members at a glance to see the progress of individual applications, meaning they can be better informed of the position of an application at any given time.

5.44 Members of the Joint Plans Panel agreed to the changes and following Group support officer training from planning services on the use of Public Access, support staff set up accounts for their members on Public Access. The channel shift to Public Access commenced from 1 October 2016.

Relationship with partners and customers

Customer Services Excellence reaccreditation

5.45 In March 2017, the service was successful again in being reaccredited with Customer Services Excellence (CSE). This is a national government standard awarded to organisations who demonstrate that they are a customer focused organisation. The assessors report was particularly complementary about the planned improvements to the website, committee rooms 6 and 7 and the way members of the public were treated at the Plans Panel meetings.

Customer satisfaction survey

5.46 Part of our commitment to continuous improvement, a customer satisfaction survey is carried out on a two-yearly basis. In January 2017, an online survey was sent out to over 5,000 participants who had used the planning service. The response rate was 4%; whilst this is not a high return, it is possible to identify common issues arising particularly from the comments respondents made. A number of themes emerged from the survey including:

- Officers and lack of communication throughout the planning application process, lack of access to officers
- Validation criteria inconsistencies, overly complex and barrier to expeditious determination
- Delays in determination and lengthy process for what appeared to be less complex applications
- Poor website and lack of usability of the content

5.47 On a more positive note, when asked for general comments, 17% of the comments made were constructive about Planning Services. Compliments were calculated as

16% of the general comments received and ranged from Officers being very helpful, being fast and efficient and access to submitting planning applications online.

- 5.48 Work will now be undertaken to try to address some of these issues, however, it is noted that the resourcing issue and increased workloads identified above has had an impact on service delivery and the appointment of both temporary and permanent staff will hopefully assist in alleviating some of the issues above.

Web refresh

- 5.49 Members heard last time about the work being undertaken to refresh the planning web pages. This has been a significant undertaking to review content, consider how customers find and use the information on the pages and make pages more attractive and easy to use. Some customer focus groups are being organised to soft test the pages and the content and the pages will go live in summer 2017 as part of the overall refresh of the Leeds City Council web offering as it migrates to SharePoint 13.

Economic growth and Housing delivery workshops

- 5.50 Planned for early into the new financial year are a number of workshops with the registered providers (RP) of affordable housing sector. These workshops will focus on particular issues in an effort to understand the barriers and challenges the RP sector faces and to also facilitate a two way conversation about the challenges and aspirations of the Council in working with the sector, to deliver housing growth in the city.
- 5.51 A further workshop is in the early stages of being organised with the small and medium size house builder companies. We will be working with the Chamber of Commerce to bring this workshop forward, as there are particular issues faced by this house building sector and the session is intended to start the conversation to address issues faced by builders and the LPA, again in a bid to stimulate delivery of new housing.

6. Main Issues – Licensing

- 6.1 In accordance with the agreement reached in 2016 between the Chairs of this committee and the Licensing Committee, Members attention is drawn to the Annual Licensing Report which was considered by Licensing Committee on 7th February 2017 and submitted to Council on 29th March 2017. This report sets out information in relation to the licensing activity in the period 1st January to 31st December 2016.
- 6.2 The annual work programme for Licensing Committee includes the submission of an Annual Licensing Report to full Council covering both sections of the Council's Licensing Service (Entertainment Licensing and Taxi and Private Hire Licensing). The Annual Licensing Report is submitted to Licensing Committee for scrutiny and as part of the clearance process. In order to avoid duplication of work by officers the Executive Member for Licensing, the Chair of the Licensing Committee and the Chair of this committee have agreed that the Annual Licensing Report will be used to support this annual decision making assurance report.
- 6.3 Minutes for Licensing Committee held on the 7th February 2017 show that the Annual Licensing Report was discussed in detail.
- 6.3.1 The Executive Officer for Taxi and Private Hire Licensing responded to questions and queries in relation to: -
- Enforcement;
 - Safeguarding;
 - Service Improvement;
 - Licensing Statistics;
 - Decisions;
 - Refusals and Revocations;
 - Suspensions; and
 - Complaints.
- 6.3.2 The Section Head for Entertainment Licensing responded to questions and queries in relation to: -
- Evening and Night time Economy;
 - Strategy and Policy;
 - Proactive work;
 - Reactive work;
 - Licensing Act Application Statistics;
 - Gambling Statistics;
 - Large Casino;
 - Sex Establishments; and
 - Outdoor Events.
- 6.4 Licensing Committee resolved to note the contents of the Licensing Annual Report 2016 and noted that the report will be considered by full Council in March 2017.
- 6.5 The Annual Licensing Report was considered by full Council on 29 March 2017 and Council resolved that the annual report be received and noted.

Safeguarding in Taxi and Private Hire Licensing

- 6.6 Safeguarding continues to be a priority for Taxi and Private Hire Licensing and the service submitted an update report to Executive Board on 14 December 2016 in regard to further improving safeguarding arrangements in Taxi and Private Hire Licensing.

- 6.7 Executive Board received an update upon the work which continued to be undertaken at a West Yorkshire level in order to improve safeguarding arrangements in the field of taxi and private hire licensing. Also, responding to a Member's specific enquiry, the Board received further information on the actions being taken to work collaboratively with Local Authorities outside of the West Yorkshire boundary on such matters, and the progress which had been made as a result.
- 6.8 Members were provided with assurances around the consistency of approach taken in respect of driver checking processes, whilst Executive Board was also provided with further information and assurances on the actions which had been taken since the submission of the last update report in order to ensure that improved mechanisms had been put in place around Police disclosure of information.
- 6.9 In conclusion, Executive Board noted that the issue of safeguarding, together with ensuring the highest standards in terms of licensing, remained a key priority of the Council, with emphasis being placed upon the robust and cross-party approach which was taken by the Licensing Committee in dealing with such matters.
- 6.10 Executive Board resolved that the direction which the relevant officers and Members of Licensing Committee have taken, be noted and endorsed, together with the progress which has been made towards beneficial safety improvements for safeguarding in the area of Taxi and Private Hire Licensing.

Licensing Assurance Statement

- 6.11 From the review, assessment and on-going monitoring carried out and detailed in the Annual Licensing Report received by Licensing Committee and full Council, the Head of Elections, Licensing and Registration has reached the opinion that, overall, decision making systems in relation to licensing are operating soundly and that arrangements are up to date, fit for purpose, effectively communicated and routinely complied with.

7. Corporate considerations

7.1 Consultation and engagement

- 7.1.1 The content of this report has been shared with the Council's Corporate Leadership Team who are content with the content of the report.

7.2 Equality and diversity / cohesion and integration

- 7.2.1 There are no implications for this report.

7.3 Council policies and best council plan

- 7.3.1 The Best Council Plan maintains the Council's ambition to become the best Council in the UK, using a civic enterprise leadership style, in which the council is more enterprising, businesses and partners more civic, and the citizens of Leeds more actively engaged in the work of the city.

- 7.3.2 The appropriate use of the systems and processes in place to govern decision making, RIPA, planning and licensing secure appropriate sharing of information and engagement with Members, officers, partners and public in the Council's significant decisions.

7.4 Resources and value for money

- 7.4.1 Continued review of the decision making framework seeks to ensure that there is appropriate use of council resources in complying with the framework with no duplication of effort or resource.
- 7.4.2 Given the assurances made by the Head of Governance and Scrutiny Support, the Head of Elections, Licensing and Registration and the Chief Planning Officer as a result of the implementation and monitoring of the Council's decision making framework it is considered that the systems and processes in place continue to represent an appropriate use of resources and good value for money.

7.5 Legal implications, access to information, and call-in

- 7.5.1 The Head of Governance and Scrutiny Support, Head of Elections, Licensing and Registration and Chief Planning Officer are satisfied that the arrangements put in place through the Council's decision making framework meet all legal requirements.
- 7.5.2 The decision making framework in place supports the Council's value of being open, honest and trusted. Decision making is subject to both the rigour of statutory requirements in relation to publication of relevant information and to the processes and procedures put in place at the request of Members to ensure that officer decision making supports and complies with the democratic mandate secured through the election process.

7.6 Risk management

- 7.6.1 The Head of Governance and Scrutiny Support, Head of Elections, Licensing and Registration and Chief Planning Officer give assurance that the systems and processes that form part of the Council's decision making framework are functioning well and that there are no risks identified by this report.

8. Conclusions

8.1 In relation to executive decision making:

- Steps taken to ensure that the decision making framework is kept under review to maintain it up to date and fit for purpose;
- Assurance that the delegation and sub-delegation of functions is appropriate to the Council's organisational structure;
- Assurance that requirements in relation to the publication of decisions are embedded and routinely complied with; and
- Assurance that key performance indicators are regularly monitored.

8.2 In relation to the regulation of investigatory powers (RIPA):

- Assurance that the Guidance and Procedure document has been reviewed and updated, and that no changes to the RIPA policy are recommended by officers at this time;

- Assurance that all the recommendations in the latest OSC report are being implemented; and
- Confirmation that there have been no applications for directed surveillance or CHIS authorisations, or for the acquisition of communications data, in the reporting period.

8.3 In relation to planning:

- Steps taken to ensure that the decision making framework is kept under review to maintain it up to date and fit for purpose;
- Assurance that the delegation and sub-delegation of functions is appropriate to the Council's organisational structure;
- Assurance that the key performance indicators, required by national government, are monitored and measures are in place to address any issues
- To note the measures taken to work positively and transparently with elected members, communities and the customers
- Assurance in the steps taken to learn from previous errors and the measures in place to mitigate the risk of reoccurrence

8.4 In relation to licensing to:-

- Note the report received by Licensing Committee on 7th February 2017 and specifically the assurances contained in relation to licensing decisions, practice and procedure.

9. Recommendations

9.1 Members are requested to consider and note the positive assurances provided in this report given by the Head of Governance and Scrutiny Support, the Chief Planning Officer, the Head of Service (Legal) and the Head of Elections, Licensing and Registration that the decision making framework in place within Leeds City Council is up to date, fit for purpose, effectively communicated and routinely complied with.

9.2 Members are requested to advise the Head of Governance Services in relation to whether amendments should be proposed to the definition of key decision set out in Article 13 of the Constitution (see paragraph 3.64).

10. Background documents⁵

10.1 None

⁵ 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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Regulation of Investigatory Powers Act 2000 (RIPA) Policy

1.0 Extent

This policy applies to the authorisation of directed surveillance under Section 28(1) of RIPA. This policy also applies to authorisations and notices for the purposes of obtaining communications data, under Section 22(3) and 22(4) of RIPA. This policy does not cover the authorisation of covert human intelligence sources under Section 29 of RIPA, nor does this policy cover intrusive surveillance (which the Council is not entitled to authorise under RIPA).

2.0 Safeguards

- 2.1 The Council will apply a presumption in favour of overt investigation methods. The Council will always consider using a variety of overt investigatory tools, before considering whether the use of these powers is required. Covert surveillance or investigation will be used only when other reasonable options have been considered, and ruled out.
- 2.2 In order to comply with the duties in Section 28(2) of RIPA, that a person shall not grant an authorisation for the carrying out of directed surveillance unless they believe that the authorisation is “necessary” for the purposes of preventing or detecting crime punishable by a maximum term of at least 6 months imprisonment or for the purpose of preventing or detecting certain other specified offences, and “proportionate”, in accordance with the Covert Surveillance and Property Interference Code of Practice, the Council will
- balance the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence, or disorder;
 - explain how and why the methods to be adopted will cause the least possible intrusion on the target and others;
 - consider whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
 - evidence, as far as reasonably practicable, what other methods had been considered and why they were not implemented.
- 2.3 The Council will only use covert surveillance when the problem is serious and/or persistent, and where overt surveillance would not provide evidence and/or might displace the problem elsewhere.
- 2.4 The Council will use covert surveillance proportionately, and will not use covert surveillance to address minor matters, but instead will focus on those issues which are of greatest concern to the community.

- 2.5 The Council will only use covert surveillance either to obtain evidence that can be presented at court, or where another positive outcome relating to the prevention or detection of crime as referred to above has been identified, for example through the positive identification of perpetrators.
- 2.6 The Council will give responsibilities to a single member of its Corporate Leadership Team, the City Solicitor, as Senior Responsible Officer, to ensure that designated authorising officers meet the standards required by the Office of Surveillance Commissioners.
- 2.7 The Council will ensure that the quality of authorisations is monitored by Legal Services.
- 2.8 The Council will ensure applicants and authorising officers receive an appropriate level of training.
- 2.9 The Council will ensure that in accordance with The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 as amended, directed surveillance authorisations will only be granted by 2 or 3 Heads of Service appointed from within Strategy & Resources Directorate. This will avoid any perception that a Head of Service is agreeing to “their” investigation within their own service, or is directly involved with the investigations they authorise. Authorising officers will therefore be able to apply more independently reasoned judgment of the issues. No authorisation will be put into effect until an order has been made by the Magistrates Court approving that authorisation.
- 2.10 In order to comply with the duties in Section 22(1) and 22(5) of RIPA that a designated person will not grant an authorisation or give a notice for the acquisition of communications data unless they believe this is “necessary” for the purpose of preventing or detecting crime as referred to above, and “proportionate” to what is sought to be achieved, the Council will balance the extent of the intrusiveness of the interference with an individual’s right to respect for their private life against a specific benefit to the investigation or operation being undertaken by the Council in the public interest.
- 2.11 The Council will only use powers to acquire communications data when investigating serious incidents, (such as vehicles causing nuisance within communities, and illegal advertising) and where overt investigation methods would not provide the necessary evidence.
- 2.12 In accordance with the Acquisition and Disclosure of Communications Data Code of Practice, the Council has appointed the City Solicitor as senior responsible officer, who will be responsible for the integrity of the process within the Council to acquire communications data, compliance with the relevant provisions of RIPA and the Code, oversight of the reporting of errors to IOCCO and the identification of both the cause of errors and the implementation of processes to minimise the repetition of errors, engagement with IOCCO inspectors, and overseeing the implementation of post inspection action plans.

