



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Meeting to be held in Civic Hall, Leeds on
Monday, 16th March, 2020 at 10.00 am**

MEMBERSHIP

Councillors

P Grahame	J Bentley	P Harrand
A Scopes (Chair)		M Harrison
P Truswell		J Taylor
J Illingworth		
B Garner		

A G E N D A

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

Item No	Ward	Item Not Open		Page No
3			LATE ITEMS To identify items which have been admitted to the agenda by the Chair for consideration (The special circumstances shall be specified in the minutes)	
4			DECLARATION OF DISCLOSABLE PECUNIARY AND OTHER INTERESTS' To disclose or draw attention to any disclosable pecuniary interests for the purposes of Section 31 of the Localism Act 2011 and paragraphs 13 -16 of the Members' Code of Conduct.	
5			APOLOGIES FOR ABSENCE To receive apologies for absence (If any)	
6			MINUTES OF THE PREVIOUS MEETING To consider the minutes of the previous meeting held on 27 th January 2020. (Copy attached)	7 - 16
7			MATTERS ARISING FROM THE MINUTES To consider any matters arising from the minutes.	
8			APPLICATIONS PORTFOLIO PROGRAMME - UPDATE ON ACCESS PROJECT To consider a report by the Director of Resources and Housing which provides an update on progress with the Access 2003 replacement project. (Report attached)	17 - 26

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9			ANNUAL INFORMATION GOVERNANCE REPORT, INCLUDING THE ANNUAL REPORT OF THE CALDICOTT GUARDIAN To consider a report by the Director of Resources and Housing and the Director of Adults and Health which presents the Annual Information Governance report and seeks to provide assurance of the effectiveness of the council's information management and governance arrangements: that they are up to date; fit for purpose; effectively communicated and routinely complied with. The report also seeks to provide assurance around the recommendations of the Caldicott Guardian Council (2017) (Report attached)	27 - 48
10			INTERNAL AUDIT UPDATE REPORT JANUARY TO FEBRUARY 2020 To consider a report by the Chief Finance Officer which provides a summary of the Internal Audit activity for the period January to February 2020 and highlight the incidence of any significant control failings or weaknesses. (Report attached)	49 - 68
11			INTERNAL AUDIT PLAN 2020-21 To consider a report by the Chief Finance Officer which presents the proposed Internal Audit Plan for 2020-21 for review and approval. The report also includes a summary of the basis for the plan which has been developed in consultation with senior management. (Report attached)	69 - 86

Item No	Ward	Item Not Open		Page No
12			ANNUAL ASSURANCE REPORT ON THE FINANCIAL MANAGEMENT AND CONTROL ARRANGEMENTS AND COMPLIANCE WITH THE CHIEF FINANCE OFFICER PROTOCOL To consider a report by the Chief Finance Officer which seeks to provide assurance that the Council has in place effective and robust arrangements for financial planning, financial control and other financial management activities and that the financial governance arrangements in place are fit for purpose, up to date and embedded across the organisation. (Report attached)	87 - 124
13			ANNUAL TREASURY MANAGEMENT GOVERNANCE REPORT To consider a report by the Chief Finance Officer which presents the Annual Treasury Management Governance Report which outlines the governance framework for the management of the Council's TM function (Report attached)	125 - 134
14			DRAFT ANNUAL REPORT OF THE COMMITTEE To consider a report of the City Solicitor which presents the draft annual report reflecting the work of the committee in the 2019/20 Municipal year and determine whether any additional commentary is required. (Report attached)	135 - 148
15			WORK PROGRAMME 2020/21 To receive a report by the City Solicitor which notifies Members of the Committee's Work Programme for 2020/21 (Report attached)	149 - 154

Item No	Ward	Item Not Open		Page No
16			DATE AND TIME OF NEXT MEETING To note that the next meeting will take place on Monday, 29 th June 2020 at 10.00am in the Civic Hall, Leeds.	

Third Party Recording

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

Use of Recordings by Third Parties– code of practice

- a) Any published recording should be accompanied by a statement of when and where the recording was made, the context of the discussion that took place, and a clear identification of the main speakers and their role or title.
- b) Those making recordings must not edit the recording in a way that could lead to misinterpretation or misrepresentation of the proceedings or comments made by attendees. In particular there should be no internal editing of published extracts; recordings may start at any point and end at any point but the material between those points must be complete.

Corporate Governance and Audit Committee

Monday, 27th January, 2020

PRESENT: Councillor A Scopes in the Chair

Councillors P Harrand, J Illingworth,
P Grahame, M Harrison, J Taylor,
P Truswell and B Garner

46 Appeals Against Refusal of Inspection of Documents

There were no appeals against the refusal of inspection of documents

47 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 confidential nature of the business to be considered.

48 Late Items

There were no Late Items identified

49 Declaration of Disclosable Pecuniary and Other Interests'

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

50 Apologies for Absence

Apologies for absence were received from Councillor J Bentley.

51 Minutes of the Previous Meeting

RESOLVED – That the minutes of the previous meeting held on 22nd November 2019 were accepted as a true and correct record.

52 Matters Arising from the Minutes

The Deputy Head of Democratic Services reported on the following Matters Arising:

Minute No.37 – Public Works Loan Board (PWLB) loan rate rise – It was reported that a joint letter had been sent from Chair of Strategy & Resources Scrutiny Board and Executive Member for Resources to MHCLG urging reconsideration of rise (circulated 21st January 2020).

Minute No.38 – Corporate Performance Management – Members were informed that officers had provided responses to each of the questions raised which had been shared with individual Members or circulated as appropriate.

Minute No.39 – Social Value in Procurement – It was reported that the guidance on social value in procurement had been considered at the 20th January meeting of Strategy & Resources Scrutiny Board and that work was ongoing within PACS to develop a social value portal.

Minute No.40 – Planning Governance – Members were informed that guidance on the referral process; chairs discretion and material planning considerations was a work in progress – Officers were planning to consult the Executive Member and Plans Panel Chairs before circulating the final note.

Minute No.42 – Redmond Review – It was reported that a response was circulated in draft and final version (amended following receipt of Members views) had also been circulated.

53 Applications Portfolio Programme - Update on Access Project

With reference to the previous meeting held on 22nd November 2019 when it was acknowledged by officers that progress on the project had not been as anticipated, the Director of Resources and Housing now submitted a report which provided an update on the progress made and steps taken to re-baseline the project.

Addressing the report the Chief Digital and Information Officer said that since the last meeting work had focused on the following:

- Ensuring the right technical expertise and amount of resources were assigned to the project
- Challenge and review the methodology for moving off Access 2003 in the timeframe
- Challenge the project management, governance and escalation arrangements
- Instructions had been circulated that no new databases be created

Members referred to the 630 IT projects currently on the Digital and Information Services portfolio of work and queried if any of these would affect the public services network approval.

It was confirmed that a number of the projects would affect the public service network approval and that details would be supplied in the Annual Report.

It was reported at the last meeting that new 2003 databases were still being created, and Members asked whether this was still happening.

Members were informed that an instruction had been circulated that no new databases be created and any new databases would be immediately deleted.

A number of Members expressed disappointment at the lack of progress suggesting that officers with senior positions within the Council had not taken this project seriously, it had taken too long to identify this project as a priority and the council was in a position of needing to play catch up.

The Chief Digital and Information Officer explained that the issue had been discussed at the Corporate Leadership Team and that this project was caught by the priority design principles which had been set. It was also reported that the Project Management Team were now meeting on a three weekly bases with clear roles of responsibility having been assigned.

Members queried if the required resources were now in place with the necessary technical expertise.

Members were informed that additional resources had been assigned to the project, and that specialist agency staff would be brought into the team to meet the current lack of “developers” to provide alternative solutions to replace Access databases.

Members asked if the project timetable could be shared with Members.

The Chief Digital and Information Officer informed Members that at this stage he could not commit to a firm timetable, an action plan had been compiled but there remained a risk around the use of external expertise.

The Chair requested that the project timetable be circulated to Members (via email) by 1st March 2020 and that the Director of Resources and Housing be notified of the Committee’s request.

The Chair thanked the officers for their attendance and contributions and requested that a further progress report be brought back to the next meeting in March 2020 when it was hoped the project would be back on track.

RESOLVED –

- (i) That the contents of the report be noted and the identified actions be supported
- (ii) That a further update be provided at the next meeting
- (iii) That the project timetable be circulated to all Members of the Committee by 1st March 2020
- (iv) That an invitation to attend the next Committee be extended to the Director of Resources and Housing if it is considered that sufficient progress has not been made

54 Customer Contact and Satisfaction

Draft minutes to be approved at the meeting
to be held on Monday, 16th March, 2020

The Chief Officer, Customer Access and Welfare submitted a report which provided the annual update on customer contact and satisfaction levels with customer services delivered through Customer Access on behalf of the Council.

