



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Meeting to be held in Civic Hall, Leeds on
Monday, 22nd January, 2018 at 10.00 am

MEMBERSHIP

Councillors

K Bruce	J Bentley	R Wood
N Dawson		P Harrand
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 22nd September 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>CUSTOMER CONTACT AND SATISFACTION - ANNUAL REPORT.</p> <p>To consider a report by the Chief Officer Customer Access which provides the annual update on customer contact and satisfaction levels with customer services delivered by the Council.</p> <p>(Report attached)</p>	11 - 32

Item No	Ward	Item Not Open		Page No
9			<p>INFORMATION MANAGEMENT AND GOVERNANCE - UPDATE ON PUBLIC SERVICES NETWORK (PSN) SUBMISSION AND CYBER POSITION AND THE IMPLEMENTATION OF THE NEW DATA PROTECTION FRAMEWORK (GDPR)</p> <p>To consider a report by the Director of Resources and Housing which provides an update on the current position on Cyber Assurance and Compliance, specifically compliance to the PSN Assurance standard and sets out progress on the council's plans for implementation of GDPR.</p> <p>(Report attached)</p>	33 - 42
10			<p>KPMG ANNUAL AUDIT LETTER 2016/17</p> <p>To consider a report by the Chief Finance Officer which provides a summary of the key external audit findings in respect of the 2016/17 financial year.</p> <p>(Report attached)</p>	43 - 54
11			<p>KPMG CERTIFICATION OF GRANTS REPORT 2016/17</p> <p>To consider a report by the Chief Finance Officer which provides details of the outcomes of the work of auditors in respect of the certification of grant claims in 2016/17.</p> <p>(Report attached)</p>	55 - 64

Item No	Ward	Item Not Open		Page No
12			<p>2017/18 ACCOUNTS TIMESCALES AND KPMG AUDIT PLAN</p> <p>To consider a report by the Chief Finance Officer which informs Members of the earlier statutory deadlines for approval of the 2017/18 statement of accounts.</p> <p>The report provides details of KPMG's audit plan for the audit of the Council's accounts and value for money arrangements and highlights the risk based approach to the audit and the main risks they have identified for 2017/18.</p> <p>(Report attached)</p>	65 - 94
13			<p>INTERNAL AUDIT UPDATE REPORT SEPTEMBER TO DECEMBER 2017</p> <p>To consider a report by the Chief Finance Officer Services which provides a summary of the Internal Audit activity for the period September to December 2017 and highlights incidence of any significant control failings or weaknesses.</p> <p>The report also provides information from the Head of Service (Legal) about the recent use of the council's surveillance powers under RIPA.</p> <p>(Report attached)</p>	95 - 108
14			<p>TREASURY MANAGEMENT GOVERNANCE REPORT 2017</p> <p>To consider a report by the Chief Finance Officer which presents the Annual Treasury Management Governance Report 2017.</p> <p>The report outlines the governance framework for the management of the Council's TM function and also reviews compliance with updated CIPFA guidance notes for practitioners on the Prudential Code for Capital Finance in Local Authorities issued in 2017.</p> <p>(Report attached)</p>	109 - 118

Item No	Ward	Item Not Open		Page No
15			WORK PROGRAMME 2018 To receive a report of the City Solicitor which notifies Members of the Committee's draft Work Programme for 2018. (Report attached)	119 - 122
16			DATE AND TIME OF NEXT MEETING To note that the next meeting will take place on Friday, 16 th March 2018 at 10.00am in the Civic Hall, Leeds.	

Corporate Governance and Audit Committee

Friday, 22nd September, 2017

PRESENT: Councillor P Davey in the Chair
Councillors J Bentley, K Bruce, N Dawson,
J Illingworth, J Heselwood, B Flynn and
B Anderson

18 Appeals Against Refusal of Inspection of Documents

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

19 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.

20 Late Items

There were no late item of business.

21 Declaration of Disclosable Pecuniary and Other Interests'

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

22 Apologies for Absence

Apologies for absence were received from: Councillors: P Harrand, G Hussain, A Sobel and R Wood.

Councillors: B Anderson and Flynn were in attendance as substitutes

23 Minutes of the Previous Meeting

RESOLVED – That the minutes of the previous meeting held on 20th June 2017 were accepted as a true and correct record.

24 Matters Arising from the Minutes

At the previous meeting additional information was requested by the Committee. The Head of Governance and Scrutiny Support reported that the requested information had since been circulated:

- (i) Minute Nos. 8 and 13 value of off/non contract spend and contracts entered into by way of waiver this was circulated on the 21st July;
- (ii) Minute No. 9 clarification in respect of Key Performance Information this was circulated on the 30th June;
- (iii) Minute No. 10 additional data on matters covered in the HR Annual Report was sent to Members on the 21st July;
- (iv) Minute No. 11 concerning management of risk, further information requested by the committee in respect of Cyber security is contained in the report to Members at Item 9.

25 Internal Audit Update Report June to August 2017

Prior to the start of this item the Chair announced that the Internal Audit Team had recently won a prestigious National Award. The Chair invited the Acting Head of Internal Audit to provide further details about the award.

Sonya McDonald, Acting Head of Internal Audit reported that Leeds City Council's, Internal Audit Team had been nominated and shortlisted for the Government Counter Fraud Awards. The ceremony was held in London on 21st September 2017. The Leeds Team beat competition from Her Majesty Revenues and Customs (HMRC) and the Home Office to receive the top award for outstanding proactive detection work in the Government Counter Fraud Awards. The award was in recognition of the Leeds Grand Theatre fraud investigation.

The Chair requested that the congratulations of the Committee be passed on to all Members of the Team.

The Chair welcomed and introduced Councillor James Lewis, Deputy Leader and Executive Member for Resources and Strategy, Neil Evans Director of Resources and Housing and Bev Fisher (Deputy Chief Digital & Information officer) who were in attendance to contribute on the recently concluded investigation into use of resources following the sentencing of former Leeds Councillor and Lord Mayor, Neil Taggart. (Appendix No.1 of the submitted report referred).

Addressing the report the Director of Resources and Housing reported that the Internal Audit Section had undertaken a thorough investigation into the use of council resources by Neil Taggart. He said that although no evidence had been found there was an opportunity to review council systems with a view to strengthening and monitoring. Procedure around Disclosure and Barring Service (DBS checks) should also be strengthened.

Referring to section 3 of the submitted report the Acting Head of Internal Audit said the investigation found no evidence that council equipment was used for the offences committed by Neil Taggart. However, the council did provide an

internet connection to his home for a period of at least eight years, during which time the offences were reported to have taken place. In the absence of any evidence to confirm which internet connection was used to obtain the images in question, there remained a possibility that the council-provided internet connection may have been used for this purpose. Whilst filtering controls were in place during this period, it was not possible for 100% of websites with inappropriate content to be blocked.

In offering comment Councillor Lewis said the investigation undertaken by internal audit was the right thing to do. The investigation has highlighted a potential control weakness in undertaking DBS checks for Members and this was an area where further strengthening was required.

On the issue of DBS checks, one Member queried if all Council Members had been DBS checked.

In responding Councillor Lewis said that it was his understanding that of the 99 Council Members; 70 had a current DBS check, 19 had checks which were in excess of 4 years old and no records could be located for 10 Members.

In the discussion that followed it was the view of the Committee that all Members be reminded of the necessity to have in place a current DBS check and that failure to comply with this requirement should be the subject of consideration and sanction by the appropriate political Group Office.

The Chair also suggested that the issue of DBS checks be referred to the Member Management Committee for further analysis. The Committee supported this and asked that specific consideration be given by Member Management Committee of whether a recommendation might be appropriate to group whips for a failure to complete a DBS check to be dealt with by political groups through their disciplinary arrangements with an ultimate sanction including removal of the group whip.

Members also queried if Neil Taggart had been on the Governing Body of any Leeds schools.

The Acting Head of Internal Audit confirmed that Neil Taggart had been a School Governor, but not an active one and had been disqualified for non-attendance.

A number of Members also highlighted the fact that Neil Taggart was at one time Chair of the Police Authority, as such he would have had access to sensitive information and would have being able gain entry to restricted areas.

Members queried if the Police were undertaking any similar investigation to that of the Council.

Officers reported that they had no knowledge of any such investigation taking place.

The Chair undertook to raise the matter with the West Yorkshire Police and Crime Commissioner.

Members were supportive of the suggested action.

Further information was sought on the monitoring arrangements of the Council's IT systems.

In responding the Deputy Chief Digital & Information officer said arrangements were already in place to monitor and filter internet usage when connected to the council network, where key words and phrases were used to identify and then block inappropriate sites. It was further reported that a framework of proactive monitoring measures to supplement the existing web filtering controls would be put in place, including proactive scanning of the council's digital storage including all council owned devices used by staff and Members.

In drawing the discussion to a conclusion, the Chair said one of the recommendations arising from the investigation was that the council implements the additional proactive monitoring controls for the purposes of identifying offences of this nature. Members were supportive of the recommendation.

The Chair referred Members attention to other issues contained in the update report.

The Acting Head of Internal Audit provided a summary of the Internal Audit activity for the period June to August 2017 and highlighted incidences of any significant control failings or weaknesses.

The report also provided information from the Head of Service (Legal) about the use of the Council's surveillance powers under RIPA, it was confirmed that there had been no such use in this period.

It was reported that there were no issues identified by Internal Audit in the June to August 2017 Internal Audit Update Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.

The Chair thanked Members and Officers for their contributions.

RESOLVED -

- (i) To receive the Internal Audit Update report covering the period June to August 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.

- (iii) To note the information in the report about the recent use of the Council's surveillance powers under RIPA and to note the information provided by the Head of Service (Legal) about the recent use of the Council's Surveillance powers under RIPA.
- (iv) That the Corporate Governance and Audit Committee recommends that all Members of Council be reminded of the necessity to have in place a current DBS check and that failure to comply with this requirement would be the subject of a sanction by the appropriate political Group Office.
- (v) That the issue of DBS checks be referred to the Member Management Committee for further analysis, with a request that specific consideration be given as to whether a recommendation might be appropriate to group whips for a failure to complete a DBS check to be dealt with by political groups through their disciplinary arrangements with an ultimate sanction including removal of the group whip.
- (vi) That the Chair write, on behalf of this Committee, to the West Yorkshire Police and Crime Commissioner in relation to the Internal Audit report into former Councillor Neil Taggart and the use of council resources.

26 Annual Information Governance Report - Update on Cyber Position

The Director of Resources and Housing submitted a report which provided an update on the current position with regard to cyber assurance and compliance, specifically compliance to the Public Service Network (PSN) Assurance standard.

The Head of Information Management & Governance spoke on the work streams created and actions taken to help enable the Council to meet (PSN) certification requirements.

Members were informed that all patching work was up to date, of the 641 identified themes requiring action, this number had been reduced to 52 and the figure was expected to be reduced to 6 by the end of September 2017.

Commenting on the WannaCry virus (Ransom software) which targeted NHS systems, the Head of Information Management & Governance reported that LCC systems were not affected by this virus.

It was noted that as a result of the work undertaken an application for PSN reinstatement would be submitted in October 2017.

Members welcomed the report and acknowledged the measures been undertaken to achieve PSN compliance.

RESOLVED –

Draft minutes to be approved at the meeting
to be held on Friday, 19th January, 2018

- (i) That the contents of the report be noted.
- (ii) To acknowledge the efforts being undertaken to rectify the current situation with regard to the Council's approach to information governance and specifically PSN compliance.
- (iii) That a further report be brought back to this Committee in January 2018 providing further updates on PSN, Cyber Compliance and implementation of the General Data Protection Regulations (GDPR).

27 Approval of the Audited Statement of Accounts and KPMG Audit Report

The Chief Officer - Financial Services submitted a report which explained the requirement for the Corporate Governance and Audit Committee to approve the Council's final audited Statement of Accounts and to consider any material amendments identified by the Council or recommended by the auditors.

The Principal Financial Manager presented the report, Mr Richard Lee from KPMG was in attendance to respond to Members queries and questions.

Members were informed that the external audit report provided the following assurances to Members:

- An unqualified opinion on the 2016/17 Statement of Accounts (following consideration of an elector objection).
- A value for money conclusion that the council had made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
- Confirmation that in the auditor's opinion the Council's Annual Governance Statement was not misleading or inconsistent with other information they were aware of from their audit of the financial statements, and that it complied with CIPFA/SOLACE guidance.

Members made reference to paragraph 3.2.4 of the submitted report which referred to the council's liability under the Carbon Reduction Commitment, noting that a change in the scheme in 2014/15 had been overlooked, resulting in the liability being understated.

Members queried if there were any other similar returns which were not compliant.

Members were informed that at that time the checks did not identify the changes to the scheme.

Members were made aware that revised arrangements were in place to ensure sufficient checking was undertaken and that arrangements for other similar returns were being reviewed.

Reference was made to the increase in business rates appeals provision following a number of high value appeals recently being settled (Paragraph 3.2.2 of the submitted report referred).

It was suggested by one Member that recovery of full costs be pursued for any appeals settled in favour of the City Council.

Members were informed that the City Council had no involvement in the business rates appeal process and such work was the responsibility of the District Valuer.

Members noted:

- There were no high priority recommendations raised by KPMG.
- There was one objection to the accounts from an elector, which KPMG were reviewing.

RESOLVED -

- (i) To receive the report of the Council's external auditors on the 2016/17 accounts and to note that there were no unadjusted audit differences to the accounts.
- (ii) To approve the final audited 2016/17 Statement of Accounts and request the Chair to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities of the accounts.
- (iii) On the basis of the assurances received, the Chair be authorised to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
- (iv) To note KPMG's value for money (VFM) conclusion that the council had made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
- (v) To note that there was one objection to the accounts which was still under consideration by KPMG, and may result in a delay in the completion of the overall audit.

28 KPMG IT Audit Findings 2016/17

The Chief Officer - Financial Services submitted a report which presented the results of KPMG's audit work in 2016/17 in respect of IT controls.

Draft minutes to be approved at the meeting
to be held on Friday, 19th January, 2018

The Principal Financial Manager presented the report, Mr Richard Lee from KPMG was in attendance to respond to Members queries and questions.

Members were informed that the overall conclusion was that IT controls were operating effectively, and were sufficient to allow audit to place reliance on them.

It was noted that KPMG's report made a number of recommendations in relation to user account administration and alignment to password policy. These had either already been addressed or would be addressed as part of the implementation of the Council's new password policy.

RESOLVED –

- (i) To receive KPMG's IT Audit Report.
- (ii) To note the conclusions and recommendations arising from their 2016/17 audit work.

29 Annual Governance Statement

The Head of Governance and Scrutiny Support submitted a report of the City Solicitor which presented the Annual Governance Statement (AGS) to the committee for approval.

The Head of Governance and Scrutiny Support said that following consideration of the Annual Governance Statement by this committee in June the revised draft AGS now incorporated the conclusion of KPMG at paragraph 3.82 and 3.83 of the submitted report.

It was reported that the AGS concluded that key systems were generally operating soundly and, where weaknesses had been identified, arrangements were in place to resolve them.

RESOLVED –

- (i) That the final draft Annual Governance Statement be approved.
- (ii) That the Chair be authorised to sign the statement on behalf of the committee.

30 Work Programme 2017/18

The Head of Governance and Scrutiny Support presented a report of the City Solicitor which set out the work programme for the 2017/18 year.

It was suggested that following the formal appointment of the new external auditors; Grant Thornton, a report setting out the transition arrangements be brought back to this Committee (Date to be determined)

RESOLVED –

- (i) That with the inclusion of the above, to agree the work programme for 2017/18.
- (ii) To note the meeting dates for the Committee in the 2017/18 year as detailed within Appendix 1 of the submitted report.

31 Date and Time of Next Meeting

RESOLVED – To note that the next meeting will take place on Friday, 19th January 2018 at 10.00am in the Civic Hall, Leeds.

This page is intentionally left blank

Report of the Chief Officer, Customer Access

Report to the Corporate Governance & Audit Committee

Date: 19th January 2018

Subject: Customer Contact and Satisfaction – Annual Report.

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

Summary of main issues

- 1.1 This report provides the annual update on customer contact and satisfaction levels with customer services delivered by the Council. The intention behind the report is to provide a range of information and data pertaining to customer contact and satisfaction which together provides a more rounded picture of the Council's processes and procedures around our customer contact.
- 1.2 Specifically the report covers:
 - An overview of customer contact through the Council's corporate customer services – Customer Access.
 - A statement on customer satisfaction within Customer Access.
 - An analysis of corporate compliments and complaints logged via the Council's Compliments and Complaints policy, including those that have progressed to the Ombudsman; and
 - High-level information pertaining to actions taken in the past 12 months by Customer Access to improve access and satisfaction levels.
 - Actions to be taken in the next 12 months.
- 1.3 Based on the information provided in this report, it is the officer view that the Council's processes and procedures around customer contact and satisfaction are deemed adequate and acceptable. However it is also acknowledged that there are areas where processes and procedures can be improved to deliver a much more consistent experience for customers who contact the Council.

- 1.4 It is important to note that Member enquiries are currently out of scope for this particular report however work is ongoing to create a process for monitoring the level of Member enquiries and this will be included within the next report planned for January 2019.
- 1.5 It is felt that this is needed as it is recognised that there is a difference between the 'formal' data associated with contact and complaints as reported here and the experience of local Members who deal with issues raised with them by their constituents on a daily basis.

Recommendations

- 1.6 Corporate Governance and Audit Committee are asked to note that based on the review, assessment and on-going monitoring carried out, the Chief Officer Customer Access has reached the opinion that whilst there is still work to do, overall, customer contact systems are operating soundly and that arrangements are up to date, fit for purpose, effectively communicated and routinely complied with.
- 1.7 Corporate Governance and Audit Committee are asked to consider the content of this report any request any further information they wish to see added to future annual reports.