- 2.13 In accordance with the Acquisition and Disclosure of Communications Data Code of Practice, the Council will not acquire communications data without using the SPoC services of NAFN, who will monitor the quality of notices and authorisations.
- 2.14 The Council will ensure that applicants, the designated person, and the senior responsible officer receive an appropriate level of training.
- 2.15 The Council will ensure that in accordance with The Regulation of Investigatory Powers (Communications Data) Order 2010 as amended, the designated person will be a “Director, Head of Service, Service Manager or equivalent”, or someone in a more senior position. The Council will ensure that the designated person is at Head of Service level as a minimum. No authorisation will be put into effect until an order has been made by the Magistrates Court approving that authorisation.
- 3.0 **Review**
- 3.1 This policy will be reviewed, and reports on the use of these RIPA powers will be considered on an annual basis, by Corporate Governance and Audit Committee.



Report author: Tim Pouncey/
Sonya McDonald
Tel: 74214

Report of the Chief Officer (Financial Services)

Report to Corporate Governance and Audit Committee

Date: 20th June 2017

Subject: Internal Audit Update Report April to May 2017

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. This report provides a summary of the Internal Audit activity for the period from April to May 2017 and highlights the incidence of any significant control failings or weaknesses.

Recommendations

2. The Corporate Governance and Audit Committee is asked to receive the Internal Audit Update Report covering the period from April to May 2017 and note the work undertaken by Internal Audit during the period covered by the report. The Committee is also asked to note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

1 Purpose of this report

- 1.1 The purpose of this report is to provide a summary of the Internal Audit activity for the period April to May 2017 and highlight the incidence of any significant control failings or weaknesses.

2 Background information

- 2.1 The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the council's corporate governance arrangements, including matters such as internal control and risk management. The 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.
- 2.2 The reports issued by Internal Audit are directed by the Internal Audit Annual Plan. This has been developed in line with the Public Sector Internal Audit Standards (PSIAS) and has been reviewed and approved by the Committee.
- 2.3 This update report provides a summary of the Internal Audit activity for the period from April to May 2017.

3 Main issues

3.1 Audit Reports Issued

- 3.1.1 The title of the audit reports issued during the reporting period and level of assurance provided for each review is detailed in table 1. Depending on the type of audit review undertaken, an assurance opinion may be assigned for the control environment, compliance and organisational impact. The control environment opinion is the result of an assessment of the controls in place to mitigate the risk of the objectives of the system under review not being achieved. A compliance opinion provides assurance on the extent to which the controls are being complied with. Assurance opinion levels for the control environment and compliance are categorised as follows: substantial (highest level); good; acceptable; limited and no assurance.
- 3.1.2 Organisational impact is reported as either: major, moderate or minor. Any reports issued with a major organisational impact will be reported to the Corporate Leadership Team along with the relevant directorate's agreed action plan.

Table 1: Summary of Reports Issued April to May 2017

Report Title	Audit Opinion		
	Control Environment Assurance	Compliance Assurance	Organisational Impact
Key Financial Systems			
Business Support Centre – Payroll and HR Administration	Substantial	Good	Minor
Housing Benefits Assessment and Payments	Substantial	N/A	Minor
Local Welfare Support Scheme	Good	Good	Minor
FMS Creditor Purchases and Payments	Good	Substantial	Minor
Treasury Management	Substantial	Substantial	Minor
Total Repairs	Substantial	Good	Minor
Strategy and Housing			
Corporate Risk Maturity Assessment	Assessment of corporate risk maturity levels against 8 areas of best practice. 7 of the 8 risk maturity areas achieved or exceeded the minimum recommended level. The remaining area (partnership risk management) was assessed as being below the recommended level. Further details are provided at 3.2.3 below.		
Housing Leeds Programmed and Planned Maintenance	Good	Acceptable	Minor
Best Council Plan Refresh and Performance Management Framework	Good	N/A	Moderate
Children's and Families			
Central Control and Monitoring of Nursery Fees	Acceptable ¹	N/A	Minor
Payments in relation to In-House Fostering, Special Guardianship Orders and Leaving Care	Good	Limited	Minor
Risk Management and Business Continuity	Good	N/A	Minor

¹ Acceptable assurance was provided overall. Limited assurance was provided for one of the five objectives covered within the audit scope.

Report Title	Audit Opinion		
	Control Environment Assurance	Compliance Assurance	Organisational Impact
Central Financial Controls of Local Authority Maintained Schools	Acceptable	N/A	Minor
Adults and Health			
Payments to Carers	Good	Good	Minor
Direct Payments	Good	Good	Minor
Public Health Commissioning	Substantial	N/A	Minor
Procurement			
Contract Specification and Management	Limited	No Assurance	Moderate
Schools			
School Voluntary Fund x 2	Certification of balances		
Follow Up Reviews			
Administration of Client Monies	Substantial	Acceptable	Minor
Sundry Income Events	Acceptable	N/A	Minor
Direct Payments (Children's and Families)	Acceptable	N/A	Minor
Commissioning of External Residential Placements and Independent Fostering Agency Payments Follow Up	Acceptable	Acceptable ²	Moderate
Directorate Compliance with CPRs: Non and Off Contract Spend. (Seven directorate reports plus one central controls report)	Acceptable	Limited	Moderate

3.1.3 In addition to the reports detailed in table 1 above, the following grant certification has been finalised during the reporting period:

- Troubled Families March 2017

² Acceptable assurance was provided overall. Limited assurance was provided for two of the four objectives covered within the audit scope.

3.2 Summary of Audit Activity and Key Issues

- 3.2.1 During the reporting period, there have been no limitations in scope and nothing has arisen to compromise our independence. We have finalised 31 audit reviews (excluding continuous audit, work for external clients and fraud and irregularity work) and we have not identified any issues that would necessitate direct intervention by the Corporate Governance and Audit Committee.
- 3.2.2 Each of the 6 audits that have been completed in respect of the council's key financial systems have received Substantial or Good assurance opinions. This provides the Committee with assurance that these systems are well established and operating as intended.
- 3.2.3 During the reporting period, we completed an assessment of the organisation's corporate risk maturity to establish how robust and embedded the central risk management processes are when compared to best practice guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.2.4 We assessed the authority's corporate performance relating to this on a scale of 1 (risk naïve) to 5 (risk enabled) and found there was evidence that a large number of the best practice criteria set out by CIPFA are in place within the corporate arrangements at the council.
- 3.2.5 Best practice identifies that public services should attain at least level 3 in order to contribute to the overall control framework, and this was either met or exceeded in all but one area which related to partnership risk management.
- 3.2.6 Moving forward, not all of the eight risk maturity areas will necessarily need to meet level 5 and the additional resources required to achieve this will need to be considered compared to the authority's appetite to achieve full maturity. The recommendations made will be considered and implemented as appropriate by the service as part of their 2017/18 review of risk management.
- 3.2.7 An outline of the findings from the assessment are provided below:
- The highest levels of maturity (level 5: risk enabled) were reached in terms of categorising and prioritising risks, and demonstrating a clear understanding of how risks are to be managed.
 - The existing arrangements for risk identification and monitoring also compared positively against best practice and were assessed as meeting level 4 (risk managed).
 - Several areas that provide the foundation for effective risk management in the above areas were assessed as meeting level 3 (risk defined). These covered the risk management policy, risk responsibilities and embedding risk management into the council's processes. As well as making recommendations to be implemented by the central risk management function, recommendations were also made to review Corporate Governance and Audit Committee's role in relation to risk management, with best practice guidance being used as a basis for this review.

- The remaining area relating to partnership risk received the lowest maturity rating of our assessment (level 2: risk aware). Partnership arrangements are an increasingly important way of delivering council priorities and recommendations have been made to provide central guidance which will help to increase the council's risk maturity in this area and support the effective management of partnership risks.

Limited or No Assurance Opinions

- 3.2.8 Of the audit reviews finalised during the period, no weaknesses have been identified that would result in a 'major' organisational impact.

Contract Specification and Management

- 3.2.9 During the period, an audit on a council wide contract resulted in limited assurance being provided for the control environment due to issues identified with the contract specification and contract management arrangements. No assurance was provided for compliance with the controls, reflecting the fact that we found variances between the rates charged and those agreed in the tender across the sample tested. Ongoing action is being pursued to address the matter, and lessons learned are being fed into the procurement of a new contract for provision of the services which we will audit later in 2017/18.

Directorate Compliance with Contract Procedure Rules (CPRs): Non and Off Contract Spend

- 3.2.10 Seven directorate audits were carried out to review compliance with CPRs for expenditure not linked to a contract, and these all received a limited assurance opinion. Four of these were follow up audits which had also previously received limited assurance opinions.
- 3.2.11 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. Our directorate reviews specifically targeted a restricted population of payments made off-contract. As with our previous audits, the main issue we identified was that quotes had not been obtained and this approach had not been approved by the chief officer, along with a written record being kept of the reason for the decision. We have been working with directorates and the Projects, Programmes and Procurement Unit to better understand the cause of the issues. The matter has been escalated to the Chief Officer PPPU and new recommendations have been agreed that should improve compliance in future. We will carry out further follow up work to review progress in this area during 2017/18.

Commissioning of External Residential Placements and Independent Fostering Agency Payments Follow Up

- 3.2.12 We have previously reported to this Committee that we were unable to gain assurance that value for money was being obtained when external providers of residential care and independent fostering agencies were being commissioned.

This is a significant area of expenditure and limited assurance was provided because evidence was not being retained to confirm that the provider offering the best value was selected from the available suitable matches (suitable matches are providers that meet the care needs of the child or young person).

- 3.2.13 Our follow up review has found that although some improvements have been made to the control environment there has been limited progress in evidencing how many suitable matches have been identified when attempts are made to place a child. As such we are again unable to provide independent assurance that value for money is being achieved in the brokerage of external placements. Recommendations have been agreed with the Service and a further follow up review will be undertaken during 2017/18 to assess the progress made.

Central Control and Monitoring of Nursery Fees

- 3.2.14 The audit reviewed the processes in place within Early Start Management for the management of children's centres and nursery income. The audit confirmed that a good framework is in place which supports financial management in children's centres. The review resulted in an acceptable audit opinion overall, with limited assurance provided in respect of obtaining assurance from the children's centres that all potential Early Years Funding for Inclusion (EYFFI) is being applied for, approved and received. By undertaking action which had already been planned by the Service, and by addressing the recommendations in the audit, it will be possible to confirm that all income has been applied for and received.

Payments in relation to In-House Fostering, Special Guardianship Orders and Leaving Care

- 3.2.15 A review was undertaken of payments for in-house foster care, special guardians and for care leavers. Good controls are in place for the approval and processing of these payments. However, there were two processing errors in our sample (one of which has been corrected and the other is currently being investigated) and we were unable to confirm the accuracy of 26% of the sample, due to a lack of documentary evidence being retained. In all cases, however, we confirmed that the payments made were genuine. At the time of finalising the audit report improvements were being made to the processes that will help ensure that decisions are properly recorded. We will undertake a follow-up review to monitor progress in implementing our audit recommendations and assess the robustness of the new process.

Follow Up Reviews

- 3.2.16 Our protocols specify that we undertake a follow up review where we have previously reported 'limited' or 'no' assurance for the audited area. Our audit reports include an assurance opinion for each objective reviewed within the audited area. Follow up audits are undertaken for those areas where a specific objective within the review resulted in limited or no assurance in addition to those where the limited or no assurance opinion was provided for the review overall.

- 3.2.17 Table 2 below provides tracking information on the follow up audits due to be completed together with the Corporate Governance and Audit Committee meeting date where the initial audit findings were reported.