The report provided:

- An update on the two key areas: telephone waiting times and transitioning to digital channels which were identified by this Committee in response to the annual report in November 2018.
- An overview of customer contact, satisfaction and developments through the Council's corporate customer services function – Customer Access;
- An update on the audit of customer contact with Members;
- An analysis of formally logged complaints through the Customer Relations teams;
- An overview of the customer care standards.

In considering the report reference was made to council house repairs, Members suggesting that tenants would often contact the housing contractors responsible for council house repairs (Mears) directly, it was understood the call was charged at a premium rate, which was an enormous cost to the tenant.

Members were informed that such enquiries could be made through the LCC Contact Centre where calls were charged at a standard rate.

A number of Members raised the issue of call waiting times suggesting that 11 – 16 minutes to get through to particular services was not acceptable.

Members were informed that work was ongoing to reduce the volume of calls to certain services by enabling customers to self-service. It was suggested that staff recruitment and retention was an issue, once staff became fully trained they would often seek employment in other areas of the Council.

Members queried if exit interviews were undertaken to understand why staff were leaving.

The Chief Officer, Customer Access and Welfare confirmed that exit interviews were undertaken and issues such as: burnout, pressure of the job and challenging customers were all named as reasons why staff would seek alternative employment. The chief officer explained that by employing and training of apprentices within the service there was a plan to make a virtue of workforce change by retaining these staff within the council as a whole.

Members also raised the issue of automated messages, one Member said she had dialled four different numbers but on each occasion it had gone through to an automated system and in some instances the recorded message was not up to date.

The Chief Officer, Customer Access and Welfare asked if he could be supplied with specific details so that the matter could be investigated further.

Reference was made to Customer Complaints. Members asked that reporting differentiated between local residents who contact a Councillor directly before contacting the Service, and those who escalate a complaint by contacting their councillor when the service has not responded to their satisfaction.

The Chief Officer, Customer Access and Welfare confirmed that council house repairs was a particular area where tenants were seeking the support of Councillors before the service had had an opportunity to address the issue. This was a matter that that was reflected in Members case work and was currently been investigated by the service.

Referring to the Local Government Ombudsman Annual Letter, Members requested if further details about Ombudsman complaint comparisons with other local authorities could be circulated to all Members of the Committee.

Members were informed that the requested information would be provided.

RESOLVED –

- (i) That the contents of the report be noted
- (ii) To support the work outlined to develop the approach further
- (iii) To recognise the developments outlined which will further enhance customers' experiences
- (iv) That details about Ombudsman complaint comparisons with other local authorities be circulated to all Members of the Committee.

55 Grant Thornton Annual Audit Plan 2019/20 and update on Audit Issues

The Chair welcomed to the meeting Gareth Mills, Engagement Lead and noted apologies from Perminder Sethi, Engagement Senior Manager (Grant Thornton).

The Chief Officer Financial Services submitted a report which informed Members of Grant Thornton's audit plan for the audit of the Council's accounts and its value for money arrangements; detailed the outcome of the 2018/19 Housing Benefits Subsidy grant claim audit; and provided an update on 2018/19 audit fees and on PSAA's process for approving them

The report from Grant Thornton highlighted the risk based approach to the audit and the main risks they had identified for 2019/20.

Addressing the reports Mr Mills (Grant Thornton) explained that two areas had been identified where there was 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.

In relation to their audit of the council's arrangements for securing value for money, Grant Thornton had identified the key risks as being the council's overall financial standing given the continuing significant pressures which it faces, and the potential for Brexit to impact on the council.

The Audit Plan proposed an audit fee of £198.9k. This included a fee variation of £20.3k, the reasons for which were explained in Section 10 of the Audit Plan. In addition to the information given in their audit plan, Grant Thornton had written to the Chief Finance Officer to provide more detail of the additional audit work proposed and the reasons for it. A copy of that letter was included as an appendix to the audit plan.

Members raised the issue of the 2018/19 Audit and the fee variation of £9k, noting that officers had contacted PSAA who had provided assurances that their fee variation process required that the agreement of the audited body was obtained before they confirm any agreement to an audit fee variation.

It was reported that in this case there had been a misunderstanding over whether the Council had agreed to the requested additional fees. PSAA had therefore reverted the 2018/19 fee variations to an undecided status and requested Grant Thornton to provide the council with additional information. Grant Thornton had subsequently provided more explanation of the reasons for the fee variation to the Chief Finance Officer.

Members were informed that the letter from Grant Thornton explaining the reasons for the fee variation was submitted to the Corporate Governance and Audit Committee for information, and the Section 151 Officer had the authority to approve any variation to the fee.

It was the wish of Members that the Section 151 Officer informs the Executive Member responsible and the Chair of the Corporate Governance and Audit before an increase in fees is agreed.

The Chair confirmed that he had met with the Section 151 officer and discussed the proposed audit fee variations for 2018/19 and 2019/20.

Members expressed the view that any additional work which was expected to result in a variation in fee should always be set out in detail in the audit plan.

Members queried what constituted additional work

In responding Mr Mills said that additional work was anything which had not been anticipated in the expected scope of works when the audit contracts had been awarded.

The Chair asked if an opinion on the 2019/20 Statement of Accounts would be available for 31st July 2020.

Mr Mills explained that Grant Thornton would plan their work to aim to issue their opinion by 31st July, but he could not provide an absolute assurance that this would be achieved. The opinion could only be issued once sufficient audit assurance had been obtained, and there was a potential for a delay if unexpected issues arose.

The Chair thanked officers for their attendance and contributions

RESOLVED –

- (i) To note and agree the nature and scope of the 2019/20 audit plan and to note the proposed audit fee presented by Grant Thornton.
- (ii) To note that following further discussions with Grant Thornton, the Chief Finance Officer had agreed their audit fee variations for 2018/19, and agreed in principle their proposed audit fee for 2019/20, subject to subsequent approval of the variation element within it by PSAA (Public Sector Audit Appointments Ltd).
- (iii) To note the outcome of the audit of the 2018/19 Housing Benefits Subsidy grant claim 2018/19.
- (iv) That the Section 151 Officer informs the Executive Member responsible and the Chair of the Corporate Governance and Audit before any future increase in fees is agreed.

56 Internal Audit Update Report November to December 2019

The Chief Officer (Financial Services) submitted a report which provided a summary of the Internal Audit activity for the period November to December 2019 and to highlight any significant failings or weaknesses.

Members noted there were 19 reports issued during the November to December 2019 period.

Referring to Housing Disrepairs, Members noted that a follow up review had been undertaken and it was considered that this was an area where significant progress had been made. A number of measures had been implemented resulting in the establishment of stronger governance arrangements and joined up working across departments.

It was suggested by Members that the issue of repairs should be raised with the tenant at the annual home visit, which would provide an opportunity to address potential areas of disrepair ahead of a claim being received

Reference was made to FMS Risk Assessment and in particular the risk of material errors arising from incorrect journal entries. Members were informed that the risk assessment had now been completed by Financial Management who were satisfied that a sound methodology had been used in undertaking the risk assessment and that compensating controls were in place.

Referring to the Review of Gifts and Hospitality, Members noted that recommendations had been agreed that would strengthen the process by ensuring that all declarations of gifts and hospitality from Directors must be subject to third party approval.

Members queried if the forms for declaring gifts and hospitality were public documents.

Members were informed that such documents were not available for public inspection.

It was noted that Internal Audit Performance was actively monitored through the use of a customer satisfaction questionnaire. Members were informed that for the period from 1 April 2019 to 31 December 2019, 34 Customer Satisfaction Questionnaires were received (25 were received during the same period last year).

Members were invited to provide any suggestions for the coverage of the Audit Plan for 2020/21.

Members asked how Leeds compared with other Core Cities in terms of resources to carry out audit work.

The Interim Head of Internal Audit suggested that some of the core cities reported more resources within their internal audit teams, however, this was explained by differences in the way that counter fraud work was organised. Members were informed that in Leeds there were a number of different teams contributing to counter fraud work across the authority.

Members requested if further information on benchmarking of resources would be provided when the Audit Plan was next presented to the Committee.

One Member queried the audit work being undertaken on the Leeds Flood Alleviation Scheme.

Members were informed that an update on the outcomes from this audit would be reported to Members once the audit had been completed.