1 Purpose of this report

- 1.1 This report is intended to provide an annual update on customer contact and customer satisfaction with Council services. To do this, the report provides information and data covering the scale and scope of customer contact, levels of customer satisfaction with the provision of customer services and data pertaining to the Council's formal compliments and complaints process.
- 1.2 The report also provides a high-level updates on actions taken in the past 12 months to improve access and customer satisfaction and outlines actions that have taken to standardise processes across the council with regard to customer contact and satisfaction as a result of the 2016 internal audit report.

2 Background information

- 2.1 Corporate Governance and Audit Committee have received regular annual reports for a number of years on the Council's formal Compliments and Complaints policy and procedure.
- 2.2 At a previous Corporate Governance and Audit Committee meeting when the Compliments and Complaints report was discussed (early 2016), Members of the Committee requested that future reports cover issues such as customer contact and levels of customer satisfaction alongside updates on the compliments and complaints process. Member also asked for information pertaining to actions that had been taken during the previous 12 months to improve customer contact and satisfaction and any actions planned for the subsequent 12 months.
- 2.3 Also in 2016 Members requested an internal audit into customer contact and satisfaction to assess the level of assurance that could be given to existing processes and procedures. This report takes account of the findings from this internal audit report and details the taken over the previous 12 months along with actions planned for the coming 12 months.
- 2.4 To this end the report provides information on the following information for consideration by the Corporate Governance and Audit Committee. :
 - An overview of customer contact through the Council's corporate customer services – Customer Access;
 - A statement on customer satisfaction with customer services;
 - An analysis of corporate compliments and complaints logged via the Council's Compliments and Complaints policy, including those that have progressed to Ombudsman;
 - High-level information pertaining to actions taken in the past 12 months by Customer Services to improve access and satisfaction levels; and
 - Actions to be taken in the next 12 months.

3 Main issues

- 3.1 To enable the organisation to have the assurance that the Council has robust policies and procedures in place to manage customer contact and satisfaction levels, it requires an understanding of a range of factors which together can give an overall picture for Members to consider.

- 3.2 In this regard, this report seeks to provide this overall picture through the provision of data and information pertaining to:
- Levels of customer contact
 - Levels of customer satisfaction
 - Levels of formal compliments and complaints; and
 - Actions taken and planned to improve further the policies and procedures in place.
- 3.3 It is worth noting that the information and data provided for customer contact and customer satisfaction is based purely on that pertaining to customer services delivered by Customer Access and cannot be deemed as wholly representative of all services within the Council. However, over 90% of customer contact with the Council is managed at the first point of contact through Customer Access, then it does provide the most appropriate proxy measure for the council as a whole.

An overview of Customer Contact

- 3.4 Customer Access provides customer service functions for over 90% of the Council's services through the following 'channels':
- Face to Face access through the Council's community hubs, one stop centres and community libraries.
 - Telephone access through the Council's corporate contact centre at Westgate.
 - Digital access through the Council's website, on-line transactions, e-mail and web-chat.
- 3.5 Detailed below are the approximate 2017/18 YTD volumes and monthly averages for contacts received across all these channels:

Channel	17/18 Year To Date	Monthly Average
Face to Face Access		
Community Hubs / One Stop Centres*	330,815	55,136
Community Libraries	1,409,249	176,156
Corporate Contact Centre	918,973	114,872
Digital Access		
Website	2,545,855	363,694
On-line transactions*	1,067,655	152,522
E-Mail	184,067	26,295
Web-chat*	2,206	441
Total	6,458,820	889,116

Please note the data shown is for the period Apr-Nov – except*.

- 3.6 As can be seen from the above table, to date in 2017/18, Customer Services have dealt with over 6 million customer contacts about Council Services throughout the full range of channels provided. This is a significant number of interactions with the citizens of Leeds on a daily basis; be that face to face, on the telephone or on-line.
- 3.7 *Note: The figures provided in the table above for face to face contacts in Community Hubs and One Stop Centres is for the period April to September 2017 only as in September the Customer Relationship Management IT system was decommissioned and data about face to face contacts has not been available to report on from the replacement system from this date.

- 3.8 Also the data for online transactions is for the period April to October 2017 only as the November data was not available at the time of creating this report. Finally, the figures for web-chat are low this year due to the function being under review and not used for the period April to June and therefore the data is only for the period July to November 2017.

Customer Satisfaction for Customer Access

- 3.9 Given the significant levels of customer contact being managed by Customer Access, levels of satisfaction with the service delivered by them is an important measure of whether the policies and procedures in place within the Council for managing customer contact are robust.
- 3.10 To this end, Customer Access has customer satisfaction surveys running on all of the contact channels and the results for each are highlighted below:
- For the previous three years the average customer satisfaction score for telephone contact ran at 98%. To date for 2017, customer satisfaction is running at 93%. The reduction in satisfaction levels is mainly due to increased wait times for customers to have their calls answered due to lower staffing levels in line with reduced budgets.
 - For face to face contact, the average customer satisfaction score for the past 3 years has been 99% and it remains at this level for this year.
 - Email satisfaction is currently running at 72% year to date, a slight increase on last year and continuing to improve.
 - Steps have been taken to promote channel shift, where an online channel is available customers are sent a link, via email, to the appropriate online form so they can self-serve their enquiry, rather than a member of staff carrying out the transaction on their behalf.
 - With regards to our digital access, we use a wide range of information from our customers to help us to continually improve our website and direct customers to online services;
 - We have seen a number of positive trends in performance over this period, with an increase in customers self-serving in a number of areas. e.g. online payments, Blue Badge applications, Check your bin day, Housing bids etc..
 - One of our focuses is to increasing channel shift through improving our IVR messages which in turn is reducing the number of follow up calls being handled by staff where no action is required.
- 3.11 To help achieve this we are also continually monitoring the effectiveness of our email and webchat services. The latter is now only offered on pages for where there is an online option, whilst email replies are quality assured to ensure that they address customer needs and effectively signpost to our self-services.

3.12 As the above information shows, levels of customer satisfaction are still high for telephone and face to face and relatively high for digital access. This slight dip for telephone contact is mainly due to increased wait times for customers to have their calls answered due to lower staffing levels in line with reduced budgets.

3.13 Finally, it is worth highlighting that the satisfaction levels highlighted here are for the provision of customer services rather than satisfaction with the actual service the Council has provided. In this regard, and in the absence of any reported service level customer satisfaction data, we are reliant on the level of compliments and complaints made to the Council through the Council's published policy. The next section of the report provides details on the Council's performance in this regard.

Compliments and Complaints – Council Wide

3.14 The data provided below show the volumes of complaints received by directorate for the period December 2016 to November 2017. Given the volumes associated with customer contact across the Council (see para 3.5).

Directorate	Compliments	Complaints (Stage 1)	Complaints (Stage 2)	Ombudsman Cases
Communities & Environment	303	1006	78	24
Resources & Housing	215	1627	206	34
City Development	84	251	72	10
Adult Social Care	593	467	N/A*	17
Children's Services	26	335	13	26
Total	1,221	3686	369	111

(Note* - The statutory adult social care complaints regulations only allows for one internal stage. Stage two is referral to the Ombudsman)

3.15 To clarify the data reported, there were a number of directorate changes in April whereby Strategy & Resources, Citizens & Communities and Housing & Environment were re-aligned and became Communities & Environment and Resources and Housing.

3.16 Rather than report the old directorates from December to March and the new directorates from April to November, the report captures data against relevant service areas within the new directorate structure fully from December 2016, despite the changes not coming in to effect until April 2017.

3.17 Compared to the comparable period in 2016/17, there has been a small increase in stage 1 complaints from 3,515 in 16/17 to 3,686 in 17/18 and a decrease in stage 2 complaints from 442 in 2016/17 to 369 in 17/18 and also a reduction in Ombudsman cases from 118 in 16/17 to 111 in the same period of 17/18.

3.18 With the pressures facing the Council across the board around budgets and service availability, the 5% increase in stage 1 complaints in 2017/18 is understandable and not particularly disheartening. Stage 2 complaints are expected to reduce in

2017/18 following the increase in 2016/17 which indicates that stage one responses are in the main meeting customers' expectations.

- 3.19 The Ombudsman has taken on 90 cases to date in 2017/18. The figure above of 111 cases is for the period December 2016 to November 2017, whereas the figure of 90 cases is for the period April 2017 to November 2017. Of the 90 cases received since April 2017, decisions have been received on 81 cases, with 18 of these decisions showing fault has been found.
- 3.20 Of the cases where fault was found, a total of £12,277.74 was recommended by the Ombudsman in compensation payments. This figure of 18 cases equates to fault has been found in 22% of cases to date. Comparing this to 2016/17, there had been 128 cases taken on by the Ombudsman, with 35 of those cases resulting in fault being found - 27% of cases. Based on the figures above it is expected that the reduction in the percentage of cases where fault is being found will continue and show an overall lower number for 2017/18 than in 2016/17.
- 3.21 The compliments figures provided do not include those received from September, to November due to the Customer Relationship Management IT system that was being used to record them being decommissioned in September and data not been available to report on from the replacement system to date. With 1,221 compliments received over the 9 months data available at this time, it is expected that around 1,600 compliments will have been received over the full 12 month period, which equated to the figure of 1,629 compliments reported for the 16/17 report.
- 3.22 With the pressures facing the Council across the board around budgets and service availability, the 2% increase in stage 1 complaints in 2017/18 is understandable and not particularly disheartening. Stage 2 complaints are expected to reduce in 2017/18 following the increase in 2016/17 which indicates that stage one responses are in the main meeting customers' expectations. However, with the increase in cases where the Ombudsman has found fault, this would indicate that improvements can be made around how stage 2 complaints are addressed by services.
- 3.23 The Customer Relations Service review will aim to look at identifying greater learning from complaints and as part of this, focus will be placed on stage 2 complaint investigation to try and achieve resolution outside of the customer progressing cases to the Ombudsman.
- 3.24 More detail on the complaints received by each Directorate is provided in Appendix 1 along with commentary as to trends identified and any actions taken by the services to address these issues.

Actions taken in the previous 12 months to improve customer access and satisfaction

- 3.25 The above sections have highlighted a range of information and data pertaining to customer contact, satisfaction levels and compliments and complaints and together provide a more holistic picture of high levels of customer access with high levels of satisfaction and relatively low levels of complaints.

- 3.26 However we continue to take action to increase satisfaction levels and have undertaken a number of improvements over the past 12 months which it is hoped further improve access to services and also improve customer satisfaction. A number of these changes are highlighted below.
- 3.27 **Community Hub Developments.** During 2017 new Community Hubs have opened at Bramley, Seacroft and Dewsbury Road. Each Community Hub brings together the One Stop Centre and the Library.
- 3.28 At Seacroft, the Post Office has also moved into the Community Hub and this is going to lead to further opportunities to co locate. Partners are keen to work in the environment new partners include Work Place Leeds who are working to help residents with low level mental health problems into work, Engage Leeds who are supporting residents to keep their homes, Migrant Access who are working with new people into our communities and we continue to work with popular partners such as Leeds City Credit Union and Money Buddies.
- 3.29 The next Community Hub developments to begin are Morley and Headingley. The Post Office are proposing to co locate with in Headingley.
- 3.30 The latest Community Hub at Dewsbury Road has seen the library open an extra 20 hours a week by it moving into the one building and with no additional staffing. The librarys' new location has led to an increase in the number of children's fiction books being borrowed increasing by 125%, children's non-fiction books 700% and IT usage up by 192%.
- 3.31 The business case for how Community Hubs will be rolled out to the rest of the City is currently being worked through and this will go to Executive Board in early 2018.
- 3.32 **Customer Relations Pilot Update.** From July 2016 the approach to customer relations calls was amended with greater focus was placed on resolving complaints informally at the first point of contact. This began as a pilot to assess the impact of the approach and soon became the accepted way of approaching these calls.
- 3.33 To achieve this a small team of experienced/supervisory officers began taking customer relations calls and used their knowledge and contacts to try and provide the customer with the outcome they desired without the need for a formal complaint to be logged. This led to around 40% of potential complaints being prevented between July 2016 and March 2017.
- 3.34 In May 2017 the team of experienced/supervisory staff taking the calls were transferred to work within teams across the Contact Centre to provide more on team support for Customer Services Officers. Since this time, the number of staff in these roles has also reduced as a result of financial pressures faced by the Contact Centre. To date in 2017/18, there has been a gradual reduction in the volume of complaints prevented:
- Q1 – 34% of potential complaints were prevented
 - Q2 – 27% of potential complaints were prevented
 - Q3 – 9% of potential complaints were prevented (based on data up to 19/12/2017)

- 3.35 However, steps are being taken to increase the likelihood of a complaint being prevented by adding messages to the customer relations line which allow for calls to be directed to service trained experts. Beyond this, options are also being explored around expanding the number of staff taking customer relations calls to other experienced staff who can adopt the same restorative approach to resolving complaints. Focus also is being placed on embedding the learning from this approach to first call resolution on all calls received. With this renewed focus it is expected that the volume of complaints prevented will increase in the future.
- 3.36 Detailed below are updates as to actions taken along with proposed action based on the findings and recommendations of the Audit Report of 2016.
- 3.37 **Corporate Review of Compliments and Complaints.** A Corporate Review of Compliments and Complaints was undertaken in 2016/17. The ambition to develop integrated compliments and complaints teams across the Council with streamlined and efficient and common processes in place was described in the annual report to Corporate Governance and Audit Committee in January 2017. The following provides an overview of progress against each of the agreed recommendations from the Corporate Review:
- 3.38 **Develop clear governance arrangements for customer relations** – there has been movement towards the new model of 3 customer relations teams in the council which cover:
- Adults and Health,
 - Children's and Families
 - Resources and Housing, City Development and Communities and Environment.
- The Customer Services Customer Relations Team is now leading on complaints for Resources and Housing and City Development. This has meant the integration of the Housing Complaints team with the Customer Relations Team, and, whilst no staff have transferred from City Development the complaints are now being handled centrally. Conversations continue to take place to ensure the best way of dealing with complaints in relation Communities and Environment. Early analysis indicates that the most beneficial and productive way of doing this would be to ensure clear links and strengthening common processes rather than structural changes. It is anticipated that the work to understand this will be completed by the end of March 2018
- 3.39 In response to the Customer Relations review, 6.8 FTE posts (3 of them vacant) were transferred from Housing Leeds to the Customer Relations Team to join their 4 FTE posts already within the Team. The 3 vacant posts have been deleted. A further vacancy that has arisen in the team will be held open pending further consideration of the needs of the team. The merging of these two teams means that there are now 7.8 FTE posts (one vacant) as opposed to the 10.8FTE originally. A further saving of £25k has been realised by City Development transferring this budget in recognition of the work now being undertaken by the Customer Access, Customer Relations Team.

- 3.40 **To review the Compliments and Complaints Policy** – a small working group is reviewing and refreshing this in line with the findings from the internal audit review. It will ensure it is consistent with the new way of working developed as a result of the corporate review into compliments and complaints, and will reflect a restorative approach. It will also ensure clarity about where complaints are handled outside the complaints framework. The policy will address how member queries and complaints will be handled. It is anticipated that the new policy will be in place for April 2018
- 3.41 **Introduction of a new set of corporate customer service standards to enable services to assess the overall approach to customer contact within their service.** The current standards are being reviewed and refreshed in the light of the refreshed policy. They will enable services to assess the overall approach to customer contact within their service area and will provide part of the framework for quality assurance and performance. It is anticipated that the refreshed standards will be in place by July 2018
- 3.42 **Introduce a consistent approach to Quality Assurance to ensure that investigations and responses meet expected standards.** A small working group is being established to develop this area of work. It will consider the development of best practice complaint response templates, performance data required to support service improvement, within the context and framework of the refreshed policy and standards.
- 3.43 **To ensure the consistent roll-out to relevant officers of the ‘Quality Complaints Handling and Investigation’ training** There are a number of changes being developed as a result of the review and training will be established which ensures that these changes are taken forward consistently and appropriately at all levels. This training will take the good practises from the Quality Complaints Handling and Investigation training and develop this further
- 3.44 **To have clarity on roles and responsibilities for the enforcement of customer service standards and the investigation of complaints (including protocols for the independent investigation of complaints).** Work in this area will follow the development of the standards.
- 3.45 **Agree processes for the reporting of performance associated with customer contact and satisfaction at service, directorate and organisational level and consider how a corporate measure of customer satisfaction can be developed and measured for the Best Council Plan.** This will follow other work and will be taken forward by the Council Customer Relations group which is chaired by Steve Hume, Chief Officer Resources and Strategy, and membership comprises the heads of the 3 customer relations teams.
- 3.46 **Introduce a more consistent IT system for the recording, management and monitoring of compliments and complaints across the Council.** The IT Development Team are currently looking at how they can potentially fit the Adults and Health and Children’s and Families customer relations teams’ requirements into their schedule to manage and adopt the system currently used by the Customer Services Customer Relations Team.