Table 2: Follow Up Audit Tracker

Audited area	Follow up audit status	Corporate Governance and Audit Committee report reference
Follow up results reported at the current meeting		
Administration of Client Monies	Closed	June 2016
Sundry Income Events	Closed	September 2016
Commissioning of External Residential Placements and Independent Fostering Agency Placements Follow Up	See 3.2.12	September 2015
Direct Payments (Children's and Families)	Further compliance testing will be undertaken later in the year	September 2016
Directorate Compliance with CPRs: Non and Off Contract Spend x 7	See 3.2.10	March and June 2016
Follow up reviews due in 2017/18		
Contract Extensions	In progress	March 2016
LBS Subcontractors and Quality Management Systems	In progress	September 2016
LBS Tools and Equipment	Planned	September 2016
Leeds Grand Theatre – Contract Procedure Rules	Planned	January 2017
Housing Leeds Tenancy Management – Use and Occupation	Planned	January 2017
Contract Review - Joint Venture: professional property and building services	Planned	January 2017
Community Care Finance	Planned	April 2017
Implementation of Client Information System	Planned	April 2017
LBS Stores	Planned	April 2017
Contract Specification and Management	Planned	See 3.2.9

Audited area	Follow up audit status	Corporate Governance and Audit Committee report reference
Commissioning of External Residential Placements and Independent Fostering Agency Payments Follow Up	Planned	See 3.2.12
Directorate Compliance with CPRs: Non and Off Contract Spend	Planned	See 3.2.10

- 3.2.18 During this reporting period we have finalised 11 follow up reviews and closed 2 of these to reflect the progress made since the previous audit. Further follow up work will be undertaken to review the outstanding issues in relation to directorate compliance with CPRs discussed above at 3.2.10, the commissioning of external residential placements discussed above at 3.2.12 and testing will be undertaken on a sample of direct payments (Children's and Families) to provide assurance that the controls in place to ensure that accurate payments are made are working in practice.

Continuous Audit & Data analytics

- 3.2.19 This cross cutting audit programme aims to evaluate control effectiveness across key systems on an ongoing basis, and highlight high risk transactions or events. The programme was developed to initially focus on the council's self-serve processes. Coverage has now been expanded to include testing in other parts of the council's operations. To date, we have completed testing on SAP travel and expense claims, Click Travel and purchasing card expenditure where this related to travel. No significant issues have been identified and overall, we can provide good assurance that the current self-service arrangements and are working as intended.

Counter Fraud and Corruption

- 3.2.20 The counter fraud and corruption assurance block within the Internal Audit Plan includes both the reactive and proactive approaches to the council's zero tolerance to fraud and corruption across the authority.

Proactive Anti-Fraud Work

- 3.2.21 During the reporting period, we have continued to raise awareness of fraud risks and preventative action through communications with senior managers and reviews of the anti-fraud and corruption measures in place in key areas across the organisation.
- 3.2.22 Internal Audit resources have also been focussed on reviewing the National Fraud Initiative data matches and undertaking investigations as appropriate.

Reactive Anti-Fraud Work

- 3.2.23 During the reporting period we have received 9 potential irregularity referrals. Of these, 8 were classified under the remit of the Whistleblowing or Raising Concerns policies. All reported irregularities were risk assessed by Internal Audit and are either being investigated by ourselves, the relevant directorate or HR colleagues, as appropriate.
- 3.2.24 During the reporting period 14 referrals have been closed. 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. We have issued 2 such investigation reports during this period.

Internal Audit Performance

- 3.2.25 The Corporate Governance and Audit Committee has responsibility for monitoring the performance of Internal Audit. The information provided below in respect of our quality assurance and improvement programme provides the Committee with assurances in this area.
- 3.2.26 All our work is undertaken in accordance with our quality management system and we have been ISO certified since 1998.
- 3.2.27 We actively monitor our performance in a number of areas and encourage feedback. 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 presented as an average of the scores received for each question.
- 3.2.28 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.
- 3.2.29 During the period 30th March to 31st May 2017, 8 completed Customer Satisfaction Questionnaires have been received. A summary of the scores is presented in table 3.

Table 3: Results from Customer Satisfaction Questionnaires for the period 30th March to May 2017

Question	Average Score (out of 5)
Sufficient notice was given	4.86
Level of consultation on scope	4.25
Auditor's understanding of systems	4.25
Audit was undertaken efficiently	4.88
Level of consultation during the audit	4.71
Audit carried out professionally and objectively	4.88
Accuracy of draft report	4.50
Opportunity to comment on audit findings	4.88
Clarity and conciseness of final report	4.75
Prompt issue of final report	4.75
Audit recommendations will improve control	4.71
The audit was constructive and added value	4.50
Overall Average Score	4.66

- 3.2.30 During the period, our resources have been focussed on completing the audit assignments in the Audit Plan for 2016/17. These have been included in the Annual Audit Report and Opinion 2016/17. A progress update against the new Internal Audit Plan for 2017/18 will be provided to the Committee at the next meeting.
- 3.2.31 Current levels of resources within Internal Audit are sufficient 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 (PSIAS).

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 council's strategic objectives and has close links with the council's value of spending money wisely.

4.4 Resources and value for money

- 4.4.1 The Internal Audit Plan includes a number of reviews that evaluate the effectiveness of financial governance, risk management and internal control arrangements that contribute towards the council's value of spending money wisely.
- 4.4.2 The Internal Audit Quality Assurance and Improvement Programme and service development work that is reported to the Committee demonstrates a commitment to continuous improvement in respect of efficiency and effectiveness.

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.
- 4.6.2 The risks relating to the achievement of the Internal Audit Plan are managed through ongoing monitoring of performance and resource levels. This information is reported to the Committee.

5 Conclusions

- 5.1 There are no issues identified by Internal Audit in the April to May 2017 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 Update Report covering the period from April to May 2017 and note the work undertaken by Internal Audit during the period covered by the report. The

Committee is also asked to note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

7 Background documents

7.1 None.

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Sonya McDonald
Tel: 74214

Report of the Chief Officer (Financial Services)

Report to Corporate Governance and Audit Committee

Date: 20th June 2017

Subject: Internal Audit Annual Report and Opinion 2016-17

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 (including matters such as internal control and risk management) and to consider the Annual Internal Audit Report.
2. The Public Sector Internal Audit Standards (PSIAS) require the Chief Officer (Audit and Investment) to deliver an annual internal audit opinion and report that can be used by the council to inform its governance statement.
3. This report provides the Annual Internal Audit Report and Opinion for 2016/17.
4. The overall conclusion is that on the basis of the audit work undertaken during the 2016/17 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. There are no outstanding significant issues arising from the work undertaken by Internal Audit. The work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

Recommendations

5. The Corporate Governance and Audit Committee is asked to receive the Annual Internal Audit Report and Opinion for 2016/17 and note the opinion given. In particular:

- that on the basis of the audit work undertaken during the 2016/17 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice
 - that the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing
 - that there are no outstanding significant issues arising from the work undertaken by Internal Audit
6. The Committee is also asked to note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

1 Purpose of this report

- 1.1 The purpose of this report is to bring to the attention of the Committee the annual internal audit opinion and basis of the Internal Audit assurance for 2016/17.

2 Background information

- 2.1 The Public Sector Internal Audit Standards (PSIAS) require the Chief Officer (Audit and Investment) to deliver an annual internal audit opinion and report that can be used by the council to inform its governance statement.
- 2.2 The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the council's corporate governance arrangements. Internal Audit is a key source of independent assurance providing the Committee with evidence that the internal control environment is operating as intended.
- 2.3 The Chief Officer (Financial Services), as the council's Section 151 Officer, is responsible under the Local Government Act 1972 for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of Internal Audit is an important source of information for the Chief Officer (Financial Services) in exercising his responsibility for financial administration.
- 2.4 On behalf of the Committee and the Section 151 Officer, Internal Audit acts as an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.5 The terms of reference of the Committee require that it considers the council's arrangements relating to internal audit requirements including the Annual Internal Audit Report and monitoring the performance of the Internal Audit section.

3 Main issues

3.1 The Annual Reporting Process

- 3.1.1 The Public Sector Internal Audit Standards 2013 (updated March 2016) require that the Chief Officer (Audit and Investment) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control and must incorporate:
- the opinion
 - a summary of work that supports the opinion
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme

- 3.1.2 This report is the culmination of the work performed by Internal Audit during the course of the year and provides the Chief Officer (Audit and Investment) opinion based on an objective assessment of the framework of governance, risk management and control. This includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems. In accordance with the requirements of the PSIAS, the Chief Officer (Audit and Investment) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

3.2 Organisational Independence

- 3.2.1 The PSIAS require that the Chief Officer (Audit and Investment) must confirm to the Corporate Governance and Audit Committee at least annually, the organisational independence of internal audit activity. The Internal Audit Charter and the council's Financial Regulations re-inforce this requirement.
- 3.2.2 During the year, the Internal Audit Charter was reviewed and updated and this was approved by the Corporate Governance and Audit Committee at the meeting in April 2017. The Charter specifies that the Chief Officer (Audit and Investment) must report to a level within the council that allows Internal Audit to fulfil its responsibilities.
- 3.2.3 The authority's Financial Regulations state that the Chief Officer (Audit and Investment) 'must be able to report without fear or favour, in their own name to the Chief Executive, the Executive Board, the Corporate Governance and Audit Committee and the scrutiny function.'
- 3.2.4 Appropriate reporting and management arrangements are in place within LCC that preserve the independence and objectivity of the Chief Officer (Audit and Investment).

Declaration of independence and objectivity

The reporting and management arrangements in place are appropriate to ensure the organisational independence of the internal audit activity. Robust arrangements are in place to ensure that any threats to objectivity are managed at the individual auditor, engagement, functional and organisational levels. Nothing has occurred during the year that has impaired my personal independence or objectivity.

Chief Officer (Audit and Investment)

3.3 Opinion 2016/17

- 3.3.1 The Public Sector Internal Audit Standards (Performance Standard 2450) state that *'the Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.'* This must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.

Chief Officer (Audit and Investment) opinion for 2016/17

On the basis of the audit work undertaken during the 2016/17 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. There are no outstanding significant issues arising from the work undertaken by Internal Audit.

The audit work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

- 3.3.2 During the year, we have audited one area that resulted in a 'No Assurance' opinion, several areas that have resulted in 'Limited Assurance' opinions and we have highlighted weaknesses that may present risk to the council. In these cases, we have made recommendations to further improve the arrangements in place. Although significant to the control environment in place for the individual system areas that have been audited, these weaknesses are not material enough to have a significant impact on the overall opinion on the adequacy of the council's governance, risk management and control arrangements at the year end.

3.4 Basis of Assurance

- 3.4.1 The annual opinion on the adequacy and effectiveness of the control environment for 2016/17 is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year. The schedule of reviews for 2016/17 was prepared using a risk based audit planning approach and was approved by the Corporate Governance and Audit Committee in March 2016.
- 3.4.2 Each piece of audit work results in an audit report that provides, where appropriate, an assurance opinion. Depending on the type of audit review undertaken, an assurance opinion may be assigned for the control environment, compliance and organisational impact. The control environment opinion is the result of an assessment of the controls in place to mitigate the risk of the objectives of the system under review not being achieved. A compliance opinion provides assurance on the extent to which the controls are being complied with. Assurance opinion

levels for the control environment and compliance are categorised as follows: substantial (highest level), good, acceptable, limited and no assurance.

- 3.4.3 Organisational impact is reported as either: major, moderate or minor. Any reports issued with a major organisational impact will be reported to the Corporate Leadership Team along with the relevant directorate's agreed action plan. No audited area has been assessed as having a major organisational impact during the year.
- 3.4.4 The PSIAs require us to report where we have placed reliance on other assurance providers. During the year, External Audit has undertaken testing on the housing benefit system as part of the housing benefit subsidy claim. This includes recalculation of the actual benefit awarded. To avoid duplication, we did not re-perform this calculation as part of our housing benefit assessment and payment audit this year.

3.5 Assurance Areas

Key Financial Systems and Financial Risks

- 3.5.1 Our reviews of the key financial systems and other financial internal control audits support the opinion that, overall, the council has effective financial governance, risk management and internal control arrangements in place.
- 3.5.2 Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that these controls continue to work well in practice. The level of assurance provided for all key financial systems reviews undertaken during the year was good or substantial, with the exception of the Community Care Finance audit. Governance arrangements in respect of the central coordination and setting of the council budget were found to be robust.
- 3.5.3 During the year, we have highlighted opportunities to improve the effectiveness and efficiency of several other financial processes. These areas were assessed to have a minor organisational impact with the exception of the Community Care Finance audit and the follow up work undertaken in respect of the commissioning of external residential and independent fostering agency placements within Children's Services.
- 3.5.4 In respect of Community Care Finance, we reviewed the processing of payments for residential and nursing care placements. The audit found that processes require strengthening to ensure that all changes in circumstances and all deferred and statutory charges are identified. Opportunities were also identified to improve the efficiency of the process in respect of recovering overpayments due from providers. We found that a number of issues were encountered with payments to providers following the introduction of the new customer record and finance system, the Customer Information System (CIS). The issues were addressed at the implementation stage through workarounds and by making payments outside of the system, which has caused some inefficiencies.
- 3.5.5 In the Internal Audit Annual Report for 2015/16, we reported limited assurance that value for money was being obtained when external providers of residential care and independent fostering agencies were being commissioned. This is a significant area

of expenditure and limited assurance was provided because evidence was not being retained to confirm that the provider offering the best value was selected from the available suitable matches (suitable matches are providers that meet the care needs of the child or young person).

- 3.5.6 Our follow up review has found that although some improvements have been made to the control environment there has been limited progress in evidencing how many suitable matches have been identified when attempts are made to place a child. As such we are again unable to provide independent assurance that value for money is being achieved in the brokerage of external placements. Recommendations have been agreed with the Service and a further follow up review will be undertaken during 2017/18 to assess the progress made.
- 3.5.7 As previously, the key financial systems subject to audit were discussed with the external auditors to ensure that the work of internal and external audit are linked as efficiently and effectively as possible. KPMG has reviewed the findings of a sample of our work on key financial systems in 2016/17 and did not raise any concerns over the timeliness and quality. KPMG has confirmed that they use the work of internal audit to inform their risk assessment, including audit risks related to key financial systems.