RESOLVED –

- (i) To receive the Internal Audit Update Report covering the period from November to December 2019 and note the work undertaken by Internal Audit during the period covered by the report.
- (ii) 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.

- (iii) That further information on resources be provided when the Audit Plan was next presented to the Committee

57 Work Programme 2020/21

The Head of Democratic Services presented a report of the City Solicitor which set out the ongoing Work Programme for 2020.

Following discussion at today's meeting it was agreed that the subsequent item be added to the Work Programme:

- Applications Portfolio Programme – Update on Access Project (March 2020)

Members noted that there were currently ten items of business due for consideration at the next meeting on 16th March 2020.

The Chair suggested that this was a significant amount of business for one meeting and asked officers to review the Work Programme with a view to reducing the number of items for the next meeting and to consider a possible additional meeting of the Committee.

RESOLVED –

- (i) That a report on the Applications Portfolio Programme - Update on Access Project be scheduled for the next meeting of this Committee
- (ii) That officers review the Work Programme with a view to reducing the number of items for the next meeting

58 Date and Time of Next Meeting

RESOLVED – To note that the next meeting will take place on Monday, 16th March 2020 at 10.00am in the Civic Hall, Leeds.

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**Report of Director of Resources and Housing
Report to Corporate Governance and Audit Committee**

Date: 16th March 2020

Subject: Applications Portfolio Programme – Update on Access project

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

Summary of main issues

To provide Corporate Governance and Audit Committee an update on the progress made on eradicating Microsoft (MS) Access 2003 from the network to enable us to maintain our current PSN Compliance Certificate.

The most up to date breakdown of the conversion figures will be sent to Members under separate cover and presented on the day of the committee.

Recommendations

- 1.1 Corporate Governance and Audit Committee is asked to consider the contents of this report and support the actions therein.

1. Purpose of this report

1.1 To provide Corporate Governance and Audit Committee with an update on progress with the Access 2003 replacement project.

2. Background information

2.1 The Public Services Network (PSN) was set up as an assured route for information sharing by central government across public sector organisations. It provides a compliance regime to assure a good level of information security arrangements are in place. The Council has worked hard over the last number of years to achieve and maintain compliance as security risks evolve. It was reported to Committee on 30th August 2017, a total of 66,667 individual vulnerabilities had been revealed by the IT Health Check. The teams within the Digital and Information Service (DIS) working with the council directorates reduced this number to 595 individual vulnerabilities (reported to Committee on 30th July 2018) at which time the Cabinet Office re-instated the Council's PSN certificate. The council network is now being actively monitored for vulnerabilities and patched appropriately.

2.2 MS Access 2003 is no longer supported by Microsoft and therefore could introduce a cyber security risk. The Council will move off 2003 by July 2020.

2.3 In addition MS Access 2010 will go out of support at the end of October 2020 and it may be a requirement of the PSN that this version will also have to be eradicated from the network for compliance in 2021.

2.4 MS Access is a tool that is heavily relied upon in services and underpins important business processes, for example in Finance, Children's and Highways.

2.5 The project initially identified 534 Access 2003 databases in May 2018. Of the 237 reported at the last meeting 66 have been migrated leaving 171 to do. However, a further 64 have been identified stored on C:\ drives. This will be expanded on in the Main Issues section of this report.

2.6 The long term replacement work of the converted databases and MS Access 2010 is currently being assessed and planned in.

3. Main issues

3.1 Since the last meeting work has focused on the following issues:

a) Getting the right skills and resources assigned onto the project.

- As reported to the last meeting, due to the recruitment and retention issues the Council did not have the necessary skills and capacity to develop replacement systems.

Therefore, the following actions were taken:

- The Council had adverts out since January 2020 to recruit additional resources from the contract market through a greater set of agencies and

with higher rates on offer. This has resulted in some interest and a position has been offered to one developer. Additional interviews are scheduled for w/c 2nd March for a second developer, the outcome of which will be reported at Committee.

- The Council are also, in parallel, looking to commission partners from our supplier framework to do some of this work. We are aiming to be able to appoint mid-March 2020 with the accelerated procurement route taking approximately eight weeks to complete.
- Any internal resources with the skills required have been allocated and prioritised on this project. However, this means that there are other projects that are impacted by this.

b) **Conversions from MS Access 2003 to MS Access 2010**

Due to not having the skills to replace we have focused efforts of lower skilled resources on converting MS Access 2003 to MS Access 2010 to ensure compliance to PSN this year and give us the space to address with the new skills the wider replacement challenge. 66 have been migrated since January.

c) **Directorate engagement and support**

Following the recent communication regarding new databases via Directors and Chief Officers, engagement from services has been encouraging and we have established a clear escalation process if there are any issues. This is working well.

d) **The identification of other MS Access 2003 databases**

The scan for MS Access databases traversed the entirety of the network drives, which includes users personal drives (H:\ drives), that is where all Council information and data should be stored. Since our recent communications with Directorates it has been discovered that a number of individual users have MS Access databases that they say are critical to them and their services stored locally on their C: drives which are inaccessible to our scans. It is the policy of the Council that *“Users SHOULD NOT save documents to the C:\ drive as normal practise, as it is not backed up and information may be lost or deleted if you experience any issues with your computer”*. This has resulted in a further 64 databases being discovered so far. However, the discovery of these is dependent on users declaring them. A communication about the use of C:\ drives and a reminder about the Council’s Acceptable Use Policy is being drafted for the SIRO/Director of Resources and Housing to send to all staff. This communication will include a clear message stating that Access 2003 runtime will be removed by 30th June 2020.

e) **Stop creation of new MS Access 2003 or 2010 databases**

Service areas are fully aware they are unable to create new databases and the project will closely monitor this and report statistics on this to the committee at the next meeting. Any new databases found by the scans of the network drives have been deleted.

f) **The current plan:**

The table below demonstrates the current high level plan milestones:

Tasks	Timescales		Comments
	From	To	
Categoriation of the different solution options for Access replacements. E.g. What are reporting solutions, what can be done by existing systems and so forth.	20.01.20	29.01.20	Complete
CLT stakeholder communication	14.01.20	17.01.20	Complete
Conversion from Access 2003 to Access 2010	31.10.19	30.06.20	See progress chart Annex 1
Removal of Access 2003 runtime		30.06.20	
Access 2010			
The Solution Architect through review of each database is determining the target solution and as a result able to estimate the resourcing requirements to replace them within the available timeframe.	29.02.20	TBC	Until this review is complete
Analysis of data sensitivity within the databases (e.g. personal and sensitive data) in order to determine the priority	24.02.20	TBC	
Continual scanning with focus on MS Access 2010	March 2020	TBC	The inventorying will entail gathering a data inventory from across the network
Delivery of MS Access 2010 replacements depending on agreement with Cabinet	TBC	30.06.21	Delivery covers all remaining

Officer regards compliance requirements.			Access databases across the estate.
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4. Corporate considerations

4.1. Consultation and engagement

- 4.1.1 Significant consultation and engagement has taken place with all service areas and continual challenge must be maintained.

4.2. Equality and diversity / cohesion and integration

- 4.2.1 There are no issues in relation to Equality and Diversity or Cohesion and Integration.

4.3. Council policies and best council plan

- 4.3.1 The Access replacement are part of the Council's wider compliance programmes for GDPR, PSN IA, PCI DSS and IG Toolkit.

4.4. Resources and value for money

- 4.4.1 Analysis by DIS shows that the essential requirements of many of the databases can be met by Council solutions such as SharePoint lists or corporate case management solutions. This means services accepting the corporate solutions offered and adapting business processes whilst having solutions that meet the primary requirement of the original database.

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

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

4.6 Risk management

4.6.1 Microsoft Access 2003 Risks

Services disclosing the existence of additional databases.

Mitigation: An communication from the SIRO regards the use of C:\ drives and for all services to disclose any information about databases the project aren't aware of. DIS to assess these quickly and make decisions as to course of action.

4.6.2 Microsoft Access 2010 Risks

Dependencies on service areas to work with the project in the timescales we need them to.

Mitigation: Services have been directed by CLT to prioritise this work, and other compliance work, over other work. This message will need to be reiterated once Access 2010 analysis begins and the project will pick up on this communication.

The risk of not getting the right technical resource recruited for this project.

Mitigation: All avenues to recruit the necessary skills and capabilities are being employed as per 3.1a).

5. Conclusions

- 5.1 The Director of Resources and Housing and the Chief Digital and Information Officer continue to ensure this project is prioritised. CLT have been informed and are provided with regular updates, with escalation routes established. Risks are been managed, with remediation monitored by the Access Project Board.