- 3.47 **Evaluate changes made to customer relations.** It is intended to fully evaluate the changes in October 2018 with a view to further development and learning taking place as appropriate
- 3.48 **To establish a processes for monitoring the levels of Member enquiries –** Member enquiries continue to be responded to appropriately. Further consideration will be included in the review and refresh of the policy, standards and performance arrangements, as described earlier.
- 3.49 **Citizens and Communities Inquiry into Failure Demand.** The Citizens and Communities Scrutiny Board carried out a review into reducing failure demand within the corporate contact centre. This work focussed on the high volume services – Housing and Council Tax and Benefits looking at the causes of repeat contact to the Council for Council services. This work helped us identify the factors which contribute to service failure and which often lead to increased complaints to the Council.
- 3.50 The outcomes from this inquiry was to provide the three service areas with 10 recommendations to support them with their joint working to achieve reduced repeat contacts due to service failures.
- 3.51 One of the areas highlighted in the recommendations was closer working between the services. From this, Tier two support - service specialists being based within Customer Access to support front line staff to deal with customer enquiries at first point of contact - has been provided by Housing Leeds and Council Tax Admin and is currently being trialled on a virtual basis with the Benefit Service.
- 3.52 The closer working between the services with officers from Housing Leeds and Council Tax being based with front line staff has seen some significant improvements in processes and procedures both within the front line and within the services themselves.
- 3.53 Other closer working between these services has seen significant work with Leeds Benefits Service to improve the clarity of their notifications and correspondence to customers.
- 3.54 ***Actions to be taken in the next 12 months to improve customer access and satisfaction***
- 3.55 The following sections details some of the new actions that are to be taken in the next 12 months to further improve the processes and procedures associated with customer contact and satisfaction and increase levels of assurance from satisfactory to good.
- 3.56 **Voice of the Customer.** Customer Access are using information they receive from customers looking to use this information to get a more holistic view of our customers' wants and needs. Intelligence will be brought together from a number of sources with our initial touch points being feedback from Customer Service Officer's, web chat, telephone, compliments and complaints, emails, LCC Webpages, web forms and Contact360 online forms.

- 3.57 We will be assessing how we can better utilise this information to change and improve service delivery to all customers regardless of their contact methods.
- 3.58 We are aware that there is information which we are not using to its full “customer insight” potential. The work on the Voice of the Customer is to better understand this information and how we could utilise this to improve our service delivery to customers.
- 3.59 During the next 12 months we will be:-
- Changing the ‘Contact Us’ web page to ensure that we are providing links to online forms for customers to use.
 - Updating the IVR. This is to have clearer messages for our customers which are simplified, reduce the amount of information and match the information on our web pages for consistency
 - Developing ‘dashboards’ which pull together information from across several different areas to enable assessment to be carried out which will provide enhanced details to allow decisions on change to be made
 - Developing and managing a pilot to trial how we can quickly respond to customer comments.
 - Re-configuring our telephone survey technology to allow customers to choose if they wish to participate
 - Updating our survey questions
- 3.60 The above information and data provides a more holistic view of the Council’s approach to managing customer contact and satisfaction. Based on this and the findings from the Internal Audit report, it is the officer view that the council’s processes and procedures around customer access and satisfaction are deemed adequate and acceptable.

4 Corporate Considerations

Consultation and Engagement

- 4.1 This report is based on information and data obtained through the day to-day operation of customer services; through information obtained as a result of the Internal Audit review of customer contact and satisfaction and the corporate review of compliments and complaints. To this end, services have been involved and engaged through these processes and reviews.

Equality and Diversity / Cohesion and Integration

- 4.2 Previous reports have raised the risk that the council may be under-reporting and potentially not paying appropriate attention to complaints where there are equalities or alleged discrimination aspects, or where vulnerable people do not complain. The cross-council customer relations meetings discuss ways to make sure that we are learning from the very best practice.

Council policies and City Priorities

- 4.3 The Council’s approach to customer contact and satisfaction has implications for council policies and city priorities in that it covers effectively all contact made to the Council. Therefore it is important that the actions identified above are taken to ensure

that all services within the Council are able to provide excellent customer access and satisfaction given the impact this has on council priorities and city priorities.

Resources and value for money

- 4.4 Any feedback we receive from customers (be that through day to day contact, customer satisfaction surveys or compliments and complaints) is free feedback from our customers. We use this feedback to identify areas of improvement, to make our services more effective, in particular more joined up and responsive to people's individual needs and circumstances (see Appendix 1).
- 4.5 Each Ombudsman investigation and equality/discrimination complaint uses a case conference approach, the aims of which are to ensure that the investigation is i) thorough and timely, and ii) actions are put in place to prevent similar problems from occurring.
- 4.6 The cost of financial settlement and compensation is significantly outweighed by the amount of staff time spent administering and investigating complaints and it is true to say that the earlier faults or mistakes are identified and addressed, the more cost effective the process is. This is why the pilot approach outlined at para 3.32 to 3.35 although now no longer in place due to financial restraints, has been used to disseminate the learning to other experienced officers to ensure that the focus on tackling issues before they become complaints remains a key part of the Customer Services role.

Legal Implications, Access to Information and Call In

- 4.7 There are no legal implications, Access to Information and Call in issues associated with this report.

Risk Management

- 4.8 There are significant risks of an organisational, reputational and service delivery nature, associated with poor customer contact and satisfaction levels and therefore it is important that actions are taken to ensure that the processes and procedures that are in place within the authority around customer contact and satisfaction are acceptable and appropriate so as to mitigate the risk to the organisation.
- 4.9 To this end the actions taken and to be taken are important in delivering further assurances on the processes and procedures in place to deliver excellent customer contact and satisfaction.

Conclusions

- 4.10 This report has provided an update on customer contact and satisfaction levels with customer services within the Council. The intention behind the report has been to provide a range of information and data pertaining to customer access and satisfaction which together provides a more rounded picture of the Council's processes and procedures around customer contact.
- 4.11 Corporate Governance and Audit Committee are asked to note that based on the review, assessment and on-going monitoring carried out, the Chief Officer Customer

Access has reached the opinion that whilst there is still work to do, overall, customer contact systems are operating soundly and that arrangements are up to date, fit for purpose, effectively communicated and routinely complied with.

5 Recommendations

- 5.1 Corporate Governance and Audit Committee are asked to note that based on the review, assessment and on-going monitoring carried out, the Chief Officer Customer Access has reached the opinion that whilst there is still work to do, overall, customer contact systems are operating soundly and that arrangements are up to date, fit for purpose, effectively communicated and routinely complied with.
- 5.2 Corporate Governance and Audit Committee are asked to consider the content of this report any request any further information they wish to see added to future annual reports.

Appendices

Appendix 1 – Commentary on complaint trends and actions taken to address them - Nov 2016 to Oct 2017

APPENDIX 1

The Appendix provides detailed feedback from service areas as to complaint trends, and learning points that they have taken from them.

Adult Social Care

Top Complaint Issues

The most common complaint issues relating to Adult Social Care have concerned staff attitude/conduct, quality of service and lack of social work support.

- Staff attitude/conduct – These complaints have typically focussed on the manner in which a member of staff has spoken to a service user, a lack of empathy, not being listened to or concerns around issues being discussed in front of others.
- Quality of service – These complaints have covered various areas such as Home Care, commissioned service providers in residential care, supported living and commissioned day care. Some concerns related to Finance and Access and Care Delivery.
- Lack of Social Work support – These complaints cover a range of issues from not providing or sharing information and concerns around communication.

Lessons Learned:

Where a complaint has been upheld, it is often the case that the Manager undertaking the resolution of the complaint will make recommendations on how the service should be improved to avoid a similar situation arising for another service user. Some of the lessons learned in response to complaints have identified the need for staff training and others have led to development of information for service users and their families the impact which should lead to service improvements.

Some examples of the service improvements include:-

- A Service Provider developed an information booklet for care staff about basic food preparation in order to best support service users to have a healthy diet following a complaint relating to food preparation and nutrition. This practice is to be shared with a regional Nutrition and Hydration Programme within the Yorkshire and Humber Academic Health Science Network who are seeking innovative ideas to improve nutrition and hydration amongst community-based older people in the region.
- A process is in implementation which requires home care providers to install electronic call monitoring (ECM) tape systems which will better monitor time within care visits and provide this information to Leeds City Council. This was in response to a concerns raised over the amount of time spent providing home care.
- Clear information about the costs of residential care are now provided to service users in writing following concerns raised over this. Social workers were also reminded of the requirement to offer a carer's assessment in all cases where carers request support.

- As a result of families' concerns about the lack of information about fees, an information booklet has been developed for service users and their representatives which very clearly describes the different types of placement available and the charging structures that apply to each one. The information literature will sit within the documentation given to people admitted to hospital.

In response to concerns about delays in billing, in paying providers and concerns about the lack of information in relation to finance, improvements have been made and/or are in the process of being implemented. Some examples of improvements made include the following:-

- Previously (2015) a financial assessment referral was made by email from the Social Worker to the Financial Assessment Team. A more robust system has now been introduced so an electronic record and an email is generated.
- In cases where a customer does not qualify for funding, as of June 2017 this information is shared with care homes also to avoid the customer being sent large backdated invoices.
- A guidance booklet around the payment of care home fees has been produced and is out for consultation before being finalised.
- There has been a booklet available regarding non-residential financial assistance for many years. Both this and the new residential care booklet will be made available on the Council's website.
- Mandatory training is also scheduled for Social Workers from February 2018, in order to provide them with a greater understanding of the finance process, new processes and procedures, the importance of early discussions with clients and representatives.

Children and Families' Service

Top three reasons for complaint

1) Lack of, or manner of social work support

It is not surprising that this is a common cause for complaint. Social workers work closely with their appointed service user and it can be a challenging relationship as well as a supportive one. Service users may feel judged or disagree with actions or plans agreed to ensure the safety and wellbeing of the child.

In line with restorative working all complainants are offered a meeting where their views can be heard and explored. The majority of these complaints are resolved quickly at this stage.

2) Challenge to child and family assessments

The numbers for this area have decreased over the last few years but it remains a significant point of complaint.

Child and family assessments are by their nature intrusive and usually involve a professional making considered judgements based on evidence presented to them,

which can be difficult for people. Social workers are trained to put forward a balanced view and talk through elements of the assessment with the parents or carers as the assessment progresses. This is to gain some agreement and also ensures there are no shocks when the assessment is finally produced. Assessments are hand delivered and talked through with the service user before being left with them.

3) Issues with contact

These complaints are often from parents whose children are in care but can also be looked after children who are seeking contact with members of their family or friends. The needs of the child are always prioritised in these cases and it can be difficult for family members to understand that a child may need to settle into a placement or have therapeutic treatment before being ready to have contact with them. It is particularly difficult for a looked after child that may be feeling isolated and wants contact but may not realise the harm that can be done. A face to face meeting will be arranged and the issues discussed to find a way forward. A compromise can often be found through other forms of communication but the safety and wellbeing of the child will be paramount.

Trends

Now that the strategy in children and families' service is focussed on providing early support and strengthening families, we are seeing more complaints for wider family members especially grandparents. Through our restorative early support service and also family group conferencing, more members of the family are involved in the process and may even be part of the plans to care for a child. This can lead wider issues (with more assessments taking place) and has caused some complaints. However, involving the wider family in caring for a child remains a positive strategy to reduce the need for children to be looked after by the local authority.

There has been considerable effort into reducing out of area placements for looked after children and also moving children from residential care into foster care and this has been reflected in a reduction in complaints about placement moves.

Complaints by care leavers have risen over the last year and this can be seen as both negative and positive in that, in recent years, we have made more stringent efforts to maintain contact with care leavers and a series of enrichment initiatives has allowed us to give extra support to care leavers. Due to our having more contact we have seen a rise in all communication including complaints.

Learning points

We have learned through challenge from parents to ensure DP agreements are specific and clear. We have also improved our process to apply for provision and support through DP by more communication to social workers regarding applications to be presented to the Resource, Allocation, Decision And Review (RADAR) panel.

There have been cases of delays in the complaint process which have been addressed through clear focus on timescales for response and support of officers investigating complaints.

City Development

Top complaint issues

The key areas for complaints in City Development have been Planning & sustainable Development, Highways & Transportation and Recreation – Sport.

Planning complaints typically focus on how planning applications are handled, either the customer's application or how they have been affected by an application nearby. In the majority of cases the complaints are not upheld, showing, the correct processes are being followed.

One of the main common issues for highways is failure to carryout work, within a timescale the customer feels is acceptable. In most cases this relates to potholes and other roadworks and the work from the council's point of view not being deemed a high priority.

For Sport, the key top complaint issue is the condition of the leisure centres and the facilities they provide, such as swimming lessons. The leisure centres are cleaned regularly but sometimes the standards does not meet the customers.

A number of customers escalate their complaints to stage two of the policy, however it can often be the case that whilst the customer remains dissatisfied, the Council are unable to offer a different outcome to that at stage 1.

For example, complaints are received relating to planning application which have administered correctly, but has a great negative effect on the customer. It is likely, the customer will still feel aggrieved after their stage 1 response as the Council cannot remove the issue. As with a large proportion of stage 2 complaints, the majority of stage 2 complaints are not upheld.

Key trends

In the latter half of 2016/17 and to date in 2017/18 there has been a decrease in the number of complaints received across City development, particularly around Planning & Sustainable Development and Culture & Sport. The number of upheld complaints has also declined over this period.

Learning points

Many of the complaints received by City Developments relate to issues which have a negative impact on customer, even if all policies have been followed correctly. With this being the case it is difficult to discern improvements. However, the decrease in the number of complaints received is promising and has come about as a result of the 'Building Brilliant Customer Services' workshops that had been rolled out to many staff within City Development in late 2016 which had aimed to improve the quality of responses.

Cleaner Neighbourhoods

Top complaint issues

Parking services - Issues raised about parking services were similar in nature to last year. Many of the complaints are actually appeals against the receipt of a parking fine/fine for driving in a bus lane and the Parking services team has dealt with these using their appeals process. Common complaint types through the year have been around parking zones/passes for parking zones and about problems with broken/faulty ticket machines taking money and not giving (appropriate) tickets.

Street cleansing issues – These complaints have largely been general complaints about a perceived lack of street cleansing. There have been a small number of complaints about street cleaning machines supposedly causing damage to property. Unlike some previous years, there have been few complaints about seasonal accumulations of leaves.

Learning points:

Cleaner Neighbourhoods Teams - The formal complaints continue to be dealt with by managers across the service and where the investigation identifies a failing in either a system or process managers have continued to use this as an opportunity to review how work is done and make improvements.

Customer Access

Top complaint issues

Complaints received by the Contact Centre have related to the level of service received, staff conduct and the level of service received. Broken down by service the Council Tax, Refuse/Waste and Housing Leeds.

Key trends

In the context of the volume of calls taken at the Contact Centre, the number of complaints received is very low with 1 complaint received for every 3200 calls, with 40% fully upheld, 30% partially upheld and 30% not upheld. A reduction has been seen in the number of complaints received over the same period in 2015/16. When considering the pressures faced by the contact centre in managing a reduced workforce with a relatively high turnover of staff, coupled with pressures our customer face around their personal finances and the availability of services, the reduction seen is encouraging.

Peaks and troughs in customer contact are seen throughout the year. In most months typically somewhere between 10 and 20 complaints will be received. Peak volumes were received in June, July and October. The increase in complaints in the second half of the period under review has coincided with challenging periods around staffing levels and also the introduction of new IT systems which had seen delays and also teething problems once the systems were in place. In November new self-service systems have gone live and staffing levels have increased which has seen complaints reduce to lower levels.

Learning points

Whilst the level of contact centre complaints have reduced over the 12 month period under review, focus remains on maintaining this reduction whilst balancing budget reductions and increased customer demand.

A new initiative has recently begun which has seen the recruitment of new staff to the contact centre as part of the apprentice scheme. The aim of the apprentice scheme is that this will ensure that staff remain in position for longer periods of time as they learn whilst they work and it is hoped that this can be expanded over time to provide greater levels of contact centre staffing.

As detailed in the customer relations pilot update, ways of expanding this approach and increasing the volume of complaints prevented at the first point of contact are being explored. Good results have been achieved through the first half of the year and the aim is to achieve resolution in 1 of 3 cases by modifying the way these calls are handled.

Housing Leeds

Top Complaint Issues

A large number of complaints were being received in regards to the quality of repairs and missed appointments/lack of communication. To resolve these issues for customers at first point of contact, the Responsive Repairs team have been working closely with the Contact Centre to train and develop staff to get it right first time. In addition to this, Leeds Building Service has developed a new system to improve the planning and scheduling of repairs that will have a specific impact in the East of the city

Key Trends:

Analysis of complaints shows a high number relating to staff attitude/conduct; mainly linked to non-timely communication. To resolve these issues, bespoke Customer Care training was developed by the Customer Relations Manager for all customer facing staff. The training began in January 2017 with input from volunteer customers and 130 staff attended between January and March 2017. The course was further reviewed based on staff feedback and a further 37 sessions arranged between August and December 2017 – just under 450 staff.

Learning Points:

Feedback on learning outcomes to all teams continues to be a priority. In addition to the Customer Care training for staff, Housing Leeds remains committed to raising staff awareness of equality issues holding a full programme of learning and training events during Diversity Month in September 2017. A recent complaint regarding gender change has resulted in a gender change guidance/procedure being developed across Leeds City Council led by Housing Leeds. We have also included the correct use of pronouns in our Customer Care training making it LGBT+ inclusive. We continue to receive a small but regular number of complaints per month regarding planned investment works and this has been taken into consideration during the procurement of new contractors. Customer Care being a key element of the assessment of their submission to be successfully awarded the contract.

Waste Management

Top Complaint Issues

Top complaint issues are: missed bins, followed by crew issues, then policy, and bin orders and deliveries, these four categories account for around 80% of the complaints received within the service, with complaints in relation to missed bins attributing to around 40% of the complaints received as a whole.

Key Trends:

Figures tend to remain consistent throughout the year, with peaks occurring at various points. For example, complaints tend to slightly increase when our garden waste collection service resumes during February/March, and often peak during the summer months. There has been a slight increase in policy complaints, which shows as a spike in June. This is mainly attributable to the introduction of bin charging and customers not agreeing with the policy change. However missed bin complaint have gone down over the last 12 months from 50% of our total complaints to 40%.