Procurement

- 3.5.8 For the key procurement risk areas, we have reviewed procurement arrangements both centrally and within directorates, and considered whether policies and procedures were fit for purpose and being followed. Our reviews have covered the following areas:
- arrangements to identify and address expenditure not linked to a contract, and a review of whether Contract Procedure Rules (CPRs) are being followed in this area
 - the procurement, management and extension of contracts
 - commissioning arrangements
- 3.5.9 Acceptable, good or substantial audit opinions were provided for a number of these audit reviews. However for several audits we gave limited assurance opinions, and one no assurance opinion. The key issues identified related to the management of a cross-cutting contract and compliance with CPRs for expenditure not linked to a contract. Further details of the audits are provided below:
- An audit on a council wide contract resulted in limited assurance being provided for the control environment due to issues identified with the contract specification and contract management arrangements. No assurance was provided for compliance with the controls, reflecting the fact that we found variances between the rates charged and those agreed in the tender across the sample tested. Ongoing action is being pursued to address the matter, and lessons learned are being fed into the procurement of a new contract for provision of the services which we will audit later in 2017/18.

- Seven directorate audits were carried out to review compliance with CPRs for expenditure not linked to a contract, and these all received limited assurance. 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. Our directorate reviews specifically targeted a restricted population of payments made off-contract. The main issue identified was that quotes had not been obtained and this approach had not been approved by the relevant chief officer, along with a written record being kept of the reason for this decision. We have reported similar findings in previous audits and we have therefore been working closely with directorates and the Projects, Programmes and Procurement Unit (PPPU) to better understand and address the issues. The matter has been escalated to the Chief Officer PPPU and new recommendations have been agreed that should improve compliance in future. We will carry out further follow up work to review progress in this area during 2017/18.

Other Risks including Non-Financial, Information Governance and ICT

- 3.5.10 We have undertaken a series of audits to provide assurance on the governance, risk management and internal control arrangements in place on a range of other, non-financial risk areas during the year. Our work has had links to risks relating to ethics, safeguarding, compliance with legislation and internal procedures and other risks that may affect the achievement of council priorities. We found these risks to be generally well managed, with each of the reviews providing acceptable or higher levels of assurance overall.
- 3.5.11 The purpose of our Risk Maturity Assessment was to establish how robust and embedded the central risk management processes are when compared to best practice guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). There was evidence that a large number of the best practice criteria set out by CIPFA are in place within the corporate arrangements at the council. A key area where opportunities to improve existing arrangements were identified was in relation to partnership risks. Partnership arrangements are an increasingly important way of delivering council priorities and recommendations have been made to provide central guidance which will help to support the effective management of partnership risks.
- 3.5.12 Our review of the Best Council Plan 2017/18 refresh and performance management framework received good assurance overall. The process to refresh the Best Council Plan was confirmed as robust and delivery plans were found to be in place, with only minor recommendations made in these areas.
- 3.5.13 A key recommendation was made in relation to continuing the ongoing development of a formal performance management framework, which will ensure that the council's performance against the Best Council Plan can be effectively monitored and used to inform decision making. We confirmed that the approach being taken to develop the framework showed evidence of considering key elements of best practice, as did the revised set of 2017/18 Key Performance Indicators which support the Best Council Plan.

Housing Partnerships Assurance Framework

- 3.5.14 Housing Leeds manages and maintains council homes and provides a range of services for council tenants. The Housing Leeds Assurance Framework is designed to provide assurance that the risks associated with the effective delivery of these services are properly managed. During the year, the scope of our audit work has included coverage with links to risks relating to finance, contractor performance, quality of works completed, lettings and the customer experience.
- 3.5.15 Overall, the assurances provided have been positive, with 11 of the 12 audits resulting in either good or acceptable audit opinions overall.
- 3.5.16 No significant concerns have been raised within this assurance block and suitable action plans are in place to improve control in areas where weaknesses have been identified.

Follow up Work

- 3.5.17 Where our audit work has highlighted areas for improvement, recommendations have been made to address the risk and management action plans have been established. A follow up audit is undertaken to provide assurance on the actions implemented for all reviews that have resulted in limited or no assurance opinions. We have completed 22 follow up reviews during the year. With the exception of two areas highlighted above (expenditure not linked to a contract at 3.5.9 and commissioning of external placements at 3.5.5), improvements in control and/or compliance were evident in each of the follow up audits that have been undertaken. This provides assurances in respect of the commitment and effectiveness of management in implementing actions to improve risk management and internal control processes.
- 3.5.18 At the request of the Corporate Governance and Audit Committee, we have introduced a follow up tracker within our regular update reports. This provides a further layer of assurance to the Committee that outstanding audit issues are monitored and followed up as appropriate.

External Work

- 3.5.19 As in previous years, we have carried out audit work for several external clients and partners to generate income for the council. With the exception of the work completed for the Leeds Grand Theatre (LGT), the external work that we undertake is not reported to the Corporate Governance and Audit Committee or detailed within this report as it does not form part of the assurance arrangements for the council.
- 3.5.20 Audits undertaken during the year for LGT resulted in good assurance being provided for Budgetary Control and for Creditors and Payments to Visiting Companies. This reflects the significant work undertaken by LGT to embed key financial controls.
- 3.5.21 Limited assurance was provided for the audit of Contract Procedure Rules. Whilst improvements in the company's financial position are indicative of an ongoing drive to seek value for money, the theatre recognises the opportunity to strengthen

procurement controls in a manner that will be able to consistently demonstrate that best value has been achieved. Further to the completion of the audit we carried out a workshop with officers at the theatre aimed at promoting best practice in procurement, and progress against the actions taken by the theatre will be assessed during 2017/18.

Continuous Audit and Data Analytics

- 3.5.22 This cross cutting audit programme aims to evaluate control effectiveness across key systems on an ongoing basis, and highlight high risk transactions or events. This year we have completed testing on SAP travel and expense claims, Click Travel and purchasing card expenditure where this related to travel. No significant issues have been identified we can provide good assurance that the current self-service arrangements are working as intended.
- 3.5.23 We have also undertaken data analysis to confirm the existence and operation of key controls across the authority. The outcomes from this work have been included within the individual key financial system reports.

Anti-Fraud and Corruption

- 3.5.24 Leeds City Council is committed to the highest standards of openness, probity and accountability. To underpin this commitment, the council takes a zero tolerance approach to fraud and corruption and is dedicated to ensuring that the organisation operates within a control environment that seeks to prevent, detect and take action against fraud and corruption.
- 3.5.25 As custodians of the council's anti-fraud and corruption policy framework and owners of the fraud and corruption risk, Internal Audit adopts an overarching responsibility for reviewing the council's approach to preventing and detecting fraud. Working alongside dedicated specialist teams and services across the council, we draw upon best practice and guidance from a number of sources to assist in steering the focus and direction of counter fraud activities.
- 3.5.26 The anti-fraud and corruption work undertaken includes both proactive anti-fraud and corruption activities (fraud strategies) and reactive work (investigations). The team takes a risk-based approach to ensure the risk of fraud is managed effectively with available resources. Proactive fraud exercises, data analytics work and participation in the National Fraud Initiative (NFI) provide assurance that the authority is taking positive action to detect potential fraud and prevent its recurrence.
- 3.5.27 The council's Whistleblowing Policy and Raising Concerns Policy set out the means by which serious concerns can be brought to the attention of internal audit. The Whistleblowing Policy is available on the intranet and encourages council employees and members, who have serious concerns about any aspect of the council's work, to come forward and voice those concerns without fear of reprisal. The Raising Concerns Policy is published on the council website and offers guidance to members of the public that may have concerns around aspects of the council's work. The promotion and accessibility of these policies helps the council to be responsive to emerging risks that are identified.

- 3.5.28 Internal Audit continues to act as the custodians of these policies. In 2016/17, we received a total of 54 potential irregularity referrals (88 in 2015/16). Of these, 36 were classified under the remit of the Whistleblowing or Raising Concerns policies (53 in 2015/16). All reported irregularities were risk assessed by Internal Audit and either investigated by ourselves, the relevant directorate or HR colleagues, as appropriate. Where the matter was referred to directorates or HR for investigation, we have made follow up enquiries to ensure all aspects of the referral have been addressed.
- 3.5.29 It is essential that council employees and members are aware of and have confidence in our Whistleblowing Policy and that members of the public are able to raise concerns with us so that we can take appropriate remedial action. We are reviewing possible reasons why there has been a reduction in the number of irregularity referrals and have increased efforts to ensure there is appropriate awareness of our whistleblowing channels. We regularly review the council's whistleblowing procedures in accordance with the Whistleblowing Code of Practice and have signed up to the Public Concern at Work First 100 campaign to demonstrate a commitment to upholding the principles of the code and embedding a culture in which concerns can be raised confidently through accessible channels.
- 3.5.30 Of the cases closed during the year, 3 cases resulted in the resignation of the employee concerned (4 employees in total) and 1 case resulted in a dismissal. All cases where criminal activity is suspected are reported to the police in line with our zero tolerance approach to fraud and corruption. Where investigations have taken place, either by Internal Audit or by directorates, improvements have been made to the control environment. We provide guidance to directorates during their investigations, and also provide ad hoc advice for example on fraud prevention controls.
- 3.5.31 We have previously reported to this Committee that our proactive fraud work was successful in identifying fraudulent creditor payments at the Leeds Grand Theatre (LGT) in June 2013. October saw the conclusion of the court case which resulted in the successful prosecution of two individuals, one of whom was the former Head of Finance at the theatre. Both faced charges of conspiracy to commit fraud by false representation and were found guilty following a trial that lasted nearly three weeks. The former Head of Finance received a sentence of five years imprisonment and the other party received a sentence of 16 months. We are currently in the legal process to recover the funds.
- 3.5.32 As part of our proactive fraud work programme we have focussed on the National Fraud Initiative (NFI) outputs and raised awareness of fraud risks across the council. We have done this through news items on InSite, the weekly Essentials e-mail which is sent to all staff with access to e-mail, and targeted communications to particular groups to raise awareness of specific risks.

Other Work

- 3.5.33 We have provided training and advice on a wide range of control issues in response to queries raised from across the organisation during the year and completed analytical review exercises to support work being undertaken within directorates.

3.6 Summary of Completed Audit Reviews

3.6.1 This section provides a summary of all reports issued since 1st June 2016, along with the Corporate Governance and Audit Committee meeting date where the audits were reported. Audit reviews completed from 1st June 2015 to 31st May 2016 were reported in the Internal Audit Annual Report for 2015/16. All reviews up to March 2017 have already been highlighted to the Corporate Governance and Audit Committee in the Internal Audit Update Reports throughout the year. Audit reports issued during the period April to June 2017 are included in the Internal Audit Update Report covering that period and are being presented to the Committee at the same meeting as this Annual Report.

Table 1: Completed Audit Reviews

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Key Financial Systems and Other Financial Risks				
Sundry Income year end reconciliation	Substantial		N/A	September 2016
Income Management System year end reconciliation	Substantial		N/A	September 2016
NNDR year end reconciliation	Substantial		N/A	September 2016
Council Tax year end reconciliation	Substantial		N/A	September 2016
Housing Benefit / Council Tax Benefit year end reconciliation	Substantial		N/A	September 2016
Creditors year end reconciliation	Substantial		N/A	September 2016
Payroll year end reconciliation	Substantial		N/A	September 2016
Bank Reconciliation and Cashbook	Substantial	N/A	Minor	September 2016
Central Purchasing Cards	Substantial	N/A	Minor	September 2016

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Direct Payments (Children's Services)	Acceptable	Limited	Minor	September 2016
Sundry Income – Events Follow Up x 2	Acceptable	Acceptable	Minor	September 2016 and June 2017
Sundry income – Lettings Follow Up x 2	Acceptable	Good	Minor	September 2016 and April 2017
Primary School	Good	Good	N/A	September 2016
Housing Rents year end reconciliation	Substantial		N/A	January 2017
Unannounced Establishment Visit (Adult Social Care) x 2	Good	Good	Minor	January 2017 and April 2017
Insurance	Good	Good	Minor	January 2017
Music Centre (Children's Services)	Acceptable	N/A	Minor	January 2017
Payments for services by voluntary organisations (Children's Services)	N/A	Good	Minor	January 2017
Income Management System	Substantial	N/A	Minor	January 2017
Bank Accounts: Electoral Services Account Follow Up	Good	N/A	Minor	January 2017
Central Sundry Income	Substantial	Substantial	Minor	April 2017
Business Rates	Substantial	Substantial	Minor	April 2017
Capital	Substantial	N/A	Minor	April 2017
Benefit Reconciliations	Substantial	Substantial	Minor	April 2017