6. Recommendations

- 6.1 Corporate Governance and Audit Committee is asked to consider the contents of this report and support the actions therein.
- 6.2 The project team recommends providing the Committee with another update paper on Access progress for the next meeting.

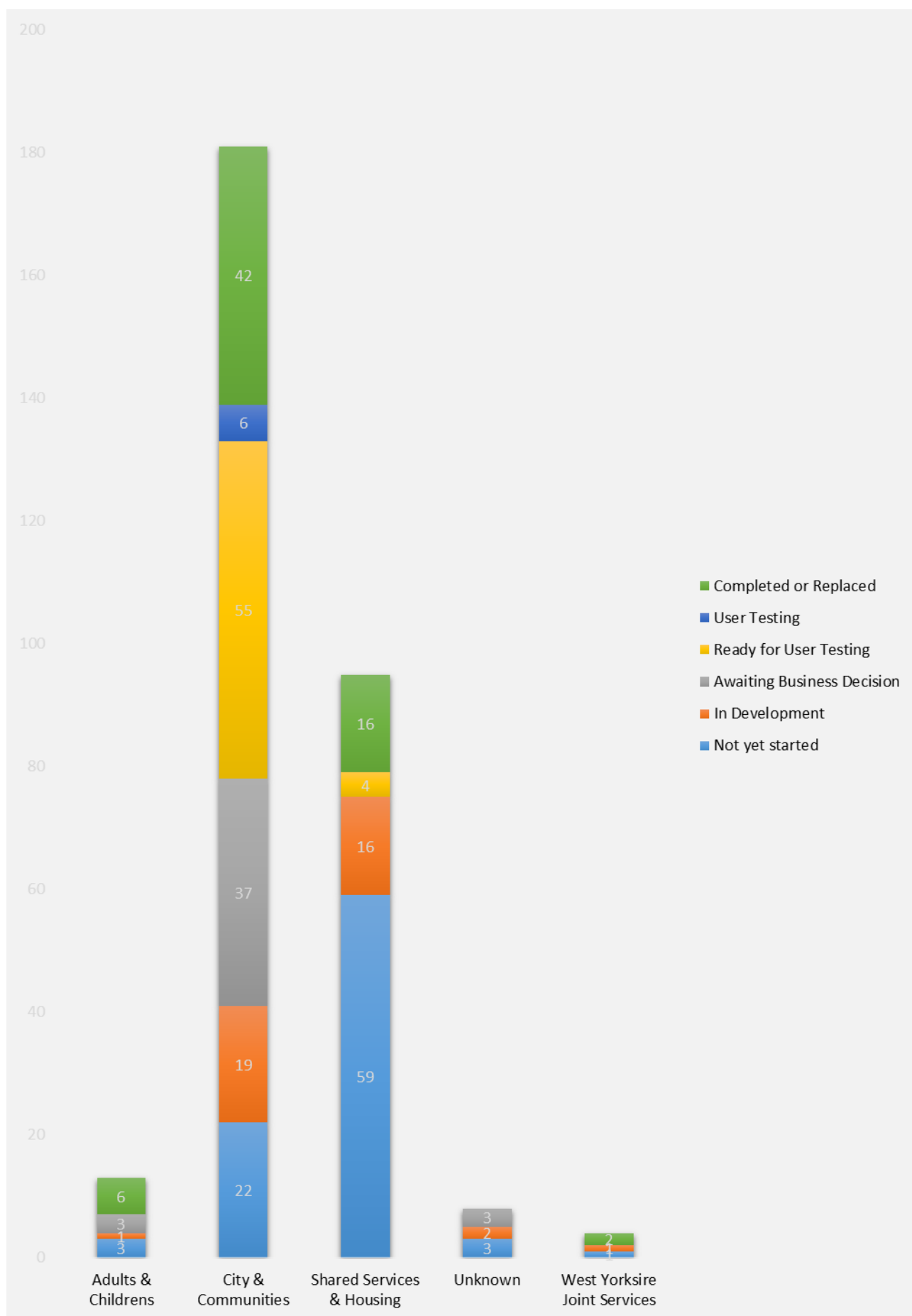
7. Background documents¹

N/A

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.

ANNEX 1 Graph showing MS Access conversion statistics per Directorate.

Graph that demonstrates the position with regards to the MS Access 2003 conversions. This is based on 301 in total taking into consideration the additional 64 identified.



Key descriptions:

Completed or Replaced – Either converted to Access 2010 or replaced with an alternative solution, therefore conversion not required.

User testing – In user testing and awaiting feedback from user about whether database can be signed off as successfully converted or if errors have occurred and further development is needed.

Ready for user testing – Converted by the developer and ready to engage with the business to arrange testing.

Awaiting Business Decision – This status is used for the project team developers to track whether we are awaiting answers from business areas about functionality of the database, whether it is still required (due to infrequent use) or discussing dates for hand over of the database with the up to date version of runtime.

In development – Work has begun on converting the database and the database is currently with the developer to complete.

Not yet started – Work has not begun on a database yet and is awaiting the developer to begin assessing and converting.

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Report author: Louise Whitworth &
Shona McFarlane
Tel: 0113 37 83978

Report of Director of Resources and Housing and the Director of Adults and Health Report to Corporate Governance and Audit Committee

Date: 16th March 2020

Subject: Annual Information Governance Report, including the Annual Report of the Caldicott Guardian

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

Summary of main issues

This annual report presents assurances to the Corporate Governance & Audit Committee on the effectiveness of the council's information management and governance arrangements: that they are up to date; fit for purpose; effectively communicated and routinely complied with. It explains the current arrangements and an update on programmes of work undertaken during 2019/20.

The Caldicott Guardian is assured of the arrangements in place with regards to the confidentiality of patient and service-user data.

Recommendations

Corporate Governance and Audit Committee is asked to consider the contents of this report and the assurance provided as to the Council's approach to information management and governance.

1. Purpose of this report

- 1.1 To provide Corporate Governance and Audit Committee with an annual report on the steps being taken to maintain and improve Leeds City Council's information governance in order to provide assurance for the annual governance statement.

2 Background information

- 2.1 Leeds City Council recognises the need to protect its information assets from both accidental and malicious loss and damage. Information Governance is taken very seriously by the council and this is evidenced by the on-going work to improve the management and security of our information as outlined in this report.
- 2.2 The report provides Committee Members with an update on the more strategic and cross-council activity on-going to provide assurance on our approach to information governance.
- 2.3 The manual for Caldicott Guardians, produced by the Caldicott Guardian Council (2017), recommends that the Caldicott Guardian works as part of a broader Information Governance function with appropriate support

3 Main issues

3.1 Overall arrangements for Information Management and Governance (IM&G) Assurance

- 3.1.1 The Council, in line with recommended practice for public authorities in the UK, continues to provide demonstrable arrangements which ensure that information assurance is addressed along with other aspects of information governance.
- 3.1.2 The Director of Resources and Housing continues in the role of Senior Information Risk Officer (SIRO). The Head of Information Management and Governance meets monthly with the SIRO to keep him up to date and also has active support regarding high risk matters. The SIRO is supported by the Chief Digital and Information Officer who has delegated decision making powers for information management and governance. The Chief Digital and Information Officer chairs the Council's Information Management Board (IMB) which ensures good standard information management practice is embedded into business processes, and information standards and policy are fit for purpose and kept up to date. Decisions made by the Chief Digital and Information Officer at the Information Management Board are effectively communicated across each Directorate through the Information Management and Governance Team who work closely with the Heads of Digital Change and the Digital and Information Services (DIS) Hubs. Reports and updates are taken to Hub and / or directorate level Steering Groups as appropriate.
- 3.1.3 The Director for Adult Social Care and Public Health is the Council's Caldicott Guardian. This is a strategic role responsible for protecting the confidentiality of patient and service-user information and enabling appropriate information sharing across Health and Social Care. Meetings are held with the Caldicott Guardian on a monthly basis to give updates on information sharing arrangements between health and social care partners, staff training and any high risk matters.
- 3.1.4 The Council's Head of Information Management is the Council's Data Protection Officer (DPO). The General Data Protection Regulations (GDPR) requires the

council, as a public authority, to designate a Data Protection Officer. 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 Information Commissioners Office (ICO)).

3.1.5 The Head of Information Management and Governance also oversees the effective underpinning of the Council's operations in the following areas:

- Cyber Assurance and Compliance
- Information Access and Compliance
- Records Management
- Change and Initiatives

3.1.6 Each of the Information Governance leads have developed work programmes, which are monitored and managed through the IM&G Management Team and in turn the Chief Digital and Information Officer.