Learning Points:

Complaints in general are falling, which can also be attributed to the drop in missed bins, and indicates an overall improvement in service. The complaints relating to bin charging have started to decline and will drop further following the suspension of the garden waste for the winter period

This page is intentionally left blank

Report of Director of Resources and Housing

Report to Corporate Governance and Audit Committee

Date: 22 January 2018

Subject: Information Management and Governance – Update on Public Services Network (PSN) Submission and Cyber Position and the Implementation of the new Data Protection Framework (GDPR)

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

Summary of main issues

1. The Public Services Network (PSN) was set up as an assured route for information sharing by central Government, to facilitate shared services and also serve as the assured route for Government Connects Secure Extranet (GCSx) mail. It acts as a compliance regime that serves as both a commitment to a basic level of information security for connecting government departments and local authorities and also a level of trust between Leeds City Council and other public services.
2. Due to more stringent compliance controls brought in by the Cabinet Office in 2014 the Council are presently unable to meet the PSN certification requirements. The Cabinet Office contacted the Council through the Chief Executive in January 2017, to ensure that the Council brings itself into compliance as soon as possible. The Council's access to the PSN has not been unduly restricted but this would be a likely consequence if prompt action was not taken.
3. The EU General Data Protection Regulation ("the GDPR") was adopted in May 2016 and will be directly applicable in all EU member states from 25 May 2018. The new Data Protection Bill, announced in the Queen's Speech, will bring new EU law (the GDPR and the Data Protection Law Enforcement Directive) into

domestic law; exercise the available derogations in the GDPR; and repeal the Data Protection Act 1998.

4. There are only 5 months left before the GDPR takes effect and the law will impact on how personal data and sensitive personal data is processed throughout its life cycle across every service in every directorate. It will impact on every officer within the Council and will also impact on those contracts with suppliers where personal data is processed and the Council's relationships with partners and stakeholders.

Recommendations

Corporate Governance and Audit Committee is asked to consider the contents of this report and be assured of the council's approach to Information Governance and specifically in this case PSN compliance and the implementation of the changes required to achieve compliance with the new legislation from May 2018.

1. Purpose of this report

To provide Corporate Governance and Audit Committee with an update on the current position on Cyber Assurance and Compliance, specifically compliance to the PSN Assurance standard and with an update on the council's plans for implementation of GDPR.

Update on Public Services Network (PSN) Submission and Cyber Position

2. Background Information

- 2.1 The Public Services Network (PSN) was set up as an assured route for information sharing by central Government, to facilitate shared services and also serve as the assured route for (secure) GCSx mail. It acts as a compliance regime that serves as both a commitment to a basic level of information security for connecting authorities and also a level of trust between Leeds City Council and other public service.
- 2.2 Due to more stringent compliance control brought in by the Cabinet Office in 2014 the council are presently unable to meet the PSN certification requirements. The Cabinet Office has placed the council into an 'escalation' process for PSN, a process by which the Cabinet Office seek commitment from the CEO and provide further support in remediation against the controls.

3. Main Issues

- 3.1 In February 2017, the Council received the IT Health Check (ITHC) results for 2017; an annual audit required for PSN compliance. The ITHC report for 2017 detailed vulnerabilities across the infrastructure. This audit followed the cabinet office' scope requirements for PSN and as such the number of issues the council had to address had grown significantly from 2016.

- 3.2 A significant number of individual vulnerabilities were revealed on a 10% sample of the estate. The sheer size and volume of unknown issues across the estate gave evidence to systemic failure of controls, previously believed to be sufficient.
- 3.3 The PSN Assurance Team (Cabinet Office) mandates that each vulnerability is extrapolated to the estate as a whole and resolved. Those identified as critical or high must be resolved before the Local Authority can be determined compliant.

4. Actions to Date

- 4.1 The PSN Remediation Board, with the Head of Information Management and Governance as Senior Responsible Officer (SRO), reporting to CLT and the Senior Information Risk Officer (SIRO) monthly, has made significant progress. The board meets bi-weekly to work through the compliance requirements and close down remediation tasks realised by the ITHC audit. Monthly meetings with the PSN Authority (PSNA) provide them with regular reports about the progress being made by the council. This relationship is strong and supportive.
- 4.2 Network Attached Devices – The ITHC in February 2017 highlighted a large number of issues on a sample of the network. This was due to process defects with patching and configuration management. The estate is now being actively monitored for vulnerabilities and patched appropriately. Compliancy is now above 90% for Windows hosts (which comprises of the bulk of the estate) and which is an acceptable level for the Regulators. 146 unsupported or un-patchable Windows servers have been removed from the estate,
- 4.3 Housing BI Reporting – The User Acceptance Testing due in November 2017 was delayed due to the complicated nature and inter-relationship of the databases involved. The issues have now been, however the delay has meant that completion of this workstream will be pushed to the end of January 2018.
- 4.4 Telephony – All Polycom devices have been updated and a process has been established to ensure they are kept up to date in the future.
- 4.5 Solaris / Siebel - All out of support Solaris servers and all occurrences of out of support Siebel have either been removed from the estate or upgraded appropriately.
- 4.6 Applications – 32 Cloud suppliers have been identified. They have all been contacted regarding their compliance with the 14 PSN Cloud Security Principles. To date, 29 have been returned. Cloud Principles have been added into technical specifications for all new contracts and renewals. In development is a 'Cloud Readiness Assessment' for external suppliers to ensure that they meet the Principles prior to tender.

- 4.7 Mobile Device Management – A pilot has been carried out with Digital Information Service staff. The support documentation has been amended in light of feedback received. A temporary pause in the full rollout has been called to ensure all issues are addressed, but a roll out to a further cross section of 50 users is taking place in January 2018.
- 4.8 Network Segmentation / Authentication – The procurement of a network access control software is complete, implementation is planned before the end of March 2018. Network segmentation will follow the completion of this work.
- 4.9 A re-application for PSN Certification was made to the Cabinet Office on the 30th September 2017. In November 2017, a mid-year IT Health Check was instigated in order to ratify the Council's position. The results of the ITHC show a significant improvement. Where vulnerabilities were highlighted, there was nothing that we were not already aware of and plans were already in place to rectify. The Cabinet Office asked for a copy of the November ITCH report to compare with our September PSN submission. To date we have had no response from the Cabinet Office regarding our PSN status, although verbal conversations have been very positive, with recognition of the considerable effort and large amount of work completed so far.

Implementation of the new Data Protection Framework (GDPR)

5. Background information

- 5.1 The GDPR is the most significant development to data protection law since the Data Protection Act 1998 (DPA). The GDPR, and the Data Protection Bill that is currently going through parliament, are designed to bring about more fairness, transparency and security into the way we hold data.
- 5.2 While the GDPR is building on the principles already in place under the DPA, the GDPR's emphasis elevates their significance and places greater accountability on organisations to demonstrate their compliance with the new legislation.

6. Main issues

- 6.1 A project of this size is a significant programme of work and dedicated resource is required to make the relevant people, process and technology changes required across the council to enable us to be compliant by May 2018 and maintain that compliance thereafter.
- 6.2 The council has a number of highly experienced IM&G practitioners who are both leading on and involved in each of the work streams. However, work on GDPR in the most part is an 'add on' to business as usual including work on statutory requests, high risk matters, and projects to deliver strategic and directorate led objectives.

6.3 To address this a GDPR Implementation Team was established in August 2017 for a fixed term of 12 months.¹ This team is led by the Corporate IM&G lead for Access and Compliance. This team consists of:

- 2 x Senior Information Governance Officers from within the IM&G Service;
- part time support from a project manager and a project support officer within PPPU

The role of this team is primarily to:

- project manage and coordinate all the activities, outputs, and interdependencies of the work streams;
- develop a framework / package to empower the business to adopt and accept responsibility for implementing GDPR;
- roll out of the framework / package across the council via GDPR Service Leads;
- support services with the work required to implement GDPR by being the first point of contact for all matters relating to GDPR; and
- ensure that the governance and reporting arrangements for a project of this size are adhered to.

6.4 The GDPR implementation team requires active engagement and support from core services within the council such as ICT, Legal, HR, Procurement, Communications and Internal Audit.

7. Actions to date

7.1 Data Protection Officer - The GDPR requires the council, as a public authority, to designate a Data Protection Officer ("a DPO"). The main tasks of the DPO are: to inform and advise the council of its obligations under GDPR when processing personal data; to monitor compliance with the GDPR; to provide advice where requested, particularly, with regards to Data Protection Impact Assessments and other high risk processing activities; and to act as the contact point with the supervisory authority (the ICO). A DPO may be designated for several public authorities and bodies but must be supported in performing his/her tasks through the provision of the necessary resources. Furthermore, the GDPR establishes some basic guarantees to help ensure that DPOs are able to perform their tasks with a sufficient degree of autonomy within their organisation.

7.2 The Council's Head of Information Management and Governance (Louise Whitworth) has been appointed as DPO. This decision was ratified by the Information Management Board on 9th August 2017, the appointment being made with immediate effect.

7.3 Technical workstreams - Since September 2016 much work has taken place to assess the requirements of the GDPR and the Council's current position against the requirements. From this initial assessment 9 technical workstreams were

¹ Whilst there is no dedicated funding for GDPR, this team is to be funded from within Resources and Housing's budget.

initiated to define the objectives and outputs required to achieve compliance with the relevant articles in the GDPR and to ensure that appropriate policies, procedures and guidance are updated or created.

7.4 The 9 technical workstreams are as follows:

- Demonstrating compliance
- Security of processing
- Security incident management
- Data Protection by design and default
- Contracts with data controllers / processors
- Individuals' rights
- Lawfulness, fairness and transparency
- Storage limitation
- Accuracy and data quality

7.5 GDPR Implementation Events - Throughout the month of November 2017, the GDPR Implementation team has delivered a series of 2 hour engagement sessions to which all senior management across the authority received invitations. The purpose of the events were to give directors, chief officers and heads of service an overview of GDPR, what the key changes are, and what their responsibilities are for implementation. In total 188 officers attended, including 158 senior managers across all services, and 30 HR and DIS Business Partners.

7.6 GDPR Service Leads - These roles will be critical to the implementation programme and the key responsibilities of these GDPR Service Leads are to:

- support the GDPR implementation team by driving the GDPR agenda within service areas including the dissemination of key messages;
- ensure that existing processing arrangements and systems are GDPR compliant and, where required, make the necessary changes including the implementation of appropriate technical and organisational measures proportionate to the risks involved;
- assist with the embedding of new GDPR related policies and procedures across the council;
- report progress on implementation against key milestones to the GDPR implementation team including the reporting of risks and issues as they emerge; and
- support the IM&G Service with post 'go-live' monitoring and compliance audits.

7.7 Following discussions at the GDPR Strategic Implementation Board (SIB), Information Management Board and CLT, Chief Officers have been tasked with identifying a minimum of one GDPR service lead for the service areas under their responsibility.

8. Consultation and Engagement

- 8.1 Consultation on the development of strategies, policies, procedures and standards are extensively undertaken across a broad range of stakeholders including information management professionals, representatives from all directorates via representatives of Information Management and Technology Teams and Information Management Board members.
- 8.2 A report has been presented to the CJCC on the Council's implementation plans for GDPR and further engagement will be discussed at the next meeting.
- 8.3 A briefing note is currently being prepared regarding GDPR for members and further talks are scheduled for early 2018 to scope the requirements of members which could include briefing sessions and training packages.
- 8.4 A Cyber Training session for members took place on the 12th January 2018.

9. Equality and Diversity / Cohesion and Integration

- 9.1 Equalities, diversity, cohesion and integration are all being considered as part of delivering the Information Management and Governance Strategy. This refers to the way training is being delivered as well as how policies will impact on staff and partners.
- 9.2 The GDPR implementation team are currently in discussion with HR regarding the format and delivery of a GDPR themed appraisal objective for all staff cascaded via Directors.
- 9.3 The GDPR implementation team will be engaging with the council's staff networks with a view of obtaining their input into the design of material, eg posters, one minute guides etc.
- 9.4 The third version of the mandatory managing information training level 1 will be rolled out to all staff in early 2018 which has been updated to include the changes under GDPR and an increase emphasis on Cyber.

10. Council policies and City Priorities

- 10.1 All information governance related policies are currently being reviewed and a dedicated Policy Review group has been established. As part of this review the group will be consulting with internal stakeholders and external peer checking.

11. Legal Implications, Access to Information and Call In

- 11.1 Delegated authority sits with the Director of Resources and Housing and Senior Information Risk Owner and has been sub-delegated to the Chief Information Officer under the heading "Knowledge and information management" in the Director of Resources and Housing Sub-Delegation Scheme.
- 11.2 There are no restrictions on access to information contained in this report.

12. Risk Management

- 12.1 Should action against the current PSN Remediation plan not be to the satisfaction of the PSN Authority, the Council will have to withstand a number of risks:
- The Head of the PSN has informed the Department of Works and Pensions of our non-compliance. Continued non-compliance could culminate in the switching off of GCSx mail and access to Revenues and Benefits data.
 - The Head of PSN will inform the Information Commissioners Officer, which could culminate in the revisiting of the audit conducted by the ICO in 2013 to ensure compliance against the Data Protection Act.
 - The Head of PSN will inform the Deputy National Security advisor to the Prime Minister, who would in turn conduct an assessment based on the national risk profile.
 - The Head of PSN could instigate an external audit of all our security systems by the National Cyber Security Centre. The Council could end up under partial commissioner control.
 - Ultimately, the Head of PSN could instigate a complete 'switch off' from PSN services
- 12.2 PSN certification is relied upon as an assurance mechanism to support information sharing, where many of the requirements request that the council present a certificate prior to sharing, or evidence alternative, more time consuming, compliance work to be completed. This has had an impact already on sharing with Health as a number of the controls required for the NHS Information Governance Toolkit are evidenced by a PSN certificate.
- 12.3 Without a PSN certificate, there is significant risk to the council's National reputation as a Digital Innovator.
- 12.4 The risk associated with not implementing GDPR compliant information governance policies, procedures and practice across the council leaves the organisation more susceptible to breaches of legislative, regulatory and contractual obligations, affecting the confidence of its citizens, partners, contractors and third parties when handling and storing information.
- 12.5 Information risk is being systematically addressed by joining up the approach to risk required by information security standards, the need for the senior information risk owner to be clear about the risks he/she is accountable for and the council's standard approach to risk management.
- 12.6 Further work is being undertaken in conjunction with the Corporate Risk Manager to embed the recording and reporting of information risk monitoring and management relevant to this project. The Information Asset Register project will generate information required and an automated dashboard will be produced to report risk assessments to the SIRO. This will provide the assurance required by the SIRO from the business and will allow risk mitigations to be prioritised.

13. Conclusions

- 13.1 The establishment of improved Information Management and Governance in the Council's technical infrastructure and improved practice and procedures outlined in this report (with regards to Cyber and GDPR) provides a level of assurance to Committee that the range of information risk is being managed both in its scope and through to service delivery. It allows the council to work with partner organisations, third parties and citizens in a clear, transparent, but safe and secure way. It helps to protect the council from enforcement action and mitigate the impact of cyber incidents and other Data Protection breaches.

14. Recommendation

- 14.1 Corporate Governance and Audit Committee is asked to consider the contents of this report and be assured that considerable effort is being undertaken to rectify the current situation with regards to the Council's approach to information governance and specifically in the case of PSN compliance where significant progress has been made.
- 14.2 Corporate Governance and Audit Committee is asked to consider the contents of this report and be assured of the council's approach to implementation of the changes required to achieve compliance with the new Data Protection legislation from May 2018.

This page is intentionally left blank



Report author: Mary Hasnip
Tel: x89384

Report of the Chief Finance Officer

Report to Corporate Governance and Audit Committee

Date: 22nd January 2018

Subject: KPMG Annual Audit Letter 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. In accordance with proper audit practice, KPMG have issued their Annual Audit Letter 2016/17, which gives a summary of the key audit findings for the financial year. The Annual Audit Letter is attached as **Appendix 1**. The letter concludes that KPMG have been able to provide unqualified opinions in respect of all the areas they are required to assess.
2. The Annual Audit Letter also notes that a final audit certificate for the 2016/17 audit has not yet been issued, due to work on an elector objection being not yet concluded.

Recommendations

3. Members are asked to receive the Annual Audit Letter and note the conclusions and recommendations arising from the 2016/17 external audit process.

1 Purpose of this report

- 1.1 To provide a summary of the key external audit findings in respect of the 2016/17 financial year.

2 Background information

- 2.1 Section 4 of the Code of Audit Practice for public sector bodies requires external auditors to issue an Annual Audit Letter. The purpose of preparing and issuing annual audit letters is to communicate to the audited body and external stakeholders, including members of the public, the key issues arising from auditors' work.
- 2.2 The Annual Audit Letter summarises the work carried out by auditors and the matters which have been reported to those charged with governance during the year.

3 Main issues

- 3.1 During the year KPMG issued an unqualified opinion on the Council's arrangements for securing value for money. They identified financial resilience as a key risk, and therefore reviewed the council's financial planning processes and the way it manages its savings plans. They concluded that the authority had demonstrated effective management of the level of its reserves in recent years, despite budgetary pressures. Overall, they concluded that the Council had appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- 3.2 KPMG also issued an unqualified opinion on the 2016/17 Statement of Accounts, and concluded that the council's Whole of Government Accounts return was consistent with the audited accounts. No high priority recommendations were raised as a result of the audit work on the annual accounts.
- 3.3 However a final certificate has not yet been issued for the 2016/17 audit, as work on an elector objection has not yet been concluded.
- 3.4 KPMG's review of the council's Annual Governance Statement found that it was consistent with their understanding of the council.
- 3.5 At the time that this report was issued to the council in October, KPMG's grant audit work was still in progress. That work has since been completed, and the outcome is presented as a separate report on this agenda. The total audit fees for the year were £249.6k (£231.9k for the main audit fee and £17.7k for grant audit work).

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The Annual Audit Letter does not raise any issues requiring consultation or engagement with the public, ward members or Councillors.