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Housing Rents	Substantial	Good	Minor	April 2017
Community Care Finance	Acceptable	Limited	Moderate	April 2017
Central Purchasing Card Controls	Substantial	N/A	Minor	April 2017
Council Tax	Substantial	N/A	Minor	April 2017
Kirkgate Market Follow Up	Acceptable	Acceptable	Minor	April 2017
Primary School Follow Up	Acceptable	Acceptable	Minor	April 2017
Business Support Centre – Payroll and HR Administration	Substantial	Good	Minor	June 2017
Central Control and Monitoring of Nursery Fees	Acceptable	N/A	Minor	June 2017
Payments to Carers (Adult Social Care)	Good	Good	Minor	June 2017
Direct Payments (Adult Social Care)	Good	Good	Minor	June 2017
Direct Payments (Children's Services) Follow Up	Acceptable	N/A	Minor	June 2017
Housing Benefits Assessment and Payments	Substantial	N/A	Minor	June 2017
Local Welfare Support Scheme	Good	Good	Minor	June 2017
FMS Creditor Purchases and Payments	Good	Substantial	Minor	June 2017
Commissioning of External Residential Placements and Independent Fostering Agency Placements Follow Up	Acceptable	Acceptable	Moderate	June 2017

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Payments in relation to In-House Fostering, Special Guardianship Orders and Leaving Care	Good	Limited	Minor	June 2017
Treasury Management	Substantial	Substantial	Minor	June 2017
Central Financial Controls of Local Authority Maintained Schools	Acceptable	N/A	Minor	June 2017
Total Repairs	Substantial	Good	Minor	June 2017
Procurement				
FMS Contract Data	Acceptable	Good	Minor	September 2016
Contract Review: Professional Property and Building Services Joint Venture Follow Up	Good	Acceptable	Minor	January 2017
Contract Review – Independent Support Work	Good	Good	Minor	April 2017
Public Health Commissioning	Substantial	N/A	Minor	June 2017
Contract Specification and Management	Limited	No Assurance	Moderate	June 2017
Directorate Compliance with CPRs: Non and Off Contract Spend. (Seven directorate reports plus one central controls report)	Acceptable	Limited	Moderate	June 2017
Non-Financial Risks				
Planning Decisions	Substantial	Substantial	Minor	September 2016

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Employee Gifts and Hospitality	Good	Good	Minor	September 2016
Employee Declarations of Interest	Acceptable	Good	Minor	September 2016
Risk Management and Business Continuity (Adult Social Care)	Substantial	N/A	Minor	January 2017
Planning Enforcement	Good	Good	Minor	January 2017
Waste Recycling Key Performance Indicator	N/A	Substantial	Minor	January 2017
Customer Contact and Satisfaction	Acceptable	N/A	Moderate	January 2017
Safeguarding Clients Personal Assets Central Controls (Deputy and Appointee Procedures) Follow Up	Good	N/A	Minor	January 2017
Taxi and Private Hire Licensing Follow Up	Good	Good	Moderate	January 2017
Safeguarding Disclosure and Barring Service Checks and Health Care Professions Council Follow Up	Good	N/A	Minor	January 2017
Compliance with Corporate Risk Management Policy – Environment and Housing	N/A	Acceptable	Moderate	April 2017
Adult Social Care Safeguarding	Substantial	N/A	Minor	April 2017
Corporate Risk Maturity Assessment	Assessment of corporate risk maturity levels against 8 areas of best practice. 7 of the 8 risk maturity areas achieved or exceeded the minimum recommended level. The remaining area (partnership risk management) was assessed as being below the recommended level.			June 2017

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Administration of Client Monies Follow Up	Substantial	Acceptable	Minor	June 2017
Risk Management and Business Continuity (Children's Services)	Good	N/A	Minor	June 2017
Best Council Plan Refresh and Performance Management Framework	Good	N/A	Moderate	June 2017
Information Governance and ICT				
Framework (Children's Services Case Management System) Business Application	Good	N/A	Minor	September 2016
Orchard (housing management system) Business Application	Good	N/A	Moderate	January 2017
Academy (benefits system) Business Application	Substantial	N/A	Minor	January 2017
ICT Business Continuity Planning	Good	N/A	Minor	April 2017
Implementation of the Client Information System (CIS)	Good	Acceptable	Moderate	April 2017
Housing Partnerships Assurance Framework				
Belle Isle TMO Equality and Diversity Strategy	Good	N/A	Minor	September 2016
Belle Isle TMO Void Management	Good	Good	Minor	September 2016
Lettings Enforcement	Good	N/A	Minor	September 2016
Housing Leeds Customer Complaints	Good	Acceptable	Minor	September 2016

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Leeds Building Services -Tools and Equipment	Acceptable	Limited	Minor	September 2016
Leeds Building Services - Sub-Contractors and Quality Management Systems	Acceptable	Acceptable	Minor	September 2016
Housing Leeds Direct Labour Organisation Follow Up	Acceptable	N/A	Minor	September 2016
Tenancy Management	Acceptable	Acceptable	Minor	January 2017
Tenant Involvement	Good	N/A	Minor	January 2017
Leeds Building Services - Stores	Good	Acceptable	Minor	April 2017
Rent Arrears	Good	Acceptable	Minor	April 2017
Housing Leeds Programmed and Planned Maintenance	Good	Acceptable	Minor	June 2017
Leeds Grand Theatre				
Creditors and Payments to Visiting Companies	Good	Good	N/A	September 2016
Budgetary Control	Good	N/A	N/A	September 2016
Contract Procedure Rules	Limited	Limited	N/A	January 2017

3.6.2 During the year, we have certified 15 School Voluntary Funds and completed 10 reviews which have provided assurance to various central government departments and other bodies that grant conditions have been complied with. These are listed below:

- Local Transport Capital Block Funding Grant

- Cycling Ambition Grant Determination
- West Yorkshire Plus Transport Grant
- Families First Grant Claims (May, September, January and March)
- Local Authority Bus Subsidy Ring-Fenced (revenue) Grant
- Disabled Facilities Grant
- Childhood Obesity Grant

3.7 Quality Assurance and Improvement Programme and Conformance with PSIAS 2016/17

Internal Audit Performance

- 3.7.1 Fundamental to the performance of Internal Audit is the assessment that Internal Audit performs in accordance with the PSIAS. The standards require that an external assessment is conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.
- 3.7.2 Our external assessment was undertaken in October 2016 and the results were reported to the Committee at the January 2017 meeting. The review concluded that the council's Internal Audit service conforms to the requirements of the PSIAS.
- 3.7.3 The Terms of Reference for the Corporate Governance and Audit Committee include the consideration of the council's arrangements for monitoring the performance of internal audit. This section of the report summarises the performance information that has been reported throughout the year to the Corporate Governance and Audit Committee.

Table 2: Reports to the Corporate Governance and Audit Committee (1st April 2016 to 31st March 2017)

Report	Purpose
Internal Audit Update Reports	Provided regular summaries of the work undertaken by internal audit and allowed the Committee to review the performance of the section.
Anti-Money Laundering Policy	Presented the updated Anti-Money Laundering Policy to inform the Committee of the revisions and to provide an opportunity to comment prior to approval and publication.
Public Sector Internal Audit Standards External Assessment	Nottingham City Council presented the outcome of their assessment of the extent to which the LCC Internal Audit section complies with the Public Sector Internal Audit Standards.

Report	Purpose
Internal Audit Charter	Presented a revised Internal Audit Charter which incorporated the recommendations made in the external assessment for review and approval.
Annual Report 2015/16	Provided an overview of the work undertaken by Internal Audit and the Annual Audit Opinion in respect of the council's governance, risk management and control arrangements for 2015/16.
Annual Audit Plan 2017/18	Presented the proposed Internal Audit Plan for 2017-18 for review and approval.

Resources

- 3.7.4 Resources have been appropriate, sufficient and effectively deployed to achieve the audit coverage necessary to deliver the annual internal audit opinion. We have delivered the audit days that were allocated for assurance work in the Annual Audit Plan that was approved by the Committee for 2016/17 (actual audit days for the year were 2,684, compared to 2,685 days allocated for assurance work in the audit plan).

Proficiency and Due Professional Care

- 3.7.5 Proficiency and due professional care is a key requirement of the PSIAS. All internal auditors have a personal responsibility to undertake a programme of Continuing Professional Development (CPD) to maintain and develop their competence. We have allocated time within the audit plan for CPD, training and personal development to be undertaken throughout the year to continuously improve the knowledge and skills within the internal audit section.
- 3.7.6 All members of the internal audit team are professionally qualified or studying for professional qualifications and table 3 demonstrates that there is also a good level of local government auditing experience within the team.

Table 3: Experience of staff in post as at 31/03/2017

Years of experience – local government auditing	FTE	%
Less than 1 year	4.2	21.39%
1 – 5 years	4.0	20.62%
6 – 10 years	2.61	13.45%
Over 10 years	8.64	44.54%
Total FTE	19.4	100%

Quality

- 3.7.7 The annual independent review of the Internal Audit quality system was undertaken in December 2016. The assessment confirmed that the management system continues to conform to our own standards and procedures and to the requirements of the ISO 9001:2008 Quality Standard and is demonstrating continual improvement. All internal audit work is undertaken in accordance with internal quality procedures incorporated in the quality management system, which has been ISO certified since 1998.
- 3.7.8 A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditee's opinion on a range of issues with an assessment ranging from 5 (for excellent) to 1 (for poor). Table 4 below shows the results for the 42 questionnaires received between 1st April 2016 to 31st March 2017. The results are presented as an average of the scores received for each question and the results for the 41 CSQs received for the same period in 2015/16 are provided for comparison.

Table 4: Average scores from Customer Satisfaction Questionnaires for 2016/17 and 2015/16

Question	Average score 2015/16	Average score 2016/17
Sufficient notice was given	4.65	4.90
Level of consultation on scope	4.41	4.76
Auditor's understanding of systems	4.41	4.52
Audit was undertaken efficiently	4.68	4.79
Level of consultation during the audit	4.54	4.79
Audit carried out professionally and objectively	4.7	4.93
Accuracy of draft report	4.55	4.64
Opportunity to comment on audit findings	4.75	4.90
Clarity and conciseness of final report	4.54	4.72
Prompt issue of final report	4.28	4.66
Audit recommendations will improve control	4.29	4.61
The audit was constructive and added value	4.36	4.67
Overall Average Score	4.51	4.74

- 3.7.9 The excellent customer satisfaction results reflect our commitment to delivering a quality product to the highest professional standards that adds value and improves the council's operations.

Quality Assurance and Improvement Action Plan

- 3.7.10 The PSIAS require that the results of the Internal Audit Quality Assurance and Improvement Plan are included in the annual report. The Action Plan is provided at table 5 below and includes all residual actions from 2015/16 and actions arising from the external assessment.

Table 5 Quality Assurance and Improvement Action Plan 2016/17

Action	Timescale and Status	Comments
Actions carried forward from 2015/16		
The external assessment mechanism for review of Internal Audit against the PSIAS to be agreed and the outcome of the review to be reported to the Corporate Governance and Audit Committee.	Complete	The Committee approved the Terms of Reference for the assessment at the June 2016 meeting. The results of the assessment were reported to the Committee at the January 2017 meeting.
Assurance mapping will continue to be developed and evolve during the annual planning process.	Ongoing action carried forward to 2017/18	Maps have been drafted for each assurance area. These will be updated and refreshed during 2017/18.
Investigate options for integrated Audit Management Software (timesheets and working papers) including business case and implement new automated working practices/documentation.	Complete	The new version of the software was rolled out to staff in April 2017.
Ensure the recommendations made in the self-review of information governance arrangements within the section have been implemented.	Complete	We will undertake regular self-reviews of this area to ensure we continue to conform with best practice.
Actions arising from external assessment		
The external assessors made three recommendations to enhance and improve the Internal Audit Charter.	Complete	The Internal Audit Charter was reviewed and updated to address the recommendations made by the external assessors. The updated document was reviewed and approved by the Committee at the January 2017 meeting.

The external assessors reported a non-conformance with the PSIAS relating to the HR processes involved in the appraisal, recruitment and removal of the Chief Audit Executive.	Ongoing action carried forward to 2017/18	Colleagues in HR are currently reviewing this recommendation.
The external assessors recommended that assurances are both given and sought in relation to resources and limitation of scope when discussing the annual report and the audit plan.	Complete	These assurances are provided within this report.

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 for 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 to risks that may affect the achievement of Best Council Plan objectives and the aims of council policies.

4.3.2 The council's Financial Regulations require that an effective internal audit service is provided in line with legislation and the appropriate audit standards to help the organisation accomplish its objectives.

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 reviews and initiatives in line with the council's value of spending money wisely. These will be included in the regular update reports to the Committee.

4.4.2 The Internal Audit Quality Assurance and Improvement Programme and service development work that is reported to the Committee demonstrates that the efficiency and effectiveness of the section is continually improving.

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 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 The overall conclusion is that on the basis of the audit work undertaken during the 2016/17 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. There are no outstanding significant issues arising from the work undertaken by Internal Audit. The audit work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing

6 Recommendations

- 6.1 The Corporate Governance and Audit Committee is asked to receive the Annual Internal Audit Report and Opinion for 2016/17 and note the opinion given. In particular:
- that on the basis of the audit work undertaken during the 2016/17 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice
 - that the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing
 - that there are no outstanding significant issues arising from the work undertaken by Internal Audit
- 6.2 The Committee is also asked to note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

7 Background documents

- 7.1 None

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Report author: A.Hodson
Tel: 0113 378 8660

Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 20th June 2017

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
 - Peer Reviews
 - Appropriate enquiries of management and staff with relevant knowledge and experience.
3. The attached draft Annual Governance Statement has been prepared in accordance with proper practices specified by the Accounts and Audit Regulations 2015.