3.2 Cyber Assurance and Compliance

3.2.1 This professional strand deals with the management of information and data risk corporately and manages the corporate risk for Major Cyber Incident. The compliance regimes mandated by the Council's regulations, contracts, information sharing and connection agreements are numerous and include the Public Services Network (PSN) Code of Connection, Data Protection and Security Toolkit for Health and a number of others which, in part, are addressed by PSN Compliance. As such, section 3.2 of this report concentrates on compliance to PSN.

3.2.2 The Public Services Network (PSN) was set up as an assured route for information sharing by central Government to facilitate shared services. 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 services. It is expected as Central Government services become accessible over the internet that the requirement for PSN services will diminish, removing the requirement for PSN compliance. We are however, assured by Central Government that a replacement compliance regime will follow. The controls are expected to be similar, but may be more stringent as Cyber threats are always changing.

3.2.3 PSN accreditation was awarded in 2018 and in 2019 with the assurance that the Council will remove Access databases running on 2003. Corporate Governance and Audit Committee are monitoring the progress of this separately and is therefore not documented in this report.

3.2.4 Governance for IT Security and Information Assurance is managed by the Information Security, Assurance and Compliance (ISAaC) Group. Following an internal audit on the management of cyber risk, this Group has been expanded to include delegates from Finance, Procurement, Facilities and HR. New Terms of Reference are being trialled to include scorecard reporting to improve the measurement of cyber risk and management. This group meets four-weekly and addresses the programmes of work in place to improve compliance to the PSN standard, including the output from the IT Health Check (ITHC), the projects that

affect cyber risk and other aspects of information Security. Escalation is to the Information Management Board (IMB).

- 3.2.5 Vulnerabilities discovered as a result of the ITHC over the past two years are reducing year on year. Due to this lower volume the Digital and Information Service (DIS) is now able to focus on assessing the root cause of issues that arise. Improvements to process are being implemented operationally and the adoption of virtualised teams is supporting this work. This moves the maturity of the organisation forward, allowing more focus on resolving long-standing issues.
- 3.2.6 DIS continues to utilise an automated scanning engine which lists vulnerabilities found on the estate allowing DIS to push updates to devices ahead of the ITHC which provides an external check of this control.
- 3.2.7 The windows server estate is being maintained above 90% compliance which is an acceptable level for the PSN regulators.
- 3.2.8 The Council's IT service management system, Remedy, is being utilised to ensure correct closure codes are appropriated to pieces of work, to provide improved reporting, but also to ensure business as usual activity that contributes to PSN compliance can be managed.
- 3.2.9 Work to ensure the secure boundary is maintained by upgrading all firewalls has been completed this fiscal year.
- 3.2.10 There are however, a number of projects yet to complete, which will further strengthen the security posture of the technical environment and may affect PSN Compliance:
 - a) **Mobile Device Management** – Upgrades to the majority of compatible mobile devices has been completed. A number of devices are too old to accept the upgraded controls. As the lifecycle for mobile devices continues, central funding of upgrades has been sought and agreed; this funding is in place for three years and is expected to be approved in the following years. This will ensure timely upgrades without impacting on services' budget. This project is being managed as business as usual.
 - b) **Network Segmentation / Authentication** – The network access control (NAC) product, which prevents unauthorised devices from getting on to the network, has been deployed within the Leeds City Council environment. All known devices are now understood by the system. Phase two of this project requires remediation networks to be created. Therefore, if a device does not meet the council's predetermined compliance criteria, including patching levels, then it is virtually placed in a separate network, which prevents access to corporate assets. The device will then be patched if identified as a corporate device, or quarantined (will only be granted internet access) until such time as the risk has been reduced, following which the device will be released onto the corporate network.

- c) **Active Directory Management** - This remains a large piece of work to maintain the structure of the role based access controls in place at standard user level. The work to ensure people have only rights and ability to see the information they need to complete work activity. Active Directory management software will be procured to assist in this ongoing task.
- d) **Microsoft 2008 lifecycle** – This project aims to upgrade unsupported servers and data bases to meet compliance requirements. In 2019, extended support was purchased to ensure compliance, this will run out for some of the devices in August 2020, the other in January 2021. Service areas are required to engage with DIS to ensure their hardware is upgraded.
- e) **Corporate reporting tools** – This project looks to standardise reporting and decommission aging reporting tools such as e-discoverer which impact on PSN compliance. Reports are being built at an acceptable rate and the out of support server was decommissioned in February 2020.
- f) **Customer Access Transactional Services (CATS)** – This project looks to replace and decommission non-compliant systems in Customer Access. The complexity of the forms required for the service result in slow progress, however this project will be delivered in Microsoft's Azure which brings with it a new support model.
- g) **Cloud Security Principles** - The Cloud Security Principles (CSP) compliance project was initiated to assess the security arrangements for those applications currently in use by Leeds City Council where they are hosted in the cloud. 64 applications have been assessed out of a total of 74. One has already been replaced due to security concerns. This work continues, producing remediation plans for those not felt to meet full compliance, but where it is felt that the risk can be managed. Contract management & supplier engagement are concerns for some systems.
- h) **Active Directory Raised Privilege Accounts** – Raised privilege accounts are those that afford greater authority within the estate, allowing the account holder to make changes to the configuration of devices and services within the council's network. Following an internal audit realising a need for improvement, a project has been instigated which will address the findings of the report. DIS recognises there are other actions required to bring the management of raised privilege to an acceptable assurance control and will continue to close-out gaps beyond the scope of the audit report, but ensuring the audit findings are closed first. It is understood that activities will be dependent upon what tooling can be procured, as such only high level actions are documented at present. This project is expected to take at least 2 years to complete due to the complexity of activities across services, including aspects of people, process and technology. Cabinet Office are aware of issues with Active Directory and continue to support us in our compliance to PSN.

High Level, documented plan to date:

Raised Privilege Project	Commence	To Complete	Completed
Identify and Procure Tooling Solution			
Supplier Meetings	07/01/2020	21/02/2020	Y
Requirements Matrix	21/02/2020	28/02/2020	Y
Product Trialling	02/03/2020	30/03/2020	
Produce Options Paper	02/03/2020	30/03/2020	
Procurement	01/04/2020	30/09/2020	
Communication Plan	01/08/2020	30/09/2020	
Establish Technical Solution/Prototype	01/10/2020	30/03/2021	
Communication Plan	01/08/2020	30/03/2021	
Installation	21/04/2020	30/03/2021	
Training and configuration	01/05/2020	30/03/2021	
Draft Implementation Plan	01/05/2020	30/03/2021	
Implementation	01/06/2020	30/03/2021	
Documentation/OAC as part of implementation.	01/06/2020	30/08/2021	
Phase 1 Services (AD) Infrastructure Mgmt	01/06/2020	30/08/2021	
Phase 2 to be determined based on relative importance	01/01/2021	30/08/2021	
Phase 3 Workstations	01/04/2021	30/08/2021	
Closure			
Lessons Learned			

It is expected that the findings of the internal audit will be closed out by August 2021.

3.2.11 The 2020 ITHC report has been analysed and it is likely that new projects will be commissioned to address root causes, these will be added and reported to Corporate Audit and Governance Committee as required.