4.2 Equality and Diversity / Cohesion and Integration

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

4.3 Council policies and Best Council Plan

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

4.4 Resources and value for money

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

4.5 Legal Implications, Access to Information and Call In

4.5.1 Under Section 4 of the Code of Audit Practice for public sector bodies, external auditors are required to issue an Annual Audit Letter summarising the main audit findings in relation to the financial year.

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

4.6 Risk Management

4.6.1 KPMG identified financial resilience as a key risk. They reviewed the council's financial plans and concluded that there was evidence of adequate arrangements being in place to mitigate this risk. They have not identified any other significant risks in their recommendations.

5 Conclusions

5.1 There are no major issues arising from the work of external audit, and officers will continue to address any recommendations raised in the reports.

5.2 KPMG are working to finalise their response to the elector objection and will issue a final audit certificate once this work has been concluded.

6 Recommendations

6.1 Members are asked to receive KPMG's Annual Audit Letter and to note the conclusions and recommendations arising from the 2016/17 audit process.

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.

This page is intentionally left blank



Annual Audit Letter 2016/17

Leeds City Council

kpmg.com/uk

October 2017

Contents

Report sections

Summary	3
---------	---

Appendices

1. Summary of reports issues	5
2. Audit fees	6

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

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

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

The contacts at KPMG in connection with this report are:

Tim Cutler
Partner
KPMG LLP
T: 07818 845 252
E: tim.cutler@kpmg.co.uk

Richard Lee
Senior Manager
KPMG LLP
T: 07788 718 618
E: Richard.lee@kpmg.co.uk

Robert Fenton
Manager
KPMG LLP
T: 07990 572 392
E: Robert.fenton@kpmg.co.uk



Section one

Summary

This Annual Audit Letter summarises the outcome from our audit work at Leeds City Council in relation to the 2016/17 audit year. Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.



VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 29 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

We identified one significant VFM risk in our audit plan, issued in February 2017, on Financial Resilience:

- At month 9, a £0.9m overspend was forecast, the main pressures arising from Children's Services (£6.64m) being offset by a £5.4m underspend in the Strategic and Central Directorate. Given the significant financial pressures facing the Authority and the need to deliver £81m of savings throughout 2016/17, we identified this as VFM risk.

We concluded the Authority had demonstrated effective management of the level of reserves in recent years despite the budgetary pressures they face and in the final outturn recognised an underspend of £2m at 31 March 2017. Overall we considered the Authority to have adequate arrangements in place regarding the management of its financial risks and potential impact on resource deployment.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 29 September 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

Section one

Financial statements audit

A summary of the significant findings arising from the financial statements audit were:

- We did not identify any material misstatements. However, we have reported a number of adjustments identified by management, one of which was material. The net impact on the General Fund and HRA as a result of the adjustments was to decrease the balance as at 31 March 2017 by £676k.
- The Authority made a positive start and met the required reporting deadline of 30 May this year. Through effective debrief and detailed planning we will need to ensure the Authority is again in the best possible position to meet the Faster Close requirements in 2017/18, which includes conclusion of the audit process by 31 July 2018.

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

Whole of Government Accounts

We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.

High priority recommendations

We raised no high priority recommendations as a result of our 2016/17 audit work.

Certificate

We have received an objection to the Authority's financial statements which we are currently considering. This means that we are not yet able to issue our certificate.

Audit fee

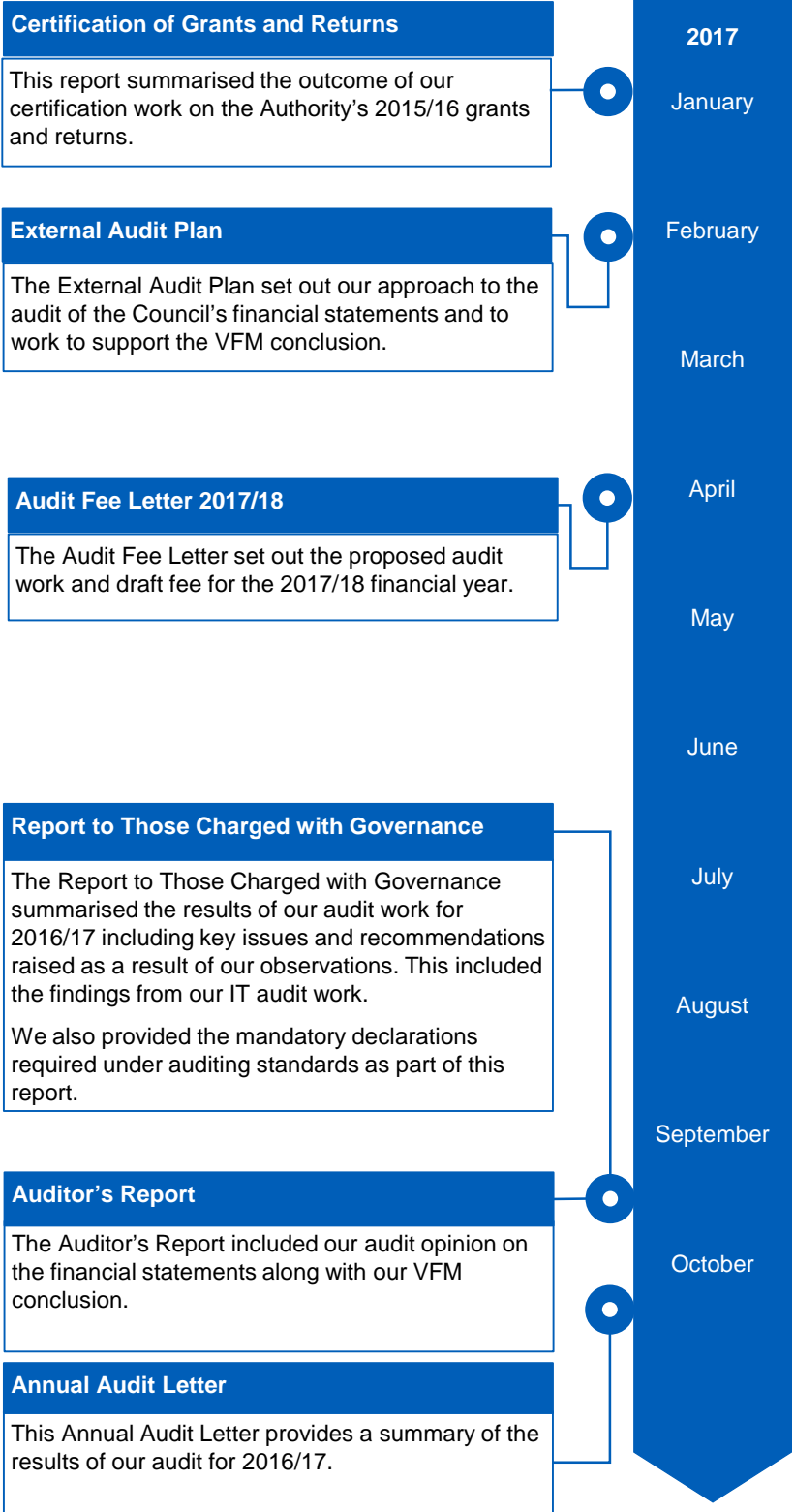
Our fee for 2016/17 was £231,953 excluding VAT. Further detail is contained in Appendix 2.

Appendix 2

Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Audit Committee agendas on the Council’s website at www.leeds.gov.uk.



Appendix 3

Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

External audit

Our final fee for the 2016/17 audit of the Authority was £231,953 which is in line with the planned fee.

Our fees are still subject to final determination by Public Sector Audit Appointments.

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2018.

Other services

We charged £75,000 for non-audit related services for the Traded Services and Commercialisation Study (£50k) and Investment Packaging Study (£25k). This work was not related to our responsibilities under the Code of Audit Practice.

kpmg.com/uk



© 2017 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

Designed by CREATE | CRT086038

This page is intentionally left blank



Report author: Mary Hasnip
Tel: x89384

Report of the Chief Finance Officer
Report to Corporate Governance and Audit Committee
Date: 22nd January 2018
Subject: KPMG Certification of Grants Report 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 only grant claim which a council's appointed auditors were required to audit for 2016/17 was the Housing Benefit Subsidy claim.
2. 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 and requested corrections. This is in line with the outcome in previous years.
3. 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.

Recommendations

4. Members are asked to receive KPMG's Certification of Grant Claims and Returns report and note the conclusions and recommendations arising from their 2016/17 audit work.

1 Purpose of this report

- 1.1 To inform members on the outcomes of the work of auditors in respect of the certification of grant claims in 2016/17.

2 Background information

- 2.1 Each year the Government determines which grant claims require audit certification by a council's appointed auditors. For 2016/17, the only such grant claim was the Housing Benefit Subsidy claim.
- 2.2 In addition the Council is required to arrange independent audits of a number of grants requested directly by the granting body. Audit firms are invited to tender for this work on a grant-by-grant basis.

3 Main issues

- 3.1 The attached report highlights the audit issues identified by KPMG in respect of the 2016/17 Housing Benefit Subsidy grant claim.
- 3.2 As has been the case in previous years, KPMG have qualified the Housing Benefit Subsidy claim due to minor errors. The net impact on the value of the claim was to increase it by £288. As a result of the errors found, KPMG have re-iterated their recommendation from 2015/16 that training for staff should focus on earned income classification. Officers in the Welfare and Benefits service will address this in order to try to minimise future errors.
- 3.3 In addition to the above, during 2016/17 the Council invited tenders for the audit of a number of other grants not covered by the appointed auditor role. To date, all such completed audits have been certified without adjustment.

4 Corporate Considerations

4.1 Consultation and Engagement

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

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 There are no direct implications for equality, diversity, cohesion and integration arising from this report.

4.3 Council policies and Best Council Plan

- 4.3.1 Under this Committee's terms of reference members are required to consider the Council's arrangements relating to external audit, including the receipt of external audit reports. There are no implications for council policies arising from the report.

4.4 Resources and value for money

- 4.4.1 Members are asked to note the KPMG audit fee of £17.7k for certification of grants and returns for the financial year 2016/17.

4.5 Legal Implications, Access to Information and Call In

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

4.6 Risk Management

- 4.6.1 All recommendations contained within the Certification of Grants and Returns 2016/17 report have been considered and appropriate actions agreed.

5 Conclusions

- 5.1 All grant claims and returns have been successfully completed and final approved claims submitted to the relevant granting organisation.
- 5.2 KPMG's audit work identified a number of minor errors in the Housing Benefit Subsidy claim which required qualification and amendment.

6 Recommendations

- 6.1 Members are asked to receive KPMG's report on the Certification of Grant Claims and Returns and to note the conclusions and recommendations arising from their audit work.

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.

This page is intentionally left blank



KPMG LLP
Infrastructure, Government & Healthcare
1 Sovereign Square
Sovereign Street
Leeds LS1 4DA
United Kingdom

Tel +44 (0) 113 231 3000
Fax +44 (0) 113 231 3200

Private & confidential

Doug Meeson
Chief Finance Officer
Leeds City Council
Civic Hall
Calverley Street
Leeds
West Yorkshire
LS1 1UR

Our ref **rfrlCCHB1617**

Contact **robert.fenton@kpmg.co.uk**

3 January 2017

Dear Doug

Leeds City Council - Certification of claims and returns - annual report 2016/17

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2016/17.

In 2016/17 we carried out certification work on only one claim, the Housing Benefit Subsidy claim. The certified value of the claim was £268.2 million and we completed our work and certified the claim on 28 November 2017.

Matters arising

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

We identified a number of issues in 2016/17 that have been communicated through a qualification letter:

There were 8 observations reported in the qualification letter covering 8 claims and a further 10 issues which led to qualification and amendment of the claim. These were mainly attributable to income input errors, which is consistent with the prior year and consequently we have not raised any additional recommendations in 2016/17.

The total impact of the amendment was to increase the total amount claimed by £288.49.

The final extrapolated amount for unadjusted items was as follows:

- A potential reduction in cell 102 of (£55,543), with corresponding increase in cell 113, overpayment error.
- A potential reduction in cell 102 of (£180), with corresponding increase in cell 113, overpayment error.
- A potential reduction in cell 103 of (£5,074), with corresponding increase in cell 113, overpayment error.

The main issues identified and reported relate to the incorrect calculation of earned income which resulted in overpayment. Testing of additional cases also identified underpayment as a result of the earnings not having been correctly calculated. In the additional testing of cell 103, the claimant's income had been input, but there was no supporting documentation for this income for a period in the year. When recalculated with the verifiable income for three wage slips, we identified that in this case the claimant's applicable amounts exceeded the claimant's evidenced income in the relevant period.

Testing of the initial rent allowance sample (cell 102) also identified one case in which housing benefit had been paid on two homes using an incorrect assessment figure. There was no impact on the headline cell and additional testing identified no other errors within this population.

Prior year testing identified one case where the incorrect ineligible charges had been made for housing associations. This resulted in the amendment to the claim impacting cells 94 and 102.

We have made no new recommendations to the Council to improve its claims completion process. In our 2015/16 Certification Annual Report we raised one recommendation relating to income misclassification. Given the same issues arose in 2016/17, we have concluded the recommendation is partially implemented. Full details are included in Appendix 2.

Certification work fees

Public Sector Audit Appointments set an indicative fee for our certification work in 2016/17 of £17,721. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £15,900.

Yours sincerely



Tim Cutler
Partner, KPMG LLP

Appendix 1 – 2016/17 Certification of Claims and Returns Action Plan

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

No recommendations identified in 2016/17.

Appendix 2 – Follow up of 2015/16 Certification of Claims and Returns Recommendations

Number	Prior year recommendation	Priority	Status as at November 2017	Management comments
1	<p>Suggestions for improvement include:</p> <ol style="list-style-type: none"> 1. The continued to review of assessors' work should focus on the treatment of earned income identified during the certification process; and 2. Conduct refresher training for assessors in the calculation of earned income 	①	<p>Partially Implemented</p> <p>Whilst refresher training has taken place, a number of errors were again identified due to income misclassification. In addition, amongst the observations reported in the qualification letter, we identified two child benefit errors, whereby the amount of child benefit was not updated when the individual for which the claimant was receiving child benefit became classed as a non-dependent. This re-emphasises the need for additional training for staff.</p>	<p>The issues that were identified with regards to earned income were typographic / figure transposition errors, made when entering values in to the system. All these errors are being reviewed to see if there is a pattern of error type that would need addressing. The importance of accuracy in input will be emphasised to all assessment staff, and input from colleagues will be encouraged to identify if there are any causes for these errors, and to see if there are any solutions that can be implemented. It should be noted that increased automation is decreasing the need for manual input, and therefore the potential for such input errors to occur.</p> <p>It should also be noted that the input of the value of Child Benefit has no effect on the amount of Housing Benefit paid nor on the value of subsidy claimed since it is disregarded in full as income from the customers' income.</p>

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

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

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

Report of **the Chief Finance Officer**

Report to **Corporate Governance and Audit Committee**

Date: **22nd January 2018**

Subject: **2017/18 Accounts Timescales and KPMG Audit Plan**

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. 2017/18 is the first year in which the new statutory timetable for approving the accounts will apply, and the deadline for this committee to approve the 2017/18 final audited accounts will be 31st July 2018.
2. In order to discharge their statutory duties, KPMG issue an annual audit plan which covers the Council's accounts and the process for assessing its arrangements to secure value for money in the use of resources. The attached report from KPMG represents their audit plan for 2017/18, covering their audit approach, the timing of audit work, and the significant audit risks identified to date.
3. Looking further ahead, Grant Thornton were formally appointed in December by Public Sector Audit Appointments Ltd as the council's new auditors from 2018/19 onwards.

Recommendations

4. Members are asked to note the new statutory timescales for approval of the 2017/18 statement of accounts, and to confirm that the committee wishes to review the draft accounts at its meeting in June, in addition to the meeting in late July to approve the final audited accounts.
5. Members of the Corporate Governance and Audit Committee are asked to note and agree the nature and scope of the audit plan presented by KPMG.

1 Purpose of this report

- 1.1 To inform members of the earlier statutory deadlines for approval of the 2017/18 statement of accounts.
- 1.2 To inform members of KPMG's audit plan for the audit of the Council's accounts and value for money arrangements. The attached report from KPMG highlights the risk based approach to the audit and the main risks they have identified for 2017/18.

2 Background information

- 2.1 From 2017/18 onwards, the Accounts and Audit Regulations 2015 require local authorities to approve their final audited accounts by 31st July each year. Within this overall deadline, the draft accounts must be approved by the Responsible Financial Officer by 31st May, and the public inspection period must start no later than 1st June. The documents made available for public inspection must include the Annual Governance Statement, either as a draft or as a final approved document.
- 2.2 KPMG's statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice. As the Council's external auditors, KPMG are required to satisfy themselves that the Council's accounts comply with statutory requirements and that they have been compiled according to proper practices. In addition they are also required to conclude as to whether the Council has arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

3 Main issues

3.1 2017/18 Statement of Accounts timetable

- 3.1.1 It is intended that the draft statement of accounts will be approved by the Chief Finance Officer during the last week in May, and the meeting of this committee to approve the final audited accounts is likely to be held in the last week in July.
- 3.1.2 Although it has not been a statutory requirement since 2011 for the draft accounts to be approved by a committee, the Council has continued to present its draft accounts to this committee for information before they are made available for public inspection. Under the new statutory timescales there is likely to be only a few days between the approval of the draft accounts and the start of the public inspection period, and therefore insufficient time for committee papers to be circulated and a meeting held before the public inspection period starts. However an electronic copy of the draft statement of accounts could be circulated to members of the committee by 31st May, before it is made available to the public.
- 3.1.3 Members are asked to confirm that they wish to review the draft accounts at the June meeting of the committee, in addition to the meeting in late July to approve the final audited accounts.