Recommendations

Corporate Governance and Audit Committee is asked to;

- i. Agree that the attached draft Annual Governance Statement be released to accompany the draft accounts when they are placed on public deposit.
- ii. Authorise the Chair to agree any additions/amendments to the Statement that may be necessary following the receipt of the External Auditor's opinion.

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 have yet to review the draft Annual Governance Statement and the comments of the External Auditor are usually contained within the 'Report to those Charged with Governance' due to be issued by KPMG in September. However as a result of requirements contained in Accounts and Audit Regulations 2015 the Authority must release an approved Annual Governance Statement (or a draft) to accompany the Accounts when they are placed on deposit.
- 3.3 Corporate Governance and Audit Committee is asked to agree the attached draft Annual Governance Statement and authorise the Chair to agree any additions/amendments to the Statement that may be necessary following the receipt of the External Auditor's opinion.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The Corporate Leadership Team and Best Council leadership Team have both been consulted on content of the draft Annual Governance Statement, particularly to ensure that there are no omissions or misrepresentations.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The draft 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.

¹ CIPFA/SOLACE - Delivering Good Governance in Local Government: Framework (2016 Edition)

4.3 Council Policies and City Priorities

4.3.1 The Statement has been aligned with the Council's Corporate Governance Code and Framework which was approved by this Committee in April 2017.

4.4 Resources and Value for Money

4.4.1 The draft 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 draft 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 draft Annual Governance Statement, subject to any views which may be received from the External Auditors, 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. Agree that the attached draft Annual Governance Statement be released to accompany the draft accounts when they are placed on public deposit.
- ii. Authorise the Chair to agree any additions/amendments to the Statement that may be necessary following the receipt of the External Auditor's opinion.

7 Background documents

7.1 None

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Annual Governance Statement 2017

1. SCOPE OF RESPONSIBILITY

- 1.1 For Leeds City Council our governance framework comprise the policies, plans, systems and processes and culture and values (our system of 'internal control') that we have in place to ensure that our intended outcomes are defined and delivered. To deliver good governance our outcomes must be achieved whilst also acting in the public interest.
- 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 2017.

Context

- 1.3 Our ambition continues to be for us 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 council in the 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 our management of risk. Whether this be by direct service provision, in partnership, by alternative innovative service delivery mechanisms (such as our staff led mutual Aspire) or simply by exerting our influence.
- 1.6 By applying our values and 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.

2. THE GOVERNANCE FRAMEWORK

- 2.1 Our governance arrangements are designed to ensure that we take an appropriate and proportionate approach to managing risk whilst ensuring that our outcomes are delivered. The arrangements are not designed to eliminate all risks but rather provide a reasonable degree of assurance of our effectiveness.
- 2.2 The governance framework has been reviewed and revised by our Corporate Governance and Audit Committee (April 2017) to further align our arrangements to the requirements of the revised proper practices 'Delivering Good Governance in Local Government: Framework 2016'.

2.3 Our governance framework in Leeds comprises our policies, plans, systems and processes and culture and values that allow us to achieve our strategic outcomes 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, safeguarding 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 and Culture Strategy, 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 support our 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 and work undertaken by external auditors and inspectorates. This Annual Governance Statement draws on that work and presents a conclusion in relation to our governance arrangements.

A self-assessment of our effectiveness

Behave lawfully, with integrity and in the public interest and demonstrating this through our conduct and behaviour.

- 3.3 Our council values are a key component of our governance arrangements and provide a framework within which our organisational culture has become embedded. Our values are at the heart of our organisation. In a period of immense change and real challenge we must be both confident and decisive about what we do and how we do it. Our values have been reviewed during the year using focus groups. Feedback was positive and colleagues feel that the values are for everyone and help us work together, as a result some small adjustments have been made. The main changes are:
- Get the best deal on price, quality and social impact
 - I am part of a team with a “can do” attitude
 - Working with people - Engaging all communities
 - Take a “no wrong door” approach if someone needs help.
- 3.4 An annual report is 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.
- 3.5 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 2017. 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.

- 3.6 Work undertaken by Internal Audit provided good assurance that arrangements are in place to ensure that council officers are aware of how to deal with gifts and hospitality offered to them in their roles, to record offers received, and to seek approval if accepting these. Internal Audit has also assessed the arrangements for council officers to declare their interests. The review resulted in acceptable assurance on the control environment and good assurance that the arrangements in place are being complied with in practice. Recommendations were made to improve the process for identifying high risk posts, and for cascading information relating to declarations to relevant managers.
- 3.7 The Monitoring Officer has supported members of the authority (and of Parish and Town Councils) in meeting their obligations to notify any disclosable pecuniary interest within 28 days of either their election or of a change in the circumstances relating to such interests. These requirements have been met during the year with quarterly reminders being issued to elected members to review their registers of interests. Guidance has also been provided to support the registration of Gifts and Hospitality.
- 3.8 An importance element of our arrangements relates to the independence brought to the consideration of Members' Allowances (through our Independent Remuneration Panel) and in securing an independent view on issues relating to conduct (through our appointed Independent Person). Both have been reviewed in year by General Purposes Committee and recommendations made to ensure that both continue to be, and be seen to be, independently minded.
- 3.9 Our 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. Assurances that the policies are routinely complied with are gained through regular reporting of the policy outcomes delivered through Internal Audit reporting to each meeting of our Corporate Governance . During the year the Anti-Money Laundering policy has also been reviewed and updated.
- 3.10 In-house lawyers provide comprehensive legal advice, training, and support to members, member bodies, and all directorates, as well as managing the provision, where necessary, of external legal advice. The in-house lawyers have strong relationships with their in-house customers which facilitates a high support, high challenge environment, leading to better and more robust outcomes. In sum, the ready access by members and officers to high quality lawyers, specialised in local government work and having a clear understanding of the council's vision and values, plays an important part in helping to ensure that the council adheres to the principle of behaving lawfully.

Focus our resources on outcomes and ensure council tax payers and service users receive excellent value for money.

- 3.11 Our business planning and performance management arrangements have enabled members and senior management to focus our resources on outcomes and ensure value for money. The arrangements are centred on our corporate plan, the 'Best Council Plan' which is updated each year. Following consultation with staff and elected members, the refreshed Best Council Plan 2017/18 was approved by Full Council in February 2017. It sets out 8 outcomes, 7 priority areas of work and a range of supporting key performance indicators (KPIs) to help monitor progress as well as being clear on our values and how we will work as an organisation.
- 3.12 An annual report looking back on progress in delivering the prior year Best Council Plan is produced each summer. Performance against the 2015/16 Plan was considered by the Executive Board in July 2016 and the Board is due to consider performance against the 2016/17 Plan in July 2017. The Best Council Plan, annual reports and performance scorecards are all publicly available on the leeds.gov.uk website.
- 3.13 The Best Council Plan sits alongside a range of supporting plans and strategies (for example, the Children and Young People's Plan; Leeds Housing Strategy; Better Lives Strategy; Safer Leeds Plan and Joint Health and Wellbeing Strategy), each with their own performance management arrangements, including Scrutiny Boards and partnership boards. Operational performance management arrangements are in place at service level.
- 3.14 An annual assurance report is provided to the Corporate Governance and Audit Committee on the council's business planning and performance management arrangements. The Committee considered this report in June 2016 and, at the time of writing, is due to consider an updated report in June 2017. This will incorporate the findings of an Internal Audit review into the arrangements carried out in April 2017.
- 3.15 Our Corporate Governance and Audit Committee considered the Annual Assurance report of the Chief Officer Projects, Programmes and Procurement Unit in relation to procurement policies and practices. The committee received assurance that these arrangements are compliant with legislation, are up to date, fit for purpose and effectively communicated with no procurement challenges being brought against the council in-year.
- 3.16 Members were advised that off and non-contract spend has continued to reduce year and year but remained a focus for the Chief Officer to further drive compliance – particularly in light of issues considered by the Corporate Governance and Audit Committee concerning the specification and management of contracts and the spending money wisely reviews undertaken by Internal Audit where there continued to be instances where the requirements of Contract Procedure Rules had not been followed for expenditure that is not linked to a contract.

Be open and engage with local communities, service users and our other stakeholders.

- 3.17 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.
- 3.18 As reported in our Annual Governance Statement in 2016, we have received reaccreditation at the 'Excellent' level to the Equality Framework for Local Government. The framework is a national standard for measuring an organisation's commitment and ability to mainstream equality.
- 3.19 The shaping of our services in the present financial climate is challenging, particularly where those services are provided to vulnerable people. Our Executive Board (with input from our Scrutiny Boards) has worked to balance need, service provision and available resources in difficult financial circumstances.
- 3.20 Working with communities themselves and with partners particularly in the third sector, we are building resilience through improving community capacity and leadership, helping communities become more enterprising through citizen led approaches, supporting people to grow more financially resilient and carrying out a range of community safety actions through the Safer Leeds partnership. Much of this is being delivered via the council's cross-cutting 'breakthrough project', *Strong communities benefitting from a strong city*.
- 3.21 We strive to continually improve the relationship between the council and the citizens of Leeds, and in so doing improve trust in public services and ensure the delivery of local integrated and responsive services for local people. Our Community Committees are integral to that vision.
- 3.22 The committees have a crucial role in improving the way we work locally and form a vital part of our commitment to involving our residents more closely with the priorities for their local area and decision-making on funding and services. The committees have played an important part in meeting our ambition to bring place, people and resources together by:
- ensuring that we spend money and work more intelligently and flexibly than before;
 - making it easier for people to do business with us; and
 - improving the way we make decisions locally with residents.
- 3.23 Executive Board has also considered reports relating to community assets, including the transfer of a community asset to a local charity and the use of an existing asset by a community association and whether this continues to meet the needs of the local community.

- 3.24 In addition the Board has received annual reports relating to the local social care account (providing an explanation of the responsibilities placed upon councils and the contribution made towards enhancing local accountability to the public and as a tool to support sector led service improvement) and of the Director of Public Health concerning progress in addressing health inequalities in the city.
- 3.25 The Chief Officer, Customer Access has reported to Corporate Governance and Audit Committee (January 2017) that the council's processes and procedures around customer access and satisfaction are working effectively. This is supported by work undertaken by Internal Audit - however that conclusion has recognised that there are areas where the processes and procedures can be improved to deliver a much more consistent experience for customers who contact the Council.
- 3.26 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 employees, councillors' and the council's reputation as social media use continues to grow. We have embraced these new opportunities by webcasting our full council and Executive Board meetings and opening up meetings of our committees, boards and panels by enabling third party recording.

Ensure that we have robust and effective audit, scrutiny, information governance, risk and financial management controls.

- 3.27 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 to date has managed to achieve considerable savings in the order of £330m since 2010 and the budget for 2016/17 has required the council to deliver a further £76m of savings.
- 3.28 The 2016/17 budget was supported by the use of £3.45m of general reserves. The outturn position of a £2.6m underspend reduced the use of general reserves, resulting in closing general reserves of £20.7m at March 2017. The Housing Revenue Account revenue reserves stood at £28.1m, an in-year reduction of £10.0m reflecting the planned use of amounts previously set aside to fund PFI and other capital expenditure.
- 3.29 The Council's arrangements around financial accountability and responsibility have also been reviewed in light of the streamlining of senior officer arrangements with a new Section 151 Officer being designated by full Council and a new deputy identified with effect from 1st April 2017. These new arrangements are also supported by a newly created Section 151 protocol.
- 3.30 In January and April 2017 our Corporate Governance and Audit Committee received assurance that the Chief Officer Financial Services has established an effective overall financial control environment framework for treasury management, financial planning and exercises effective financial management and control which, in his opinion, discharge his statutory responsibilities. The framework of control was reported as fit for purpose, up to date, embedded and being regularly complied with.

- 3.31 Assurance was also received that a number of rigorous reviews and assessments have been undertaken that support the substantial assurances provided, including;
- Internal audit provide annual assurances on the major financial systems and controls.
 - Member scrutiny via Scrutiny Boards, Executive Board and Full Council ensures that the budget continues to meet the council's priorities and outcomes. 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.
- 3.32 One continuing risk relates to uncertainties associated with outstanding Business Rate Appeals from the 2010 Ratings list and whether those uncertainties continue under the 2017 Ratings list. Our Corporate Governance and Audit Committee has considered these matters during the year and made recommendations to the Chief Finance Officer.
- 3.33 To accelerate the reforms in Children's Social Care, the Department for Education has invested an additional £9.6m in Leeds over the three years to 2019/20 as part of their Partner's in Practice programme. The funding will be used to create a Centre for Excellence in restorative social work and leadership. Activity will include supporting operational improvement in the sector, leadership development, hosting events, providing additional expertise and capacity for programme management and developing a range of publications.
- 3.34 In addition, the investment will establish early support teams to develop practitioners existing skills, using restorative practices, to improve early interventions with children and families and establish an integrated restorative adolescent service that will work restoratively with families, based around reformed residential homes.
- 3.35 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. Having led a concerted effort to embed arrangements, our Corporate Governance and Audit Committee, has also received assurance that our business continuity plans are in place for all our critical services.
- 3.36 The council's Risk Management Policy sets out our commitment to a risk management framework that enables staff and elected members to identify, understand, manage and report on strategic and operational risks that could impact upon delivery of the Best Council Plan. As part of our decision-making arrangements, all reports for key decisions consider risk management. The council's most significant risks are captured in a corporate risk register.