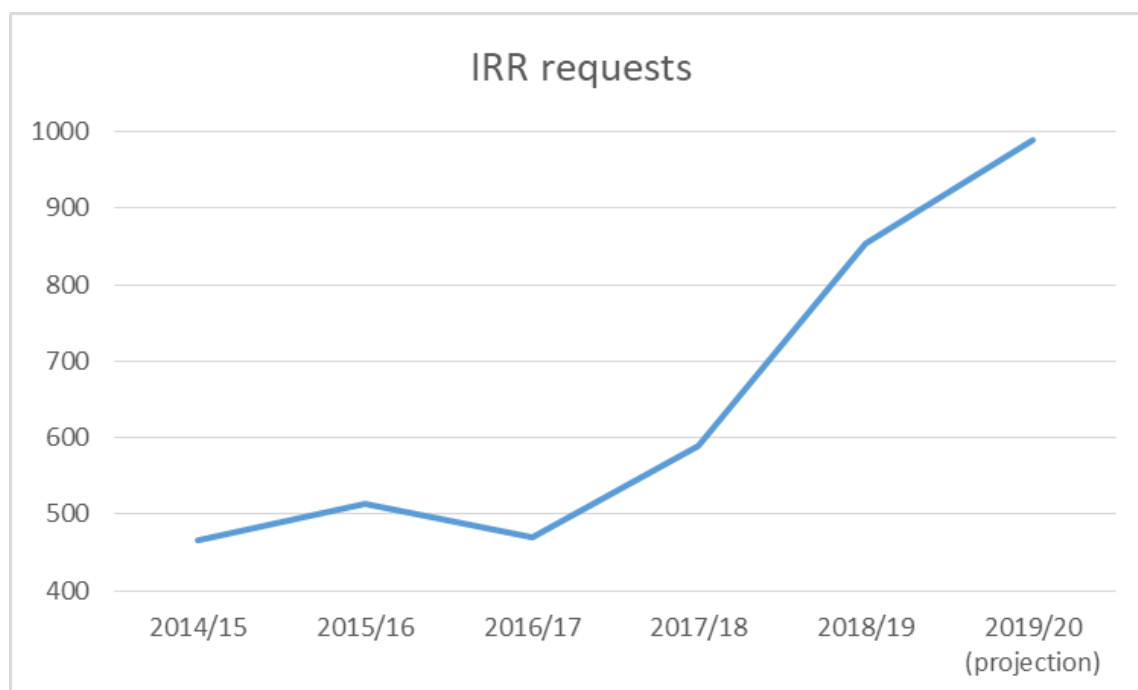
3.2.12 Due to ever increasing maturity of information assurance and compliance, including but not limited to, the re-prioritisation of workloads, a centralised Compliance Programme, improved process, increased reporting and the ISAaC Group new ways of working, Information Management and Governance have increasing confidence that Leeds City Council will maintain the required standard for PSN compliance in July 2020.

3.3 Information Access and Compliance

3.3.1 A central requests team has been established within the Information Management and Governance service (IM&G) to respond to all statutory requests for the Council, which previously had been dealt with by directorate IM&G hubs. This team currently consists of 1 PO4, 1 PO2, 6 SO2's (one part time 32hrs), 2 B3's and 1 apprentice post. The team respond to all requests, which include Freedom of Information Act 2000 (FOIA) and the Environmental Information Regulations 2004 (EIRs), General Data Protection Regulation (GDPR) & Data Protection Act 2018 (DPA), as well as requests from the police, the courts, and other government bodies.

3.3.2 Individual Rights Requests

Below is a trajectory of the number of individual rights requests (IRR's) received by the Council since financial year 2014/15 to 2018/19, with projected figures for 2019/20 based on the first three quarters of the year. 98% of IRRs are subject access requests (SARs).



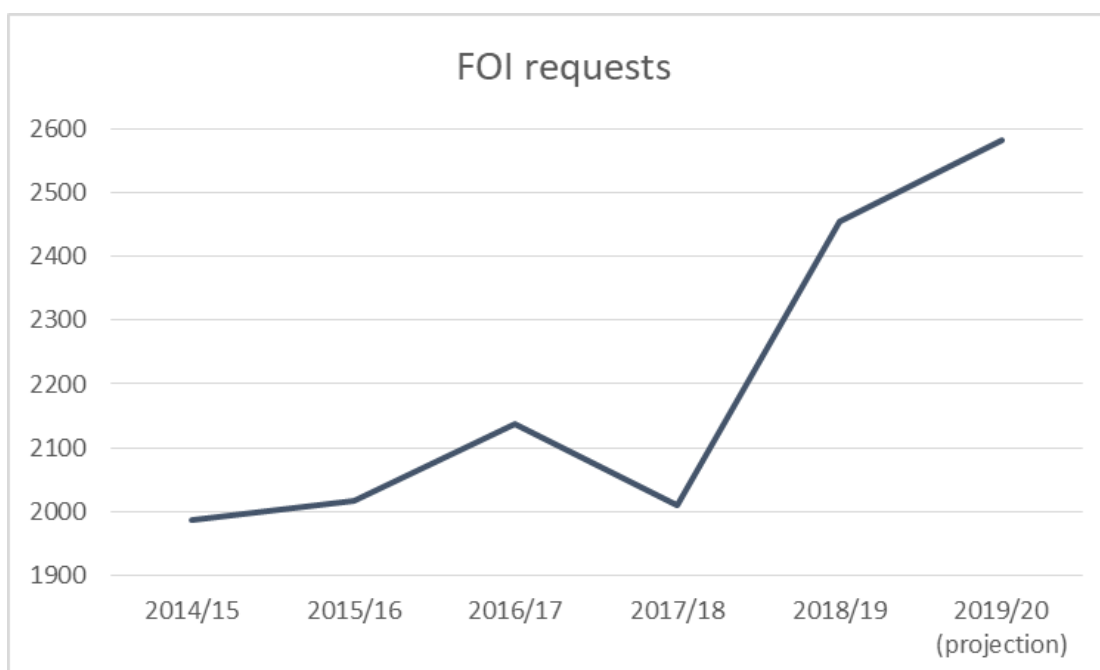
3.3.3 Since GDPR & DPA18 the Council has seen a 68% increase in the number of IRRs received. Although a spike was predicted when the legislation became enforceable in May 2018, the number of IRRs is not diminishing. At any one time the council has on average 75-80 open IRRs. Within the year 2019/20 this has peaked at 98 open requests. The average page count this financial year for SARs is 1,264.

3.3.4 48% of IRRs are for access to historical children's social care records by the individual who was in care. Due to the sensitive nature of these records the requests are highly complex and frequently run into thousands of pages, with the largest this financial year at 13,391 pages. Every page has to be read and decisions made in respect of applying the GDPR/DPA including redaction, with some extremely difficult information in respect of child protection matters.

3.3.5 In financial year 2019/20, to date 83.4% of all IRRs have been sent within the statutory deadline of 1 calendar month (a table is provided at 3.3.9). The Council has previously been monitored by the ICO for its compliance with subject access requests.

3.3.6 Freedom of Information/ Environmental Information Regulation requests

Below is a trajectory of the number of Freedom of Information (FOI) and Environmental Information Regulations (EIR) requests received by the Council since financial year 2014/15 to 2018/19, with projected figures for 2019/20 based on the first three quarters of the year.



3.3.7 FOI/ EIR legislation did not change when GDPR became enforceable, however the numbers of requests received has increased 29% since this time. At any one time the council has 130-140 FOI and EIR requests open. In 2019/20 the amount open at one time peaked at 170.

3.3.8 In financial year 2019/20, to date 93.2% of all FOI and EIR requests have been sent within the statutory deadline of 20 working days. The ICO threshold for monitoring of organisations is when it is found that compliance is below 90% responded to within statutory timescales.

3.3.9 The table below sets out the numbers of requests received and handled by the council for both the DPA 1998 (and GDPR post May 2018) and FOIA during 2017-18, 2018-19 and figures to date for 2019/20.

	2017/18	% compliance to statutory timescale	2018/19 Note: from May 2018, these figures include the new rights under GDPR	% compliance to statutory timescale	2019/20	% compliance to statutory timescale
DPA / GDPR – subject access requests & new rights requests post May 2018	590	97	855	90	748 (to Dec 2019)	83.4
FOIA & EIRs requests	2009	97.9	2455	93.5	1938 (to Dec 2019)	93.2

3.3.10 Police, Court & CCTV Requests

The Council receives on average 120 requests per month from the police, other local authorities, HMRC and the Home Office for access to information, primarily to assist in the prevention, investigation, detection or prosecution of criminal offences. There are no indicators to show that these requests will reduce. The requests vary in their complexity from a quick address check, to arranging access to social care records, which involves access to paper and electronic files in the office. The time taken to process police requests is significant, with 1 full time B3 officer, and the 1 apprentice post dedicated to responding to these requests full time each week. To support responding to these requests along with the other workload at support officer level, other IM&G hub resource (1 apprentice and 1 B1) have been brought into the requests team.

3.3.11 ICO & Internal review cases

If a requester is unhappy with the initial response to or handling of their request they are able to ask for an internal review at stage 2 of the council's complaints policy. Currently the PO4 and PO2 officer are responsible for responding to these reviews. To date this financial year the council have received 90 internal review requests for IRRs, FOIs, and EIRs, the highest open at any one time being 23. The time taken to respond to internal reviews is significant due to their complex nature.