3.2 KPMG's Annual Audit Plan

- 3.2.1 KPMG's audit has two key objectives, to give an opinion on the council's financial statements (including the annual governance statement), and to review and report on the council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Their audit plan sets out their approach to this work and the planned timing of their reporting to the council during the year.
- 3.2.2 In relation to their audit of the council's statement of accounts, KPMG have identified two areas where there is a significant risk of material misstatement due to the scale of the assets and liabilities involved – the valuation of property, plant and equipment and the valuation of pension liabilities and assets. They have also identified the possible renegotiation of a particular lease as potentially significant for the accounts, due to the value of the accounting entries.
- 3.2.3 KPMG's audit plan also highlights the shorter period of time available for the completion of this year's audit, in order to ensure that the final audited accounts are available for the committee to approve in late July.
- 3.2.3 In relation to their audit of the council's arrangements for securing value for money, KPMG have identified the key risk as being the council's overall financial standing, given the continuing significant pressures which it faces.
- 3.2.4 The audit plan confirms that KPMG's proposed audit fee for 2017/18 is £232k, the same as the fee for 2016/17.

3.3 Appointment of External Auditors for 2018/19

- 3.3.1 During December, Grant Thornton were formally appointed by Public Sector Audit Appointments Ltd as the council's new auditors from 2018/19 onwards.
- 3.3.2 Officers will meet with Grant Thornton over the coming months to discuss the arrangements for a smooth transition between them and KPMG, and will report back to a later meeting of this committee.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The audit timescales and plan do not raise any issues requiring consultation or engagement with the public, ward members or Councillors.

4.2 Equality and Diversity / Cohesion and Integration

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

4.3 Council policies and Best Council Plan

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

4.4 Resources and value for money

- 4.4.1 The report outlines the areas which KPMG will review in assessing whether the Council has proper arrangements for securing value for money.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The report describes the changes to the committee's timetable that will be needed in response to the new statutory deadlines for the approval of the accounts.
- 4.5.2 The report by KPMG outlines how they propose to discharge their responsibilities as defined by in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.
- 4.5.3 As this is a factual report provided by the external auditors none of the information enclosed is deemed to be sensitive or requesting decisions going forward and therefore raises no issues for access to information or call in.

4.6 Risk Management

- 4.6.1 The report identifies the key risks which KPMG have identified in their audit planning process so far.

5 Conclusions

- 5.1 The new statutory timescales for local authority accounts will mean that the meeting of this committee which approves the final audited accounts is expected to be held in late July. The committee is asked to confirm that it wishes to also review the draft accounts at its meeting in June.
- 5.2 KPMG have provided the Council with a plan for discharging their responsibilities in respect of the external audit of the Council's 2017/18 accounts and for assessing the Council's arrangements for securing value for money. They have also identified what they see as the main risks.

6 Recommendations

- 6.1 Members are asked to note the new statutory timescales for approval of the 2017/18 statement of accounts, and to confirm that the committee wishes to review the draft accounts at its meeting in June, in addition to the meeting in late July to approve the final audited accounts.
- 6.2 Members of the Corporate Governance and Audit Committee are asked to note and agree the nature and scope of KPMG's external audit plan.

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.



External Audit Plan 2017/2018

Leeds City Council

—

January 2018

Summary for Audit Committee

Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017.

We recognise that the Authority has successfully advanced its own accounts production timetable in prior years so as to align with the new deadlines. As a result, we do not feel that this represents a significant risk, although it is still important that the authority manages its closedown process to meet the earlier deadline.

Materiality

Materiality for planning purposes has been set at £25 million.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £0.75 million.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- **Valuation of Property, Plant and Equipment (PPE)** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated.
- **Pension Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.
- **Significant Lease Arrangement** - The Authority currently leases a building on a finance lease however the asset has been impaired to nil value following closure for redevelopment. Once the redevelopment is complete, a new lease will be entered into with a third party joint venture (in which the Authority has a 50% stake). The new lease will be a 25 year operating lease.

Within the Authority's Forward Plan there is an intention to renegotiate the payment schedule of the lease. It is intended this will be finalised before the end of the financial year. This has the potential to have a material impact on the balance sheet.

Given the unusual nature of the transaction and likely significance in value, we will need to ensure the transaction is being accounted for correctly in line with accounting standards and the Code. We also need to consider the value for money arrangements with respect of this agreement.

Summary for Audit Committee (cont.)

Financial Statements (cont.)

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of additional audit focus have been identified as:

- **Faster Close** - During 2016/17 the Authority started to prepare for these revised deadlines and advanced its own accounts production timetable so that draft accounts were ready by 31 May. Whilst this was an advancement on the timetable applied in preceding years, we will need to work with the Authority to ensure working papers and evidence are ready for the earlier visit. In turn, this will enable the Authority to meet the statutory deadlines for 2017/18.

Value for Money (VFM) Arrangements work

Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risks to date:

The Authority continues to face demand pressures. A sum of £3.7m has been released into the Children and Families budget for 2017/18, of which £1.4m has been funded from general reserves. and therefore reduced the level of general reserves to £18.7m from £20.1m as 31 March 2017. However, at month 7, the Authority are on track to meet their savings target and forecast budget for the year.

- We will consider how the Authority is managing its savings plans and we will review key performance indicators to assess whether this has had an unintended adverse impact on service delivery.
- We will also assess the level of reserves available at 31st March 2018 against the Authority's reserves policy, taking into account any contingent liabilities which could have a significant impact on the Authority's financial standing if they were to crystallise.
- We will review the process whereby the authority is committing itself to future financial risk through any guarantor arrangement or other investments outside of normal treasury activity. We will also review the business cases for any such arrangements presented to members when accepting the risk.

See pages 12 to 16 for more details

Logistics

Our team is:

- Tim Cutler –Partner
- Richard Lee –Senior Manager
- Robert Fenton – Manager
- Darren Cassidy – Assistant Manager

More details are in **Appendix 2**.

Our work will be completed in four phases from November to July and our key deliverables are this Audit Plan, an Interim Report / Letter and a Report to Those Charged With Governance as outlined on **page 19**.

Our fee for the 2017/18 audit is £231,953 (£231,953 2016/2017) see **page 18**. These fees are in line with the scale fees published by PSAA.

Acknowledgements

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

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the National Audit Office’s Code of Audit Practice and the PSAA Statement of Responsibilities.

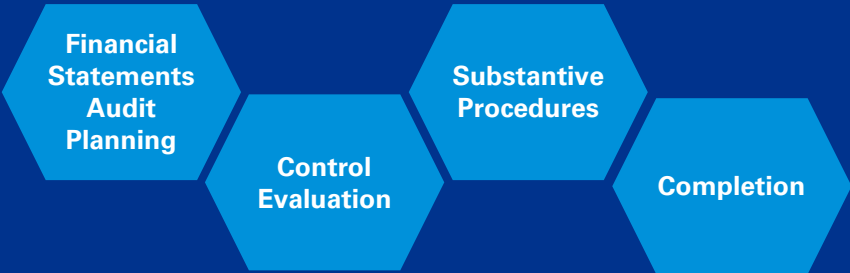
Our audit has two key objectives, requiring us to audit/review and report on your:

- 01 | **Financial statements :**
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and
- 02 | **Use of resources:**
Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. Any change to our identified risks will be reporting to the Audit Committee.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 9 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18 and the findings of our VFM risk assessment.



Financial statements audit planning

Financial Statements Audit Planning

Our planning work takes place during December 2017 to January 2018. This involves the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use or experts; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Auditing standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

01

Management override of controls

Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

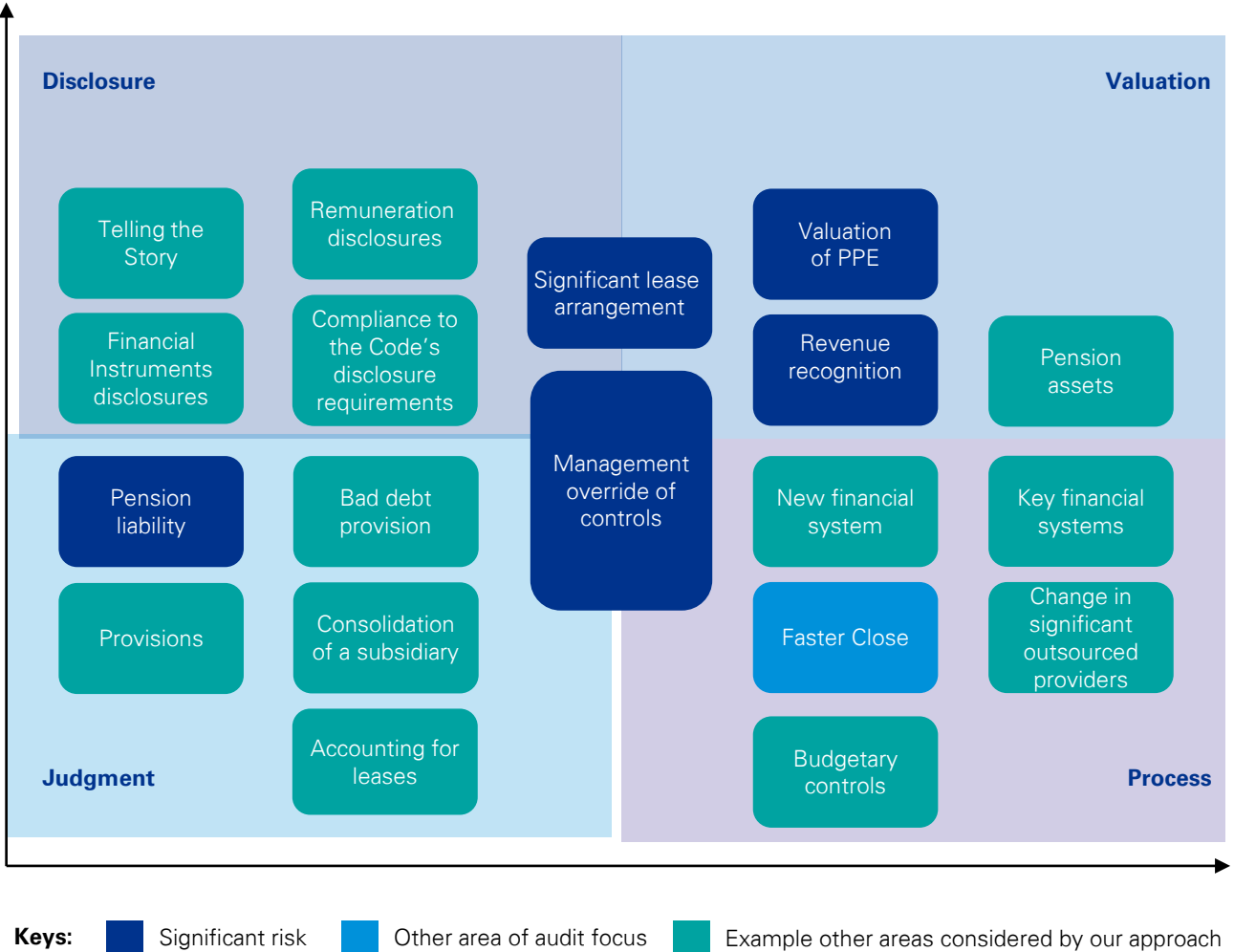
02

Fraudulent revenue recognition

We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Financial statements audit planning (cont.)

The diagram below identifies significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Financial statements audit planning (cont.)

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Risk:	<p>Valuation of Property, Plant and Equipment (PPE)</p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not undergo a full revaluation for four years.</p> <p>Whilst all non-revalued assets do undergo an indexation uplift each year (1.6% in 2016/17), this creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at 1 April, there is a risk that the fair value is materially different at the year end.</p>
Approach:	<p>We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. We will also assess the risk of the valuation changing materially during the year.</p> <p>In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.</p> <p>In relation to those assets which have been revalued during the year we will assess the valuer’s qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).</p>

Financial statements audit planning (cont.)

Significant Audit Risks (cont.)

Risk:	<p>Pension Liabilities</p> <p>The net pension liability represents a material element of the Authority’s balance sheet. The Authority is an admitted body of the West Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority’s overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority’s valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority’s pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>
Approach:	<p>As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary (Aon Hewitt). We will also liaise with the auditors of the West Yorkshire Pension Fund, Mazars, in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Scheme Actuary.</p> <p>We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG Actuary. We will review the methodology applied in the valuation by the Scheme Actuary .</p> <p>In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.</p>

Financial statements audit planning (cont.)

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Risk:	<p>Significant Lease Arrangement</p> <p>The Authority currently leases a building on a finance lease however the asset has been impaired to nil value following closure for redevelopment. Once the redevelopment is complete, a new lease will be entered into with a third party joint venture (in which the Authority has a 50% stake). The new lease will be a 25 year operating lease.</p> <p>Within the Authority's Forward Plan there is an intention to renegotiate the payment schedule of the lease. It is intended this will be finalised before the end of the financial year. This has the potential to have a material impact on the balance sheet.</p> <p>Given the unusual nature of the transaction and likely significance in value, we will need to ensure the transaction is being accounted for correctly in line with accounting standards and the Code. We also need to consider the value for money arrangements with respect of this agreement.</p>
Approach:	<p>We will review the approach used by the Authority to account for the lease agreement.</p> <p>We will review the initial lease agreement and any agreement subsequently to ensure the accounting treatments and disclosures are in line with accounting standards.</p> <p>We will review the business case to confirm appropriate scrutiny and challenge over the decision for agreeing the lease is in line Authority's investment appraisal arrangements.</p>

Financial statements audit planning (cont.)

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Issue:

Faster Close

In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.

During 2016/17, the Authority started to prepare for these revised deadlines and advanced its own accounts production timetable so that draft accounts were ready by 31 May. Whilst this was an advancement on the timetable applied in preceding years, we will need to work with the Authority to ensure working papers and evidence are ready for the earlier visit. In turn, this will enable the Authority to meet the statutory deadlines for 2017/18.

Approach:

In order to meet the Faster Close deadlines, the Authority will need to ensure:

- All working papers and other supporting documentation are available at the start of the audit process; and
- Audit Committee meeting schedules have been updated to permit signing in July.

Our audit team will liaise with officers to agree appropriate timescales for the production of the final version of the accounts and our ISA260 report in advance of the July meeting of the Corporate Governance and Audit Committee.

We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Authority is taking in order to ensure it meets the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.

Financial statements audit planning (cont.)

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable, in line with materiality.

For the Authority, materiality for planning purposes has been set at £25 million which equates to 1.6% percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.



Financial statements audit planning (cont.)

Reporting to the Audit Committee

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

Under ISA 260(UK&I) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK&I) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.75 million.

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

We will report:



Non-Trivial
corrected audit
misstatements



Non-trivial
uncorrected audit
misstatements



Errors and omissions in disclosure
(Corrected and uncorrected)

Value for money arrangements work

Value for Money (VFM) audit approach

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority ‘has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources’.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to ‘take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor’s judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body’s arrangements.’

Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



Value for money arrangements work (cont.)

Value for Money sub-criterion

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)

VFM audit stage



VFM audit risk assessment

Audit approach

We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*.

In doing so we consider:

- The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;
- Information from the Public Sector Auditor Appointments Limited VFM profile tool;
- Evidence gained from previous audit work, including the response to that work; and
- The work of other inspectorates and review agencies.



Linkages with financial statements and other audit work

Audit approach

There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.

We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.



Identification of significant risks

Audit approach

The Code identifies a matter as significant '*if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*'

If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:

- Considering the results of work by the Authority, inspectorates and other review agencies; and
- Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)

VFM audit stage



Assessment of work by other review agencies, and Delivery of local risk based work

Audit approach

Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:

- Additional meetings with senior managers across the Authority;
- Review of specific related minutes and internal reports;
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.



Concluding on VFM arrangements

Audit approach

At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.



Reporting

Audit approach

On the following page, we report the results of our initial risk assessment.

We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.

The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

Value for money arrangements work (cont.)

Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Risk:	<p>Financial Resilience</p> <p>The Authority's budget for 2017/18 was approved at the Council meeting on 22 February 2017 and recognised a need for £64 million in savings. The approved budget includes individual proposals to support the delivery of the overall savings requirement.</p> <p>The Authority continues to face demand pressures. A sum of £3.7m has been released into the Children and Families budget for 2017/18, of which £1.4m has been funded from general reserves. and therefore reduced the level of general reserves to £18.7m from £20.1m as 31 March 2017. However, at month 7, the Authority are on track to meet their savings target and forecast budget for the year.</p>
Approach:	<p>As part of our additional risk based work, we will review the controls the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Plan has taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.</p> <p>Through our VFM work, we will consider how the Authority is managing its savings plans and we will review key performance indicators to assess whether this has had an unintended adverse impact on service delivery.</p> <p>We will assess the level of reserves available at 31 March 2018 against the Authority's reserves policy, taking into account any contingent liabilities which could have a significant impact on the Authority's financial standing if they were to crystallise.</p> <p>We will review the process whereby the authority is committing itself to future financial risk through guarantor arrangement or other investments.</p>
VFM Sub-criterion:	<p>This risk is related to the following Value For Money sub-criterion</p> <ul style="list-style-type: none">— Informed decision making;— Sustainable resource deployment; and— Working with partners and third parties

Other matters

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2017/18 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

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

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

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. For any such work, this will be charged in accordance with the PSAA's fee scales.



Other matters

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2017/18 presented to you in April 2017 first set out our fees for the 2017/18 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then this will be agreed with the s.151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £231,953 compared to 2016/2017 of £231,953.