- 3.37 An annual report is provided to the Executive Board and published on the leeds.gov.uk website explaining the corporate risks and how they are managed. The 2016 report was considered at the July 2016 Executive Board meeting and, at the time of writing, the 2017 report is due to be presented at the July 2017 meeting. A corporate risk map is updated and published each quarter.
- 3.38 An annual assurance report is provided to the Corporate Governance and Audit Committee on the council's risk management arrangements. In March 2017 Internal Audit reviewed the corporate risk management arrangements as measured against CIPFA's risk maturity assessment guidance. The Audit reviewed the key issues that are critical to the successful implementation and management of a risk framework and assessed the authority's performance relating to these key issues on a scale of 1 to 5. Best practice identifies that public services should attain at least a level 3 in order to contribute to the overall control framework. This was either met or exceeded in seven of the eight areas assessed. Partnership risk management arrangements were assessed as a level 2.
- 3.39 Key recommendations were made to provide central guidance on how to manage partnership risks and also to review the risk management responsibilities assigned to our Corporate Governance and Audit Committee. These recommendations will be considered in order to further strengthen the council's risk management arrangements.
- 3.40 A Strategic Safety Advisory Group has met on a quarterly basis. Membership of the group consists of Police, Fire, Ambulance, LCC Highways, Entertainment Licensing, Events Teams, City Centre Management, Environmental Health, Health and Safety and Health. The group reviews lessons learned from events in the previous 3 months and also looks forward to the upcoming period to allow for any issues with the planning process for events to be raised and resolved. The introduction of these arrangements has improved communication with partners and internal stakeholders
- 3.41 The Health and Safety Management System has operated largely as expected. The Annual Risk Report defines the overall rating for 'health and safety' as high because of the possible impact should things go wrong. The stated target is to reduce the probability from possible to unlikely.

Key challenges identified were:

- to review the health surveillance programme; and
 - to ensure suitable, sufficient and up to date risk assessments are completed across all service areas.
- 3.42 In summary good progress was reported in the management of health, safety and wellbeing. Performance is improving across most indicators. There is a clear strategic vision for what needs to be achieved and key risk priorities have been identified for the next three years

- 3.43 Significant work on information management and information governance has been undertaken to strengthen management of our information assets, to respond to external requirements and to identify opportunities for efficiency and other value gains in the management of information. A Lead for Cyber Assurance and Compliance has been appointed and is now working with the Information Management and Governance Management Team.
- 3.44 As regards Information Access and Compliance our Corporate Governance and Audit Committee has been assured that processes and procedures are in place regarding upholding citizen rights to request information and we operate within the Information Commissioners Office thresholds for response times. Assurance has also been received that we are compliant with current Data Protection legislation and that work is in hand to become compliant with the General Data Protection Regulations by May 2018.
- 3.45 Due to more stringent compliance control brought in by the Cabinet Office in 2015 the council are presently unable to meet the Public Services Network (PSN) certification requirements. The Head of Information Management Governance has provided assurance that this does not impact on current service delivery (as the council still had access for example to .GCSX email accounts and Department of Work and Pensions Systems) however the Cabinet Office has placed the council into an 'escalation' process for PSN, a process by which the Cabinet Office provides further support in remediation against the controls.
- 3.46 Through our Open Data approach, we continue to proactively publish datasets over and beyond that required by the Local Government Transparency Code 2015 and make data available in response to FOI requests where possible. This means that we are one of the most open and transparent local authorities in the country and ensures we are compliant with the EU Public Sector Information Re-Use Directive focusing on making data from public authorities available for re-use.
- 3.47 We are required to make all INSPIRE* related data (as is) and metadata available to view and download by December 2020. To date we have published four datasets. We are committed to doing as much as we can to work towards compliance. A review is currently being undertaken of GIS software, which can be used to progress this work. Whilst this approach would not mean that datasets are published to the exacting INSPIRE standards, it does mean that we will be in a position to publish more of our geo-spatial datasets within a reasonable timescale.
- 3.48 With regards to Records Management our Corporate Governance and Audit Committee has received reasonable assurance from the Information Management and Governance Team that processes and procedures are in place and delivering data protection compliance. Processes are in place to ensure that changes to the retention schedule are sufficiently challenged and work is ongoing to simplify the way our retention schedules are documented. Plans are in place to ensure continuous improvement

Ensure we have clear responsibilities and arrangements for transparent and effective accountability.

- 3.49 We have during the year been working with the Local Government Boundary Commission for England as part of their review of our electoral divisions. The Commission had previously agreed with our submission that our council size should remain at 99 councillors and work has now been completed to address review imbalances in the population of some of our electoral wards. This has resulted in some ward boundary changes and some renaming of wards that will be effective from the local elections in 2018.
- 3.50 Our Executive Board has also considered the Integrity of the Elections Process in Leeds and received assurance from the Chief Executive that voters are able to exercise their fundamental right to vote in secret and without interference or undue influence, and that there can be no place in elections in Leeds for behaviour which prevents voters freely exercising those rights. Assurance was also given that Electoral Services officers will continue to look for ways to continually improve and further strengthen our arrangements.
- 3.51 Our Constitution, including the delegation scheme for Council and Executive responsibilities, has been regularly reviewed and updated to reflect various legislative and organisational changes. This has included a substantial overhaul of our senior management structure from 1st April 2017. Sub delegation arrangements are in place and provide a clear description of decision-making responsibilities below director level. The way in which services are being delivered continues to evolve with more services being commissioned and delivered in partnership.
- 3.52 Partnerships and other joint working arrangements with external bodies form an increasing element of our activities, providing challenges in terms of transparency, demonstrating accountability and managing risk. The Corporate Governance and Audit Committee received assurances in respect of financial and control arrangements that are place (including those for partnerships and other joint arrangements where the authority has a financial governance role).
- 3.53 Whilst our Audit committee received assurances that the partnerships identified have appropriate arrangements in place and make due regards to expected standards, further work is required following Internal Audit's recommendations on risk maturity and how to manage partnership risks.
- 3.54 In addition our Executive Board has considered annual reports on our safeguarding arrangements for both children and adults. Both reports have concluded that systems and practices to safeguard adults at risk continue to be firmly established and that for children all the available management and third party analysis indicates that good attention is paid to managing risk appropriately and safely with the frameworks in place. Safeguarding in Taxi and Private Hire Licensing has also been considered by the Executive with good progress being reported in safeguarding policies, improvements that have been implemented, and in progress of recommendations to contribute to public safety.

- 3.55 Our Health and Wellbeing Board has completed its fourth year of work and has provided an open and transparent forum through which joint work on improving health and wellbeing is progressed. The Health and Wellbeing Board has considered and provided an opinion on whether to NHS Leeds Clinical Commissioning Groups takes proper account of the outcomes set out in the Leeds Health and Wellbeing Strategy and has agreed an approach to review the operational plans during 2017-2019. Our full Council meeting has considered the minutes of the Board to enable wider member engagement.
- 3.56 We have fully participated in the work of the West Yorkshire Combined Authority, and in doing so have, with our neighbouring local authorities, reviewed and streamlined other aspects of regional governance. Collaborative working is taking place across the region to support negotiations with HM Treasury for a devolution deal for the region. Given the importance of this, full Council receives a regular update report on the devolved matters; allowing cross party engagement and debate on this evolving area.
- 3.57 We have been working in collaboration with other Local Authorities and Voluntary adoption agencies (VAA's) throughout the Yorkshire and Humber region to create a new model of service delivery for adoption services in line with the government's agenda. We have an agreed approach (based on a Joint Committee and Shared Service approach) to the future delivery of services in West Yorkshire which will improve services for children and adoptive families and deliver a more effective and cost efficient service, utilising government funding to manage the transition and improve the practice in this important area of work.
- 3.58 In addition the proper officer for Scrutiny has confirmed that scrutiny arrangements are operating in accordance with the terms of reference and procedures agreed by full council with inquiries both adding value to the delivery of the council's outcomes and providing challenge to the Executive. This will be reported to members of the authority by way of an annual report to the full Council in July 2017.
- 3.59 The reviews undertaken are a key element of the continuous review of our arrangements and ensuring that they are up-to-date, fit for purpose, Focus resources on outcomes and ensure council tax payers and service users receive excellent value for money.

Take informed and transparent decisions.

- 3.60 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. Continued review of the decision making framework seeks to ensure that there is appropriate use of council resources in complying with the framework with no duplication of effort or resource.

- 3.61 The annual report to our Corporate Governance and Audit Committee (June 2017) 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. In particular assurance is given that systems and processes exist and are used to review and maintain the framework, that requirements in relation to publication of decisions are embedded and routinely complied with, that key performance indicators are regularly monitored and that steps are taken to work positively and transparently.
- 3.62 Given the assurances it is considered that the systems and processes in place continue to represent an appropriate use of resources and good value for money and mitigate risk of recurrence of error or poor performance in relation to decision making governance.
- 3.63 The City Solicitor has provided assurance to our Corporate Governance and Audit Committee (June 2017) that the council has complied 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.
- 3.64 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 often challenging cross cutting issues.

Develop our capacity and capability to be effective.

- 3.65 Our Best Council Plan sets out our ambition to become a more efficient and enterprising organisation. 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, standardise and share our internal processes and develop an agile, skilled and diverse workforce with the ability to work flexibly.
- 3.66 We have continued to work with our trade union colleagues to make significant reductions in staffing costs through challenging the use of agency and overtime and having a robust approach to authorising external recruitment. The flexibility protocol and use of the Early Leavers Initiative has allowed us to reduce staffing in areas where savings are needed and redirect resources to the frontline.

- 3.67 Within this context we are also looking at our future work force needs to ensure we retain sufficient capacity and resilience including
- Development of our apprenticeship programmes;
 - Targeting entry and graduate level talent into the workplace through structured apprenticeship programmes at level 2, 3 and 4;
 - creating organisational capacity and succession planning opportunities;
 - capacity building in areas of skill shortage/gaps through the provision of vocational training and targeted work experience
- 3.68 We maintained our engagement score of 7.5 out of 10 and 79% of colleagues rated work as 7 or more out of 10. However the numbers of staff without access to IT completing the survey was lower than last year. Work is taking place within services to ensure that follow-up action within teams engages everyone.
- 3.69 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.
- 3.70 We are proud to hold Investors in People status and our staff survey results suggest we are doing well, the response rate was 53% an increase of 8% on last year. Large numbers of staff, over 90% said they understand what is expected of them and their teams and feel like they make a difference to the city.
- 3.71 We also recognise the importance of undertaking 'quality' appraisals with colleagues and for the last three years over 96% of staff received an annual appraisal. Appraisals feed into individual and service development plans to provide a holistic view of what support and development colleagues require to enable them to carry out their roles and be the best that they can.
- 3.72 We have arrangements in place to support a healthy workforce through;
- Health and wellbeing programmes including employee assistance
 - Manager and staff development training programmes including mental health awareness etc.
 - Managing Attendance policy with proactive guidance and support to managers to enable them to support their employees and progress sickness absence
 - Continued reduction in our sickness absence levels increasing workforce availability and capacity

- 3.73 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.

Internal Audit Opinion

- 3.74 The Corporate Governance and Audit Committee receive updates on audit activity and progress in meeting the audit plan at each of their meetings. 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.
- 3.75 On the basis of the audit work undertaken during the 2016/17 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. There are no outstanding significant issues arising from the work undertaken by internal audit. The audit work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing and the Public Sector Internal Audit Standards. The Acting Head of Internal Audit has confirmed that there have been no limitations in audit scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

An Independent opinion of effectiveness

- 3.76 Office for Standards in Education, Children's Services and Skills (Ofsted) - Inspection of Adult Learning - this Skills Funding Agency funded provision is subject to inspection under Part 8 of the Education and Inspections Act 2006. Ofsted undertook the inspection of provision on 8th and 9th February 2017. Ofsted published the Inspection Letter on 8 March 2017, recording that the Council Adult Learning provision continues to be Good and that safeguarding is effective.
- 3.77 In accordance with the Children and Families Act (2014), Ofsted and the Care Quality Commission operate an inspection framework to cover children's services and health arrangements for children and young people with Special Educational Needs and Disabilities. Leeds was the fifteenth local authority to be inspected under this new framework, with a one-week inspection taking place in December 2016.
- 3.78 The outcome letter for the inspection was published on 16 February 2016. Inspectors noted a number of key strengths in Leeds, and identified some areas for development which we and health services will address and monitor through the Complex Needs Partnership Board and Scrutiny arrangements. Inspectors and the Minister noted the sense of pride that children with special educational needs and disabilities feel about being citizens of Leeds and that their voice is being heard and that the Council and partners in CCGs take joint ownership of the findings and work together to improve services

- 3.79 The Care Quality Commission (CQC) has been producing reports based on their new inspection process for the past 2 ½ years and have now completed initial inspections of most residential and nursing services in the city however, CQC still need to complete the inspection of a number of domiciliary care providers. Adult Social Care has a good working relationship with CQC inspectors and has regular meetings with them to share information on registered providers. CQC inspection reports are being utilised to gain an overview of the quality of services in the city.
- 3.80 Contract Officers also use the reports to inform our contract monitoring priorities and to inform decisions on suspending placements or services under contract. We are currently in the process of re-commissioning our care home contracts and as part of this process the Commissioning Section will be establishing, in conjunction with CCG partners, a Quality Team to assist providers in raising standards of care in the city.
- 3.81 The Council's Scrutiny Board (Adult Social Services, Public Health, NHS) also receive a monthly report on newly published CQC reports of registered providers and council officers and CQC officers have attended this Scrutiny Board to answer questions from its members.
- 3.82 KPMG, our external auditors have again evaluated the Council's key financial systems as part of their interim audit work in respect of the 2016/17 accounts and have confirmed that nothing has come to their attention which they would be required to communicate to the authority. This work involved;
- Understanding accounting and reporting activities,
 - Evaluating design and implementation of selected controls,
 - Testing the operating effectiveness of selected controls,
 - Assessing the control risk and risk of the accounts being misstated.
- <The statement above to be verified once KPMG's conclusion is available in September>.
- 3.83 KPMG has also reviewed this Annual Governance Statement and has confirmed that;<Insert KPMG conclusion when available>.
- 3.84 The number of grant claims which the council's appointed auditors are required to audit has fallen over recent years, and the Housing Benefit Subsidy claim was the only grant claim that they were required to audit in this period. KPMG's audit of the Housing Benefit Subsidy claim identified a number of minor errors, as a result of which KPMG have qualified the claim, as they are required to do by the grant regime despite the minor nature of the errors identified, and requested corrections. This is in line with the outcome in previous years. There are also a number of minor grants each year for which the council is required by the awarding body to arrange for an external audit. All such grant claims during the year have been certified without adjustment.
- 3.85 As part of their work on the Council's overall control environment each year, KPMG's IT specialists carry out audit work on the council's IT controls. The audit concluded that overall IT controls were effective, and made some recommendations on specific issues including the structure of passwords and the authorisation of system amendments within two of our systems.