- 3.3.12 Requesters are also able to contact the information commissioner's office if they have concerns about the way the council have responded to their request. This financial year to date 15 requesters have raised complaints against the council to the ICO. Of the 15 some are persistent complainants who have raised a number of concerns with the ICO over the course of several years. The ICO give the council 10 working days to respond to any concerns they receive, and a substantial amount of the capacity of the PO4 and PO2 officer within the team is required to respond to these concerns.
- 3.3.13 The Council is currently struggling to respond to IRR and FOI/EIR requests within the statutory time limits primarily on account of the volume of requests and the amount of staff allocated to undertake these requests. The requests team are working at full capacity, however the demand is too high for the team to sustain this level of requests within statutory guidelines. Attempts have been made to improve compliance statutory obligations by utilising colleagues from elsewhere within Information Management and Governance, and employing agency staff, however this is not a long term solution.
- 3.3.14 As such a plan has been put in place to ensure compliance with statutory obligations can be met and to prevent potential enforcement action from the ICO.
- 3.3.15 Additional permanent staffing allocation of 1 PO2, 1 SO2, 1 B3, and 1 B1 have been approved to sustain the council's compliance with all requests at each stage. Recruitment will commence with immediate effect once the additional posts have been established on the Council's structure.

- 3.3.16 The Digital and Information Service has commissioned an external resource to assess the current operation and processes of the team to see if efficiencies can be made to further improve performance and possibly automate some tasks. This work started in the first week in February and is due to conclude by the end of March 2020.
- 3.3.17 Corporate Governance and Audit Committee can be assured that every effort has been taken to provide for greater resilience in handling the large number of information requests the Council receive.

3.4 Records Management

- 3.4.1 The Council continues to make progress against the phased project plan to implement the Information Asset Register (IAR) and raising awareness of the role of Information Asset Owners (IAO's) council wide.
- 3.4.2 Phase one was completed in 2018 where all Directorates identified their assets and nominated IAOs at a Head of Service level.
- 3.4.3 Work on phase two to embed the role of the Information Asset Owner has progressed exceptionally well using the approved methodology launched in April 2018. Some slippage has been incurred with finalising this work as a result of under-estimating the time required to conduct this extensive exercise. Records Managers have spent the past 18 months working intensively with their respective directorate IAOs to help identify, validate and analyse their information assets (including those on the council's network drive). Work has also progressed to identify associated risks with each asset which will feed into the council's wider risk management process.
- 3.4.4 As at mid- February 2020 over 1,100 assets have been identified council-wide and are now on a purpose built Information Asset Register. The review of the Information Asset Register was approved at the Information Management Board on 12th February 2020.
- 3.4.5 The Records Management Team also continue to monitor their annual work plan and aspire to improve and ensure consistency of records management approaches across the whole organisation and maintain compliance with the Data Protection Act 2018/GDPR.

Key priorities identified last year have all been progressing well as detailed below:

- a. **To ensure that all records are managed effectively as part of the Changing the Workplace (CtW) programme in line with designated methodologies;** All phase 1 and phase 2 moves have been successful. Phase 2 office moves have included decanting both Hough Top Court and Navigation House.

A series of further office moves have been announced by Asset Management which the Records Managers are now supporting. Asset management are now working in collaboration with the Records Managers to ensure they are aware of all forthcoming office moves and decants with an adequate notice period;
- b. **Conduct procurement for the provision of an external storage provider –** A new three year contract has been put in place with Iron Mountain. This contract commenced in June 2019.
- c. **Development of a Council Data Quality Policy Statement and supporting protocols and guidance –** The Council's Data Quality Policy Statement was

finalised and approved in April 2019. Work is now ongoing to develop the supporting protocols and guidance to support the statement.

- d. **Ensure consistency in the management of employee records across the council to ensure compliance with the DPA principles;** Following a discovery project, a project brief was presented to the Best Council Leadership Team determining the scope of a “Managing Employee Records” project. Some initial work has been conducted on this, however elements of this will now form part of the wider Core Business Transformation project.
- e. **Ensure that all scanning and digitisation provision by the scanning framework is effectively monitored, justified and co-ordinated;** The team have led on and co-ordinated further scanning and digitisation projects in 2019/20 all justified in terms of ensuring compliance with the GDPR, enabling asset release and generating efficiency savings using the Council’s approved scanning framework including the digitisation of the Council’s pension records and contaminated land records.

The scanning framework is due to expire in autumn 2020 and therefore work is now commencing to develop the relevant documents for a re-tendering exercise.

- f. **To cleanse the data and reduce the storage on our existing network drives and mitigate the risk of breaching DPA principles; Discovery and Cleanse;** The corporate project to cleanse the Council’s network drives has been completed.

Phase one the project focussed on the deletion of personal non – business related data (examples include holiday photos, music and movie collections). Staff deleted 2.5 million files in response to a targeted communications push urging them to remove these files in line with the Acceptable Use Protocol. During April 2019 the council experienced the first ever drop in the amount of files on the drives and staff appeared to be more accountable for their files helping to foster a culture change around information management. The project slowed down the growth of the files on the network drive from 0.8TB to 0.5TB (October 2019).

Phase 2 focussed on working with service areas to identify deletions by reviewing redundant, obsolete and trivial files (ROT) outside retention. During this phase thousands of files were identified on the drives which belonged in a case management system (these have since been migrated).

Throughout the project there were small scale deletions of unusable file types (temporary files) that are not required by applications or users. As the project drew to a close the focus shifted onto ‘common records’ such as time sheets and meeting minutes as there are a significant number of these residing on the drives and these hold no value and were beyond retention.

- g. **Improve Paper Records Management to enable effective management, tracking movement and destruction of paper records owned by LCC and reduce unnecessary storage costs;** This priority continues but has changed in scope. The priority is now linked to the Council’s three year paper records rationalisation programme.

Considerable work has continued in this area since the last report and there is now a clear 3 year paper rationalisation programme in place which targets all

“high risk” areas and also aims to reduce off contract spend, reduce paper records and is aligned to the council’s asset release programme.

Over the 2019/20 Christmas period the Records Management team completed a project that focused on ensuring that all the Children’s Services records (over 2,500 boxes) stored in Domestic Street in units at risk of flooding have been securely transferred into a more secure facility managed by contractors. This has also resulted in two units becoming free and available for the council to rent at an approximate cost of £12.5k per annum per unit.

- Work has been undertaken in the following areas to remove off contract spend with Restore Storage.
 - o Planning Team – Approximately 850 boxes have all been re-boxed, re-indexed and transferred to a secure council premise in readiness for sifting and scanning later in 2020.
 - o PPPU - 163 boxes
 - o BSC – 115 boxes of employee advisory service records have been re-directed or destroyed as they are past retention.
- Property and Contracts - 14,500 unstructured electrical certificates stored in cabinets at Navigation House have been checked for data quality against the e record and prepared for storage at the Council’s Westland Road document storage facility.
- Work continues to replace the various record management databases to enable a cohesive and compliant approach. A large scale data quality exercise is ongoing to cleanse the data held in the existing systems around file types and retention as well as conducting destructions on records which have passed retention that still remain in the system before any information is migrated.
- h. Raise awareness of Records Management across the council to ensure staff are aware of their roles and responsibilities in relation to the management of information;** Awareness raising amongst Information Asset Owners continues to be incorporated into the Information Asset project. In addition to this work to raise awareness across the wider organisation remains ongoing. Training material was included in the latest version of the IG e learning package and records management staff are involved in the ongoing content review of the training in readiness for the next version roll out. A records management / retention management session for elected members was held in May 2019. This year we are looking at the development of a bespoke records management package to cover the fundamentals of Records Management. This will be updated accordingly in line with the roll out of O365.
- i. Development of the Council’s Retention Schedule;** The ongoing work to develop the Information Asset Register and role of Information Asset Owners includes the examination of retention periods. Historically the Council’s retention schedules have been published in PDF format on the Council’s Intranet site. The presentation of retention schedules has been simplified this year and the new look retention schedules were launched in April 2018 and published on Insite. The review of the retention schedules is now in its final stages. Completed retention schedules have been forwarded to Legal

Services for approval. We are still awaiting approval on a number of schedules.

- 3.4.6 The Records Management Plan was subject to annual review in January 2019 and reviewed and updated in April 2019 and January 2020 to reflect the changes in legislation and any organisational changes. The work in this plan is prioritised and reflected in the objectives of the Records Management Team.
- 3.4.7 With regards to Records Management Corporate Governance and Audit Committee can be assured that the Information Management and Governance Service continue to provide a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance in this regard. Plans are in place to ensure continuous improvement as documented. All commitments are regularly reviewed and monitored by the Information Management Board. Additional priorities identified for 2020/21 include:
- Ensure suitability of applications in line with the requirements of the GDPR Article 5 (personal data shall be: “processed lawfully, fairly and in a transparent manner in relation to individuals”)
 - Conduct a review of the Records Management Policy and associated protocols and procedures in line with the IG Policy Review programme and O365 roll out.