Appendix 1:

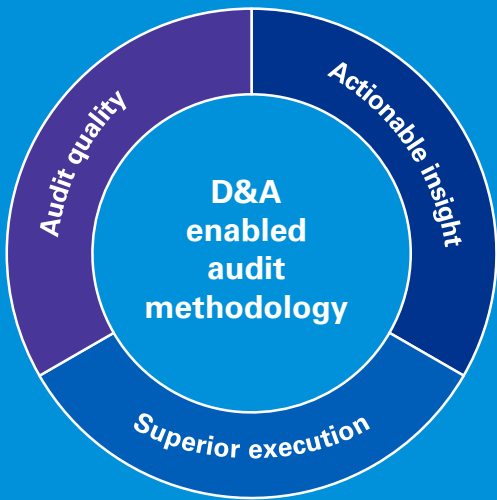
Key elements of our financial statements audit approach

Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. Data and Analytics allows us to:

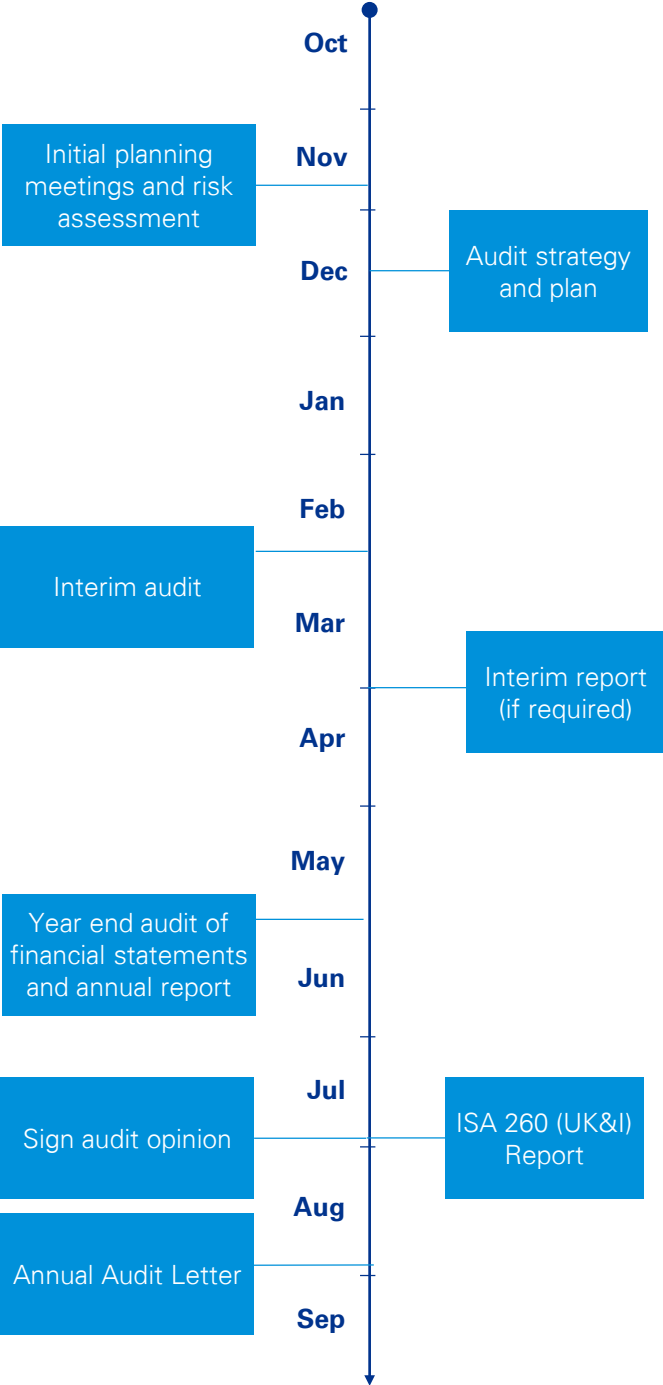
- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as journals.



Communication

Continuous communication involving regular meetings between Audit Committee, Senior Management and audit team.



Appendix 1:

Key elements of our financial statements audit approach (cont.)

Audit workflow

Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

Control evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of the accounts being misstated

Substantive testing

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

Completion

- Perform completion procedures
- Perform overall evaluation
- Form an audit opinion
- Audit Committee reporting

Appendix 2:

Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the Leeds City Council audit last year.



Tim Cutler
Partner

Tel: 07818 845252
tim.cutler@kpmg.co.uk

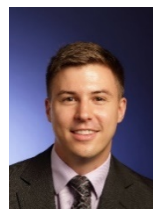
'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit Committee and Chief Executive.'



Richard Lee
Senior Manager

Tel: 07788 718618
richard.lee@kpmg.co.uk

'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with the partner to ensure we add value. I will liaise with the Chief Finance Officer and other Executive Directors.'



Robert Fenton
Manager

Tel: 07990 572392
robert.fenton@kpmg.co.uk

'I will work closely with the senior manager to provide quality assurance for the audit work and specifically any technical accounting and risk areas.'

I will liaise with the Chief Finance Officer and Principal Financial Manager.



Darren Cassidy
Assistant Manager

Tel: 07825 866742
Darren.cassidy@kpmg.co.uk

'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Appendix 3:

Independence and objectivity requirements

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF LEEDS CITY COUNCIL

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement leader as to our compliance with the FRC Ethical Standard in relation to this audit engagement [and that the safeguards we have applied are appropriate and adequate] is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity are in place.

Appendix 3:

Independence and objectivity requirements (cont.)

Independence and objectivity considerations relating to the provision of non-audit services

We have considered the fees charged by us to the authority and its affiliates for professional services provided by us during the reporting period.

No non-audit services have been provided in the reporting period to date.

If non-audit services are provided, we will ensure appropriate approvals have been obtained from PSAA for all above the relevant thresholds provided by us during the reporting period. In addition, we monitor our fees to ensure that we comply with the 70% non-audit fee cap set by the NAO.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.



KPMG LLP



kpmg.com/uk



This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

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

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

© 2017 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

CREATE: CRT086281A

This page is intentionally left blank



Report author: Tim Pouncey/
Sonya McDonald
Tel: 88693

Report of the Chief Officer (Financial Services)

Report to Corporate Governance and Audit Committee

Date: 22 January 2018

Subject: Internal Audit Update Report September to December 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 September to December 2017 and highlights the incidence of any significant control failings or weaknesses.
2. The detailed proposals for the Audit Plan for 2018/19 will be presented to the Corporate Governance and Audit Committee at the meeting in March 2018.
3. Members will recall that officers reported to the June 2017 meeting that in the most recent inspection report issued by the Office of Surveillance Commissioners, it was recommended that members should receive regular reports about the use of the council's surveillance powers under the Regulation of Investigatory Powers Act 2000 (RIPA). The Head of Service (Legal) has provided this information within this report.

Recommendations

4. The Corporate Governance and Audit Committee is asked to receive the Internal Audit Update Report covering the period from September to December 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.

5. Members are invited to provide any suggestions on the coverage of the Audit Plan for 2018/19 arising from the work of this Committee. These will be incorporated into the audit planning process.
6. The Corporate Governance and Audit Committee is asked to note the information provided by the Head of Service (Legal) about the recent use of the council's surveillance powers under RIPA.

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 September to December 2017 and highlight the incidence of any significant control failings or weaknesses.
- 1.2 The report also provides information from the Head of Service (Legal) about the recent use of the council's surveillance powers under RIPA.

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 September to December 2017.
- 2.4 This update report also provides information from the Head of Service (Legal) about the recent use of the council's surveillance powers under RIPA, as recommended by the Office of Surveillance Commissioners.

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 September to December 2017

Report Title	Audit Opinion		
	Control Environment Assurance	Compliance Assurance	Organisational Impact
Key Financial Systems			
Bank Reconciliation and Cashbook	Substantial	N/A	Minor
ICT and Information Governance			
ICT Projects ¹	Substantial	Good	Minor
Resources and Housing			
Lettings Enforcement ²	Good	Good	Minor
Housing Advisory Panel Grants	Good	Good	Minor
Members Improvement in the Community and Environment (MICE)	Good	N/A	Minor
Ward Based Initiatives	Good	N/A	Minor
Schools			
School Voluntary Funds x 8	Certification of balances		
Adults and Health			
Better Care Fund	Memo issued		
Payments to Providers of Homecare ³	Good	Good	Minor
Procurement			
Vehicle Hire Framework Contract Review	Acceptable	Acceptable	Minor
Electricity Contract Review	Limited	N/A	Minor

¹ Good assurance was provided for compliance with the control environment overall. However limited assurance was provided for compliance with the requirement to undertake benefits realisation exercises.

² Good assurance was provided for compliance with the control environment overall. However limited assurance was provided for compliance with the Staff Lets process and potential issues were identified with information security.

³ Good assurance was provided for the control environment overall. However limited assurance was provided for one objective covered due to the lack of a framework contract or other documentation in place to support the agreed rates for homecare provided for mental health service users.

Report Title	Audit Opinion		
	Control Environment Assurance	Compliance Assurance	Organisational Impact
Follow Up Reviews			
Housing Leeds Tenancy Management – Use and Occupation	N/A	Good	Minor
Leeds Grand Theatre – Contract Procedure Rules	Acceptable	N/A	N/A

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

- Green Deal Grant Claim
- Pothole Fund
- Local Transport Block Funding

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 23 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.

Members in Communities and Environments (MICE) and Ward Based Initiative (WBI) grants

3.2.2 Following a request from members, reviews were conducted of the processes in place for MICE and WBI grants. The audit focussed on determining whether funding was allocated to eligible projects and used for its intended purpose and we confirmed that overall a good control environment was in place to support the effective assessment and administration of the funding. We identified opportunities to enhance the clarity of information issued to beneficiaries and to ensure the guidance appropriately reflects the current approval and delegation structure. As a result of the audit, the service has agreed to revise and recirculate the guidance with a target to complete by April 2018.

Limited or No Assurance Opinions

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

3.2.4 The following 4 audited areas resulted in a limited assurance opinion overall or a limited assurance opinion for part of the audit coverage:

- ICT Projects
- Payments to Providers of Homecare

- Lettings Enforcement
- Electricity Contract Review

ICT Projects

- 3.2.5 This review concentrated on assessing the procedures in place within Digital and Information Services (DIS) to ensure ICT related projects are managed in line with the council's approved methodology. The review resulted in a good assurance opinion overall for compliance with the control environment but weaknesses were found in relation to carrying out benefit realisation exercises. The council's approved methodology includes a requirement that major projects should be reviewed on completion and any lessons learnt documented where appropriate. Our audit found no evidence that a benefits realisation exercise had been completed for the two projects classified as 'major' in our sample that had reached completion. This reduces assurance that the business sponsor is able to demonstrate that expected outcomes have been achieved and increases the risk that other projects will not benefit from lessons learnt. A follow up audit will be undertaken which will specifically focus on how the benefits realisation process for ICT projects is being implemented across the authority.

Payments to Providers of Homecare

- 3.2.6 The audit reviewed the processes in place within Adults and Health to identify and approve the need for homecare for the service user and to ensure that payments are made in line with the approved package of care and these agreed to contractual rates where appropriate. The review resulted in a good assurance opinion overall for the control environment, however control weaknesses were identified in relation to homecare for mental health service users as there is no framework contract or other documentation in place to support the agreed rates for the care. The service is currently investigating the most appropriate route to address this issue and we will undertake a follow up audit to assess the progress in the implementation of the recommendations made in this area.

Lettings Enforcement

- 3.2.7 A review of lettings was undertaken to ensure that properties have been allocated in line with the lettings procedures. This resulted in a good opinion overall for compliance with the control environment as six of the seven types of lettings covered in the audit were found to be working as intended. An area of weakness was identified in respect of compliance with the Lettings to Staff section of the Lettings Policy. For these lettings, an additional level of authorisation is required to provide further rigour over the process. This additional authorisation was not always evident in our sample testing, however the audit confirmed that all the lettings in our sample had been allocated properly in line with the relevant procedure.
- 3.2.8 Recommendations were also made to improve information security in the storing and transferring of housing documentation. All recommendations have been agreed with the service and a follow up review will be undertaken during 2018/19 to assess the progress made.

Electricity Contract Review

- 3.2.9 A review of the Electricity Contract was undertaken to ensure that there are appropriate governance arrangements in place, that the contract is being appropriately administered and that there is accurate and relevant cost monitoring. Limited assurance was given for the control environment as although there is a contract management plan and a procurement strategy in place which is being followed, there are weaknesses in the checking process to confirm the accuracy of rates charged. The service is currently liaising with the contractor to increase their assurance around all elements of the billing process and a follow up review will be undertaken in 2018/19 to assess the progress made.

Follow Up Reviews

- 3.2.10 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.
- 3.2.11 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		
Housing Leeds Tenancy Management – Use and Occupation	Closed (see 3.2.12)	January 2017
Leeds Grand Theatre – Contract Procedure Rules	Closed (see 3.2.12)	January 2017
Follow up reviews due in 2017/18 and 2018/19		
LBS Tools and Equipment	Planned	September 2016
Contract Review - Joint Venture: professional property and building services	Planned	January 2017
Community Care Finance	In progress	April 2017
Implementation of Client Information System	In progress	April 2017

Audited area	Follow up audit status	Corporate Governance and Audit Committee report reference
LBS Stores	In progress	April 2017
Contract Specification and Management	Planned	June 2017
Commissioning of External Residential Placements and Independent Fostering Agency Payments Follow Up	In progress	September 2015 and June 2017
Direct Payments (Children's and Families)	Planned	September 2016 and June 2017
Directorate Compliance with CPRs: Non and Off Contract Spend	Planned	March 2016, June 2016 and June 2017
Central Control and Monitoring of Nursery Fees	In progress	June 2017
Payments in relation to In-House Fostering, Special Guardianship Orders and Leaving Care	In progress	June 2017
Community Infrastructure Levy	Planned	September 2017
Primary School	Planned	September 2017
Leeds Building Services Subcontractors	Planned	September 2017
ICT Projects – Benefits Realisation	Planned	See 3.2.5
Payments to Providers of Homecare	Planned	See 3.2.6
Lettings Enforcement	Planned	See 3.2.7
Electricity Contract Review	Planned	See 3.2.9

- 3.2.12 During this reporting period we have finalised 2 follow up reviews (Housing Leeds Tenancy Management – Use and Occupation and Leeds Grand Theatre – Contract Procedure Rules) and closed both of these to reflect the progress made since the previous audit.
- 3.2.13 The follow up reviews of LBS Tools and Equipment and the Contract Review of the Joint Venture were due to have started by this point in the year. We have been in contact with both service areas and have been advised that there has been some difficulty in progressing our recommendations to improve control due to staffing changes. Both service areas have advised that action is now being taken to address the issues that we identified during the audits and we will

undertake the follow up reviews to provide independent assurance in these areas in the final quarter of the year.

Continuous Audit & Data analytics

- 3.2.14 This cross cutting audit programme aims to evaluate control effectiveness across key systems on an ongoing basis, and highlight high risk transactions or events. Coverage has included elements of the self-serve processes, payroll, purchasing card transactions, duplicate payments and income bankings. No significant issues have been identified.
- 3.2.15 During the reporting period, we performed a data matching exercise to provide assurance that small business rates relief was only given to those that met the relevant criteria. This exercise led to the cancellation of small business rates relief for 12 businesses, resulting in approximately £36k of income due to the authority on an annual basis.

Counter Fraud and Corruption

- 3.2.16 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.

Proactive Anti-Fraud Work

- 3.2.17 Members will recall that we have previously reported that we were investigating potential fraudulent activity at one of our schools. This case has now concluded and resulted in court proceedings in December 2017. The School Business Manager admitted to illegally obtaining £53,000 through forgery and was sentenced to 16 months in prison. The bank has refunded the school and we have recently re-visited the school to complete a follow up review and provide assurance that appropriate controls are now in place.
- 3.2.18 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. Internal Audit and Schools Finance have worked collaboratively to prepare and deliver a Fraud Awareness course that will improve awareness of fraud risks, assist in improving the financial systems and controls within schools, and provide advice and guidance on new and emerging risks in relation to cyber fraud.
- 3.2.19 The course has been delivered to 259 school based staff (199 schools in total). The remaining 9 schools will be attending courses in January 2018. Following the course copies of the presentation and relevant supporting information have been provided to the attendees so that the information is available for future reference, and can be disseminated more widely to staff at each school. Feedback from schools following their attendance has been extremely positive.

Reactive Anti-Fraud Work

- 3.2.20 During the reporting period we have received 17 potential irregularity referrals. Of these, 12 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.
- 3.2.21 During the reporting period 12 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 three such investigation reports during this period. There are 16 referrals that are currently open and being investigated.

National Fraud Initiative update

- 3.2.22 The 2016/17 exercise included 179 reports containing a total of 29,524 matches. The NFI recommended matches that were prioritised for investigation totalled 7,012. These have been reviewed either directly by the council's Benefits Team, the Blue Badge Administration Team or Internal Audit. There are currently 83 matches that are being investigated which are mainly housing tenancy matches, in addition to some relating to payroll where potential conflicts of interest have been identified.
- 3.2.23 To date the exercise has identified fraud, errors or overpayments totalling £128,484. This balance is benefits related except for a payroll overpayment of £15,913 (which was reported in the last update report) and a residential care home payment of £43,000 made for the care of an individual after their death. All balances have been recovered or are in the process of being recovered.
- 3.2.24 We have identified the weaknesses in the process that resulted in the residential home care overpayment and have made recommendations to address these and improve the oversight arrangements which, if operating effectively, should identify any future issue of a similar nature. In light of the residential care home result, Adults and Health Finance has agreed to participate in a flexible matching exercise offered by NFI. This is a more frequent data match of our residential care home and direct payment data to DWP records of deceased persons. Data has been recently submitted for this with match output expected shortly.

Regulation of Investigatory Powers Act 2000

- 3.2.25 Members will recall that officers reported to the June 2017 meeting that in the most recent inspection report issued by the Office of Surveillance Commissioners, it was recommended that members should receive regular reports about the use of the council's surveillance powers under RIPA.
- 3.2.26 The Head of Service (Legal) has confirmed that there have been no applications for directed surveillance or covert human intelligence source (CHIS)

authorisations, since the June 2017 meeting. In addition, there has been no use of the powers to obtain communications data, over the same period.