Future appointments of our External Auditor

- 3.86 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and also established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. The council must appoint its external auditor to audit its accounts for a financial year not later than the 31st December in the preceding financial year. Therefore, the council must have appointed its external auditor by the 31st December 2017. In February 2017 our Full Council agreed to opt into the Local Government Association established sector-led body for the appointment of external auditors.

Independent Assessment of Internal Audit

- 3.87 In line with the requirements of the Public Sector Internal Audit Standards an external assessment of Internal Audit has been conducted by a qualified, independent assessor and assessment team from outside the organisation. The review concluded that the Council's Internal Audit service conforms to the requirements of the PSIAS. An action plan with recommendations arising from the review is being monitored as part of the Internal Audit update report to Corporate Governance and Audit Committee.

Local Government Association Peer Review

- 3.88 In July 2016, a review team, of seven experienced peers - elected members and officers spent four days in Leeds. They met a range of stakeholders and toured the city. The key messages from the corporate peer challenge have been summarised into three headline achievements which provide strong foundations for progress and three areas for further improvement. In October 2016 our Executive Board considered the review team's findings. Strong engagement from council staff was highlighted as was the clarity of council's vision and ambitions which have been well-articulated. High degrees of trust and confidence in the council and its senior leadership were also evidenced with a good level of self-awareness at strategic level which is evident in plans and strategies.
- 3.89 In addition in September 2016 a Local Government Association Peer Challenge Review of the use of resources by Adult Social Care Directorate was undertaken. The peer review concluded that Leeds City Council Adult Social Care is a self-aware organisation driven by data with clear transformational plans in place, supported by a strong corporate and member ethos and structure.

4. SIGNIFICANT GOVERNANCE CHALLENGES

- 4.1 Our organisational control environment is effective overall, with no significant issues or areas for improvement. However we face a number of significant and ongoing challenges which will impact upon our governance arrangements and how we operate as a provider of public services.

Our Best City / Best Council Ambitions

- 4.2 Our refreshed Best Council Plan 2017/18 continues with the aim previously set out in the 2016/-17 Plan of tackling poverty and reducing inequalities, and the articulated around the integrated concepts of promoting economic growth and of being a compassionate city. It sets out and is based around 7 'Best City' priority areas of work:
- Good growth
 - Transport and infrastructure
 - Low carbon
 - Resilient communities
 - Health and wellbeing
 - Better lives for people with care and support needs³
 - Child-friendly city
- 4.3 Our 'Best Council' ambition remains to be an efficient and enterprising organisation. Maintaining provision of good quality, efficient services that communities in the city need is essential, while finding new ways of delivering the best for Leeds. Innovative approaches developed with service users, citizens and partners are already changing relationships and shifting responsibilities.
- 4.4 Our approach recognises the challenges that the city and the council are facing: 2017/18 has brought continued reductions in the council's funding and this is set to continue to 2020 and beyond; Leeds has a growing and ageing population with increasingly complex needs; some communities are not benefiting from the economic growth the city has experienced and welfare changes could make the inequality gap bigger. Having a clear, strategic vision centred firmly on tackling poverty and inequalities will help tackle these challenges.

Financial Pressures

- 4.5 The government have announced that by 2020 local government will be able to retain 100% of business rates, estimated to be £26 billion nationally, at which time government will withdraw its core funding of local government completely.
- 4.6 In order to ensure that its impact is fiscally neutral in terms of the national finances, the government propose to transfer a number of new functions to local government. This will be a fundamental change in the way local government is financed and brings with it risks associated with Business Rate Appeals.

- 4.7 More broadly the financial climate for local government continues to present significant risks to the council's priorities and ambitions. A key financial risk faced by the council is managing the demand pressures in the children looked after budget, specifically the number of children and young people in external residential placements or with independent fostering agencies. The budget was overspent in 16/17 and additional resources were provided as part of the approved 17/18 budget.
- 4.8 Another significant financial challenge will be managing schools' budgets. At a time when schools are facing uncertainty from the planned introduction of a National Funding Formula (now planned for the 2018/19 academic year), the Department for Education estimates that maintained schools will need to find savings of £3bn nationally by 2019/20. This equates to an 8% real-terms reduction in per pupil funding between 2014/15 and 2019/20 due to cost pressures such as pay rises, the national living wage, higher employer national insurance contributions, teachers' pension scheme costs and the apprenticeship levy. Schools will need support as funding for schools has been relatively protected compared with most other areas of public expenditure.
- 4.9 We will continue to make every effort possible to protect the front line delivery of services, and whilst we have been able to balance the budget each year since 2010, have continued to deliver a broad range of services despite declining funding from government, and have avoided large scale compulsory redundancies, it is clear that the position is becoming more challenging to manage. It will be increasingly difficult to maintain current levels of service provision without further changes in the way the council operates.

Devolution

- 4.10 We are an integral member of the West Yorkshire Combined Authority and are fully engaged at Leader and Chief Executive level through to project delivery in specific areas such as economic development, housing, skills and transport. Leeds is represented in Northern Powerhouse discussions and as a member of Transport for the North, as well as our Leader recently becoming the Chair of the Core Cities UK group. Whilst Leeds has not been able so far to secure a new devolution deal as other city regions have, the Leader and Chief Executive are in dialogue with central government on the geography and powers of a deal that would bring further powers and resources to the city. A Key Account Management approach is being taken in regards to central government departments, to maximise opportunities for devolved funding and pilot schemes for the city.

LGA Peer Reviews

- 4.11 Nine recommendations were made to the Council by the LGA Corporate Peer Review including being bolder in communicating successes, greater prioritisation, revisiting locality working, investing in more innovative and radical change and reviewing the processes in place to support this.

- 4.12 The focussed LGA Peer review on Adult Social Care also made recommendations and identified that key areas of service transformation need to be progressed further and faster and will require resource and better joined up plans across the health system. The Directorate is incorporating the suggestions of the review team within its existing planning and governance processes.

Information Governance

- 4.13 We will need to be able to demonstrate that we have put in place appropriate technical and organisational measures, to ensure and to demonstrate compliance with all aspects of the General Data Protection Regulation. All of these processes will be monitored and audited to ensure on-going effectiveness. These more exacting requirements mean we will need to review our approach to governance, and how data protection compliance is managed as a corporate issue. The remaining outstanding work required to address the recommendations of the Information Commissioners Audit report will be carried out by a small team of information governance staff with completion due in March 2018.
- 4.14 Work to regain PSN certification is the highest priority for the Information Management and Governance Service, the Digital Information Service, with the full backing of CLT. However, at this time and until all the actions required by the Cabinet Office are completed, only limited assurance can be given with regards to Cyber Assurance and Compliance.

Procurement

- 4.15 Compliance with Contract Procedure Rules remains an issue in some areas, notably around justification in reports considering waivers. Further work will be undertaken to improve performance in this area.

Staff Survey

- 4.16 The results indicate that we still need to improve listening to and acting upon what colleagues tell us and how it makes a difference to the way things are. Leadership teams will review the results, and identify where progress can be made.

Health and Safety

- 4.17 Whilst the majority of Health and Safety performance indicators have been met two areas require further work:
- completion of Fire Risk Assessment Reviews in all schools; and
 - A review and development of Health and Safety Performance Standards, where these are currently absent.

Customer Access

- 4.18 Significant progress has been made in how citizens access services however further improvements in processes and procedures will be made to deliver a more consistent experience for customers who contact the Council.

5. ASSURANCE CONCLUSION

- 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.

Councillor Judith Blake
Leader of the Council

Councillor Patrick Davey
Chair, Corporate Governance and
Audit Committee

Tom Riordan
Chief Executive

Doug Meeson
Chief Officer Financial Services &
Section 151 Officer

Catherine Witham
City Solicitor & Monitoring Officer



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Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 20th June 2017

Subject: Draft 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's draft work programme for the forthcoming Municipal 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 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.

4 Corporate Considerations

4.1 Consultation and Engagement

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

4.2 Equality and Diversity / Cohesion and Integration

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

4.3 Council Policies and City Priorities

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

4.4 Resources and Value for Money

4.4.1 It is in the best interests of the Council to have sound control arrangements in place to ensure effective use of resources, these should be regularly reviewed and monitored as such the work programme directly contributes to this.

4.5 Legal Implications, Access to Information and Call In

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

4.6 Risk Management

4.6.1 By the Committee being assured that effective controls are in place throughout the Council the work programme promotes the management of risk at the Council.

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

5 Conclusions

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

6 Recommendations

6.1 Members are requested to note the meeting dates for the committee for the year and consider the draft work programme at Appendix 1 and determine whether any additional items need to be added to the work programme.

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
DRAFT WORK PROGRAMME**

22nd September 2017		
KPMG – Report to those Charged with Governance	To receive the annual report from the External Auditor to those charged with governance.	Doug Meeson Chief Officer (Financial Services)
Approval of the Leeds City Council Accounts	To approve the accounts	Doug Meeson Chief Officer (Financial Services)
KPMG Interim Audit Report	To receive the Interim Audit report from the External Auditor	Doug Meeson Chief Officer (Financial Services)
Internal Audit Update report	To receive the Internal Audit update report	Sonya McDonald Acting Head Of Internal Audit
Cyber Assurance and Compliance	To receive an update report on steps being taken by the council in relation to Public Service Network certification.	Louise Whitworth Head of Information Management Governance

19 th January 2018		
KPMG – Annual Audit Letter – including opinion	To receive a report from the External Auditor presenting the Annual Audit Letter.	Doug Meeson Chief Officer (Financial Services)
KPMG – Certification of Grant Claims and Returns	To receive a report from the External Auditor certifying grants and returns.	Doug Meeson Chief Officer (Financial Services)
Customer Contact and Satisfaction Annual Report	To receive the annual assurance report concerning customer contact and satisfaction	Lee Hemsworth Chief Officer (Customer Access)
Internal Audit Update Report	To receive an update report on Internal Audit's work.	Sonya McDonald Acting Head Of Internal Audit
Treasury Management Annual Report	To receive the annually Treasury Management Report providing assurance on the processes used by the department	Doug Meeson Chief Officer (Financial Services)
Outcome of External Audit Procurement Process and Timetable for 2017/18 Accounts	To receive details of the outcome of the sector led procurement process for the provision of external audit services and note the timeline for the 2017/18 accounts	Doug Meeson Chief Officer (Financial Services)

16th March 2018		
Internal Audit Plan	To receive a report seeking views on the Internal Audit Plan for 2018/19	Sonya McDonald Acting Head Of Internal Audit
KPMG – External Audit Plan	To receive a report from the External Auditor presenting the external audit plan	Doug Meeson Chief Officer (Financial Services)
Internal Audit Update Report	To receive an update report on Internal Audit's work.	Sonya McDonald Acting Head Of Internal Audit
Annual Business Continuity Report	To receive the annual assurance report concerning the Council's Business Continuity arrangements.	Mariana Pexton (Chief Officer Strategy and Improvement)
Annual Assurance Report on the Procurement, Policies and Practices	To receive the annual assurance report concerning Procurement, Policies and Practices	Dave Outram Chief Officer (PPPU)
Annual Financial Management Report (Incorporating Capital) 2016/17	To receive the annual assurance report concerning Financial Planning and Management Arrangements at the Council	Doug Meeson Chief Officer (Financial Services)
Information Governance Annual Report	To receive an annual Assurance report on the Council's Information Governance arrangements.	Louise Whitworth, Chief Head of Information Management and Governance

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