Plan for 2018/19

- 3.2.27 Initial work has started on developing the Annual Audit Plan for 2018/19. The Head of Audit must provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. To support this, we must develop and deliver a risk based plan which takes into account the organisation's risk management framework and includes an appropriate and comprehensive range of work.
- 3.2.28 To develop this plan, there must be a sound understanding of the risks facing the council. The Corporate Risk Register will be used as a key source of information and the planning process for 2018/19 will again necessitate a thorough evaluation of the appropriate level and scope of coverage required to give stakeholders, including the Corporate Governance and Audit Committee, an appropriate level of assurance on the control environment of the council.
- 3.2.29 The detailed proposals for the Audit Plan for 2018/19 will be presented to the meeting of the Corporate Governance and Audit Committee in March 2018.

Internal Audit Performance

- 3.2.30 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.
- 3.2.31 All our work is undertaken in accordance with our quality management system and we have been ISO certified since 1998. We have recently had a surveillance review by our external assessors. The outcome of this is that we continue to be ISO certified and have successfully transitioned to the latest standard.
- 3.2.32 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.
- 3.2.33 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.
- 3.2.34 During the period 1 April to 31 December 2017, 34 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 1 April to 31 December 2017

Question	Average Score (out of 5)
Sufficient notice was given	4.81
Level of consultation on scope	4.65
Auditor's understanding of systems	4.47
Audit was undertaken efficiently	4.59
Level of consultation during the audit	4.67
Audit carried out professionally and objectively	4.85
Accuracy of draft report	4.68
Opportunity to comment on audit findings	4.82
Clarity and conciseness of final report	4.68
Prompt issue of final report	4.41
Audit recommendations will improve control	4.63
The audit was constructive and added value	4.65
Overall Average Score	4.66

- 3.2.35 Table 4 below provides an indication of progress against the Internal Audit Plan for 2017/18. The number of audits planned and delivered during the year will increase as the blocks of time allocated for areas of work (such as contract reviews and schools) are broken down to specific audit assignments and to address emerging issues through the use of contingency time. The table does not include fraud and irregularity work or advice issued to managers arising from adhoc requests for audit support.

Table 4: Audit Plan 2017/18 Progress

Number of individual audit assignments	Planned	In progress	Completed
Audit Plan 2017/18 and brought forward jobs from 2016/17	31	30	39
Follow up audits	12	6	4

- 3.2.36 Due to a number of staffing changes, overall resources for 2017/18 are now less than was anticipated when the audit plan was set. We will actively manage

resources to direct these towards the areas of highest risk to ensure that an evidence-based Head of Internal Audit opinion can be provided on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control in accordance with the Public Sector Internal Audit Standards (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 September to December 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 September to December 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.
- 6.2 Members are invited to provide any suggestions on the coverage of the Audit Plan for 2018/19 arising from the work of this Committee. These will be incorporated into the audit planning process.
- 6.3 The Corporate Governance and Audit Committee is asked to note the information in the report about the recent use of the council's surveillance powers under RIPA. The Corporate Governance and Audit Committee is asked to note the information provided by the Head of Service (Legal) about the recent use of the council's surveillance powers under RIPA.

7 Background documents

- 7.1 None.

Report of Chief Officer financial Services

Report to Corporate Governance and Audit Committee

Date: 22nd January 2018

Subject: Treasury Management Governance Report 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. This annual report provides assurance that the Treasury Management (TM) function is operating within its governance framework.
2. TM fully complies with the current CIPFA Code of Practice, the Prudential Code and the revised guidance notes for practitioners issued in 2013.
3. Consultation is underway to revise and update the CIPFA codes and Department for Communities and Local Government (DCLG) guidance on Investments and Minimum Revenue Provision (MRP)
4. Since the last update all borrowings and investments undertaken have been in accordance with the approved governance framework.
5. TM operates within the governance framework and also uses additional market intelligence and information gathered from a variety of sources. These sources have been integral to protecting the authority from undue risk in the financial and money markets.
6. Internal Audit has provided substantial assurance on the control environment and compliance in their 2016/17 audit report.

Recommendations

7. Note that Treasury Management continues to adhere to its governance framework including the CIPFA Code of Practice, the Prudential Code and revised CIPFA guidance notes issued in 2013. All borrowing and investments undertaken have been compliant with the governance framework.

1. Purpose of this report

- 1.1 This annual report outlines the governance framework for the management of the Council's TM function. This report also reviews compliance with updated CIPFA guidance notes for practitioners on the Prudential Code for Capital Finance in Local Authorities issued in 2011.

2 Background information

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

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

- 2.2 TM is responsible for managing the Housing Revenue Account and General Fund long term debt which is in the region of £1.93bn and investments that currently stand at around £41m. It also manages the cash flow requirements of the Council.

3 Main issues

- 3.1 The role of the Corporate Governance and Audit Committee is to ensure that TM is adhering to and operating within its governance framework, as shown in Appendix A.

- 3.2 During the year TM has continued to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, Prudential Code (2011) and its guidance notes (2013). As such a strategy report was presented to Executive Board in February 2017 together with an update in November 2017. A further outturn report for the previous financial year was presented in June 2017.

- 3.3 CIPFA and the Department for Communities and Local Government have recently issued consultations on the following areas related to Treasury Management:-

- The Prudential Code - for Capital Finance in Local Authorities (CIPFA)
- Treasury Management in the Public Services - Code of Practice (CIPFA)
- Local Authorities Investment Guidance (DCLG)
- Minimum Revenue Provision Guidance (DCLG)

The CIPFA Codes consultations were responded to and have now closed. The revised codes are expected to be issued for implementation from April 2018. The DCLG consultations close in late December 2017 and a response will be made before the deadline. Further information on the impact of these will be reported in due course once the Codes and guidance have been formally issued.

- 3.4 During the year all borrowings and investments undertaken have been in accordance with the approved governance framework and are in line with the Treasury Management Policies and Practices.
- 3.5 In recent years the treasury strategy has taken advantage of the low short-term interest rates to fund its long term borrowing requirement. The Councils balance sheet strength has also been used to defray long term borrowing and avoid the risk associated with external investments.
- 3.6 The 2017 November Executive Board update report highlighted that the current borrowing strategy continues to fund the borrowing requirement of the capital programme from short dated loans and internal cash balances. In November 2017 the Monetary Policy Committee (MPC) increased the bank rate for the first time in 8 years reversing the last cut made in August 2016. Further increases are expected going forward but expectations are that these increases will be introduced slowly. The strategy of deferring long term borrowing will increase the amount of debt that the Council is funding from short term loans and its balance sheet to a forecast £668m. This exposure is considered manageable given historical capital programme slippage, the strength of the Council's balance sheet and the market for supplying short term funds remaining strong. These factors will continue to be monitored and should be considered in the context of the stability of the current debt maturity profile.
- 3.7 The Council's current long term debt of £1.565bn has an average maturity of just over 38 years if all debts run to maturity. Approximately 12% of the Council's debt has options for repayment, in the unlikely event that all these options were exercised at the next option date then the average maturity of long term debt would be lowered to just over 31 years. This compares favourably with the average maturity of the UK's government debt portfolio of just over 15 years. The existing profile of the Council's debt provides considerable certainty of funding costs with 58% or £1,128m of its debt maturing in periods greater than 10 years.
- 3.8 The Lenders Option Borrowers Option loans (LOBO's) that many Local Authorities issued up to 2007/08 have been used successfully over the last 20 years to reduce the Councils interest costs in comparison to Public Works Loan Board (PWLB) funding available at the time. These loans also introduced short to medium term re-financing risk at a time when the average maturity of the Councils debt portfolio was becoming very long. In essence the standard LOBO's that the Council has issued are long dated loans, which after an initial fixed period, contain an option whereby the lender only can vary the rate of interest on the loan, but only at specific intervals. These periods are every 3, 5 or 6 years depending on the specific loan. If the lender exercises the option the Council then has the option to accept the change or to repay the loan without any penalty cost and repay the principal in full. No options have been exercised since 2008 and in the current economic climate these loans are essentially fixed.
- 3.9 During the year Barclays Bank, a LOBO lender took the step of legally waiving their rights to vary the terms of their £215m loans in perpetuity and these have therefore become Long term fixed maturity loans.
- 3.10 After the end of the year the Council, like many others received a challenge to its Statement of Accounts for 2016/17 on the basis that "the decision to sign up to so many (46) LOBO loans was unreasonable and irrational". This is currently under review and is expected to be resolved satisfactorily by the external auditors in the next couple of months.

- 3.11 The Council's total Capital Financing Requirement CFR i.e. the amount required to fund previous and current capital expenditure is circa £2.2bn and its assets are valued at £4.9bn as at 31 March 2017. The setting and monitoring of the capital programme seeks to ensure that we invest and maintain our assets whilst supporting the best council plan priorities. Treasury Management strategy determines the revenue affordability of the programme.
- 3.12 To mitigate against the exposure to rising interest rates the Council continues to explore forward funding options which will give the Council the ability to lock in future funding at current rates.
- 3.13 TM continues to review key aspects of the framework including prudential indicators to ensure that they continue to be fit for purpose and provide the right evidence that TM is operating within acceptable levels of risk. The strategy updates to Executive Board include an update on prudential indicators. TM is complying with all of CIPFA's prudential indicators as shown at Appendix B which was reported to Executive Board on 15th November 2017.
- 3.14 The operation of TM within its governance framework is also complemented by additional market intelligence and information gathered from a variety of sources. These tools involve:
- The use of real time market information on the financial and money markets in the UK, Europe, US and other major economies;
 - Discussions with market participants and brokers;
 - Use of treasury advisors to test market views;
 - Networking and sharing of information with Core Cities and West Yorkshire districts;
 - Attending market seminars providing technical and economic updates;
 - Daily market updates from financial institutions and brokers;
 - Thorough review of new financial products and how they fit within the governance structure; and
 - Undertaking continuing professional development and ensuring that appropriate training is undertaken.
- 3.15 Furthermore TM undertakes to respond to all treasury management consultations and influence the national governance framework, through attendance at regular core city meetings.
- 3.16 Internal Audit has completed its annual review of the TM function. This involved a risk based system audit of TM to evaluate and validate key systems controls.

Treasury Management & Bankline 2016/17

Key controls for a sample of investments, loans and interest payments for 2016/17 were reviewed. The Internal Audit report issued 24th May 2017 provided two opinions:

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

operated as intended although some minor errors have been detected in the sample tested.

- 3.17 The outcome of the 2017/18 internal audit will be reported as part of the Financial Planning and Management Arrangements 2018 report expected to be made to Committee in July 2018

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 There has been no consultation in relation to this report

4.2 Equality and Diversity / Cohesion and Integration

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

4.3 Council policies and Best Council Plan

- 4.3.1 The execution of the Treasury Management strategy secures funding to support the Council's Policies and City Priorities as set out in the Council capital programme and is consistent with the Best Council Plan.

4.4 Resources and value for money

- 4.4.1 The execution of the Treasury Strategy enables funds to be raised and managed in the most efficient manner in line with the approved strategy as presented to Executive Board on 8th February 2017.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The legislative framework which governs TM is outlined in section 2.1. This framework includes compliance with the CIPFA Treasury Management Code of Practice, the prudential code 2011 and revised guidance notes issued in 2013.
- 4.5.2 There are no legal or access to information issues arising from this report.

4.6 Risk Management

- 4.6.1 As set out in the Treasury Management Policy Statement, TM activities are carried out within a risk management framework and the management of risk is key to securing and managing the Council's borrowing, lending and cash flow activities.
- 4.6.2 By complying with and adopting the CIPFA Treasury Management Code of Practice, Prudential Code and guidance notes, assurance is given that arrangements are in place to manage risks effectively.

5 Conclusions

- 5.1 This report confirms that the treasury management governance framework is up to date and fit for purpose, that the Council is operating within its governance framework and as such is complying with the CIPFA Treasury Management Code of Practice, Prudential Code and updated guidance notes. A 2016/17 Internal Audit report gave TM substantial assurance on both control and compliance. It also confirms that the strategy is being monitored and reported back to Executive Board and full Council as appropriate.

6 Recommendations

- 6.1 Note that Treasury Management continues to adhere to its governance framework including the CIPFA Code of Practice, the Prudential Code and revised CIPFA guidance notes issued in 2013. All borrowing and investments undertaken have been compliant with the governance framework.

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.

Treasury Management Governance Framework

FULL COUNCIL	EXECUTIVE BOARD	CORPORATE GOVERNANCE & AUDIT COMMITTEE	RESOURCES AND COUNCIL SERVICES SCRUTINY BOARD
Setting Borrowing limits	Treasury Management Strategy	Adequacy of Treasury Management policies and practices	Review / scrutinise any aspects of the Treasury management function
Changes to borrowing limits	Monitoring reports in year	Compliance with statutory guidance	
Treasury Management Policy	Performance of the treasury function		
↓ DELEGATIONS TO OFFICERS			
DELEGATION SCHEME	TO WHOM	FUNCTION DELEGATED	
Officer delegation scheme (Executive Functions)	Chief Officer Financial Services	Making arrangements for the proper administration of the authority's financial affairs	
Executive Functions Specific Delegations Page 24 (d) Treasury Management	To Chief Officer Financial Services	The provision of financial services, including treasury management (encompassing the making of payments and borrowing of loans)	
Miscellaneous Functions - Financial Regulation 20: Treasury Management Page 32	Function delegated to Chief Officer (Financial Services)	To ensure that all investment and borrowing is valid, accurate, efficient, properly accounted for and in accordance with statutory and corporate requirements	

↓ OPERATIONAL AUTHORITY OF OFFICERS/CONTROL FRAMEWORK

POLICY DOCUMENT	TO WHOM	OPERATIONAL AUTHORITY
Treasury Management Policy Statement (section 11) Policy on Delegation and Review Requirements and Reporting Arrangements	Chief Off. Financial Services Head of Finance - Technical Senior Treasury Manager Assistant Finance Manager	Implementation of decisions taken at Treasury strategy review meetings and day to day management of treasury operations
CIPFA: Code of Practice Prudential Code Guidance Notes	Head of Finance - Technical Senior Treasury Manager Assistant Finance Manager	Ensure compliance and that any changes are reflected in the operating framework.

Leeds City Council - Prudential Indicators 2017/18 - 2019/20

No.	PRUDENTIAL INDICATOR	2017/18	2018/19	2019/20
	(1). EXTRACT FROM BUDGET AND RENT SETTING REPORTS			
1	Ratio of Financing Costs to Net Revenue Stream General Fund - Excluding DSG (Note1)	10.19%	12.73%	11.70%
2	HRA	11.01%	11.07%	11.28%
3	Impact of Unsupported Borrowing on Council Tax & Housing Rents increase in council tax B7(band D, per annum) (Note 2)	£ . P 10.97	£ . P 40.77	£ . P 63.06
4	increase in housing rent per week	0.00	0.01	0.20
5	Net Borrowing and the capital financing requirement (Note 3)	OK	OK	OK
6	Estimate of total capital expenditure Non HRA	288,778	237,573	203,200
7	HRA	85,927	86,583	131,170
	TOTAL	374,705	324,156	334,370
8	Capital Financing Requirement (as at 31 March) Non HRA	£'000 2,030,097	£'000 2,109,480	£'000 2,184,901
9	HRA	815,077	811,611	832,844
	TOTAL	2,845,174	2,921,091	3,017,745
9a	Limit of HRA Indebtedness as implemented under self financing	721,327	721,327	721,327

No.	PRUDENTIAL INDICATOR	2017/18	2018/19	2019/20
	(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'000	£'000	£'000
10	Authorised limit for external debt - (Note 5) borrowing other long term liabilities TOTAL	2,450,000 740,000 3,190,000	2,450,000 720,000 3,170,000	2,500,000 690,000 3,190,000
11	Operational boundary - (Note 5) borrowing other long term liabilities TOTAL	2,200,000 720,000 2,920,000	2,300,000 700,000 3,000,000	2,350,000 670,000 3,020,000
14	Upper limit for fixed interest rate exposure expressed as either:- Net principal re fixed rate borrowing / investments OR:- Net interest re fixed rate borrowing / investments	115%	115%	115%
15	Upper limit for variable rate exposure expressed as either:- Net principal re variable rate borrowing / investments OR:- Net interest re variable rate borrowing / investments	40%	40%	40%
17	Upper limit for total principal sums invested for over 364 days (Note 5) (per maturity date)	150,000	150,000	150,000
18	Net Debt as a percentage of Gross debt	99.4%	99.4%	99.5%

16	Maturity structure of fixed rate borrowing as at 31/03/2018	Lower Limit	Cumulative Upper Limit	Projected 31/03/2018
	under 12 months	0%	15%	2.76%
	12 months and within 24 months	0%	20%	5.43%
	24 months and within 5 years	0%	35%	11.52%
	5 years and within 10 years	0%	40%	5.06%
	10 years and within 20 years			1.67%
	20 years and within 30 years			0.00%
	30 years and within 40 years	25%	90%	41.21%
	40 years and within 50 years			24.02%
	50 years and above			8.33%
				100%

otes.

- The indicator for the ratio of financing costs to net revenue stream for General Fund is now calculated based on the Net Revenue Charge less the Dedicated Schools Grant (DSG). The Government changed the funding of education to DSG from 2006/07.
- The code requires that the Council identifies the capital financing costs arising from unsupported borrowing expressed as the amount per band D property.
- In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council should ensure that net external borrowing does not exceed the total capital financing requirement in the preceding year plus estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.
- Prudential indicator 12 relates to actual external debt at 31st March, which will be reported in the Treasury Management Annual Report.
- Prudential indicator 13 relates to the adoption of the CIPFA Code of Practice on Treasury Management. The Council formally adopted this Code of Practice in March 2003, and the revised code in February 2010 and 2012

This page is intentionally left blank

Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 22nd January 2018

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.

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

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
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

This page is intentionally left blank