3.5 Change and Initiatives

- 3.5.1 The Change and Initiatives Team are working to a programme of work that aspires to improve how and when information governance is implemented and embedded across Leeds City Council, through a series of initiatives, in collaboration with services across the council and in collaboration with partners from across the wider local region.
- 3.5.2 As previously reported to Committee a number of Information Governance frameworks are in development to proactively deliver information compliance and governance for a range of programmes and initiatives. The team has worked with Smart Cities and the Government Digital Services’, to test the capabilities of a new IG Framework for Internet of Thing’s (IoT) devices through the GovTech programme initiated across Social Care and Housing last year. A positive reaction was obtained by all of the digital companies using the IG Framework, and a report will be considered by the Information Management Board later this year to approve wider use of the IG Framework as a corporate assessment information compliance tool for the installation of IoT’s devices. Similar work is progressing on an IG Framework to assess the secondary use of personal data for business intelligence and analytical work, and the team continue to build an IG foundation to support the Transgender Project.
- 3.5.3 The Change and Initiatives Team continue to lead on projects to enable the Council to share information with Health and other public authorities. An annual assessment of the mandatory Data Security and Protection Toolkit for 2109/20 is nearing completion, which has to be submitted for assessment to NHS Digital by 31st March 2020. The Leeds Information Governance Steering Group comprises of IG professionals from most of Leeds’ Health organisations, and members of the Change and Initiatives Team represent the Council on this Group, which is responsible for ensuring a consistent and standardised approach to information governance across the City. The team continue to provide IG support to the Leeds Care Record and HELM (Leeds Personal Healthcare Record). Furthermore, during 2020 it is likely that the team will be responsible for providing IG support to a new

initiative aimed at providing IG readiness for voluntary and third sector organisations applying for access to the Leeds Care Record.

- 3.5.4 The Change and Initiatives Team are representing the Council on a regional programme to rationalise and standardise an approach to information sharing across the Yorkshire and Humber region. The Information Sharing Gateway (ISG) is an online portal that brings together a number of stages that support effective information sharing. Leeds City Council together with North Yorkshire County Council are coordinating actions to enlist public authorities from local government; health; police and fire and rescue sectors, in order to bring about a standardised and simplified approach to information sharing across the region. Funding was secured from the Yorkshire and Humber LHCRE (Local Health and Care Record Exemplars) programme for 2020, which secured 200 licences for use by public organisations across the regions. To date 41 organisations are signed up to using the ISG, of which some of these have registered a further 23 supported organisations involving 290 registered users.
- 3.5.5 A member of the Change and Initiatives Team has been nominated as the region's coordinator on the national ISG forums, which allows direct input into new developments and technical changes for the Gateway, and networking with the numerous other Gateway users across the country. Future developments include changes to allow Part 3 of the Data Protection Act 2018, Law Enforcement to allow more detailed use of the Gateway by law enforcement agencies such as the Police, Crime Commissioners, Prison Service and Probation Services; changes required to accommodate the Information Commissioner's new mandatory code of practice on data sharing; and hosting internal information sharing agreements. Use of the ISG for information sharing is now embedded in the Council's recently reviewed Information Sharing policy. The Change and Initiatives team continue to support LCC staff to use the Gateway for information sharing purposes.
- 3.5.6 Further priority areas within the Change and Initiatives work programme include:-
- a) Implementation of new information sharing arrangements in the Registrars Service to ensure compliance with Part 5 of the Digital Economy Act 2017;
 - b) Implementation of compliance checklists for managers with staff leavers or staff moving across the Council. A communications programme was undertaken in 2019, and a survey has been launched in February 2020 to find out how effective the communications have been. Consideration of the survey returns will determine whether further work is required to embed the Movers and Leavers checklists across the council;
 - c) New content for the Council's staff IG e-Learning solution version 4 is being developed and the bi-annual mandatory training will be launched during an eight week period in September and October 2020;
 - d) A new IG e-Learning solution for elected Members was developed and launched on two occasions for use by the Council's elected Members. Unfortunately uptake of this training has been disappointing. Proposals are being developed for a further relaunch, comprising of alternative training methods to encourage Members to undertake the training, which will be following the local elections in May 2020. It is essential that councillors undertake IG training in order to protect themselves from unwittingly breaching data protection rules and bringing enforcement action against the Council or themselves;

- e) Development of a process to implement cyber security training designed by the National Cyber Security Centre (NCSC) called 'Exercise in a Box'. This is an online tool which helps organisations find out how resilient they are to cyber-attacks and practice their response in a safe environment. A report outlining proposals to coordinate this training across the council is ready for consideration by DIS Senior Leadership Team on 26th February 2020;
- f) The development of a three year workforce development and training programme for the Information Management and Governance Team to enable staff to acquire the necessary skills and knowledge in a planned and coordinated manner to assure the Head of Information Management and Governance and Chief Digital and Information Officer that the council has the necessary skilled workforce to meet oncoming information and digital challenges.

3.5.7 The Change and Initiative Team will each year receive new projects and initiatives to either research and/or develop for wider use across IM&G, DIS or the organisation, and 2019/20 has been no different. Two major new initiatives assigned to the team during this period include a request to develop a framework to assess digital and data ethical standards. A process for undertaking this work is in design mode and with the Head of Information Management and Governance for assessment.

3.5.8 Also with the Head of Information Management and Governance for consideration are plans to undertake further research on companies that are able to provide facilities to test live personal data, and pseudonymise personal data. Testing data on systems and applications is an essential process conducted by the council, but undertaking such tests involving personal data on live systems is a risk, and so research is being undertaken as to whether there are facilities to do this in a controlled environment, and whether the same facilities might offer the council an opportunity to anonymise personal data without recourse to a third party under a contract.

3.5.9 The Professional IG Lead for Change and Initiatives continues to act as a chair at two regional Information Governance Groups; the Yorkshire and Humber Information Governance Group and the West Yorkshire Information Management Forum, which provides the council with the opportunity to share and standardise IG practice, along with obtaining early indicators of regulatory changes, or new information risks. This association has also brought benefits whereby invitations to attend Health Regional IG Group and a Greater Manchester Information Group have been eagerly accepted, bringing about further chances to network and collaborate on IG initiatives.

3.5.10 The Change and Initiatives Team are committed and dedicated to the development of products and solutions to ensure the council remains compliant with information governance related legislation, standards and regulations, and to promote the expertise and experience of the Information Management and Governance service to partners and other organisations.

3.6 Report of the Caldicott Guardian

- 3.6.1 The Caldicott Guardian assumes overall responsibility for ensuring the confidentiality of patient identifiable information and that the highest standards are maintained when handling such information.
- 3.6.2 The Council's Caldicott Guardian is the Director of Adults and Health. Due to the size of the Council and the complexities brought about by such a large organisation, this role has been sub-delegated to senior officers within the Adults and Health and Children and Families Directorates.
- 3.6.3 The Council's Caldicott function maintains a strong working relationship with the Council's Senior Information Risk Owner (SIRO) as the roles are regarded as complimentary to each other by the National Guardian Council. As such, both the Caldicott function and the SIRO are continually kept abreast of high risk data protection / confidentiality matters by the Information Management and Governance team and provide strong leadership and strategic guidance as appropriate.
- 3.6.4 The Caldicott function continues to be fully supported by the Council's Information Management and Governance (IM&G) Service particularly by those officers within the Adult's, Children's and Health IM&G Hub. This support includes but is not limited to:
- providing the Caldicott function with regular reports and briefings on high risk data protection and confidentiality matters. Such briefings cover information requests, such as freedom of information and data protection requests, and overall performance of requests; projects with IG implications; security incidents; and consideration of trends discerned.
 - ensuring that there are stringent corporate and local Information Governance policies and procedures in place.
 - ensuring that all staff handling personal data, and special category data, are suitably trained.
 - ensuring that appropriate, proportionate, and accountable information sharing takes place and that barriers to sharing are addressed via advice, guidance or policy.
 - ensuring that information governance risks are properly addressed through data protection impact assessments and that the appropriate supporting documents are in place, such as, information sharing agreements and contracts setting out data processing arrangements.
 - ensuring that the Council's procedure for managing security incidents, including personal data breaches, is followed and that 'lessons learned' exercises are undertaken and remedial actions implemented, such as, revisions to practices and procedures, and reminder communications to all staff within the Directorates affected.
- 3.6.5 In the Corporate Governance and Audit Committee of the 25th June 2019, the Caldicott Guardian was asked to provide an update at a future meeting, setting out the steps taken to undertake benchmarking with regards to the Caldicott function. The Data Security and Protection Toolkit is an online self-assessment tool that allows organisations to measure their performance against the National Data Guardian's standards. All organisations that have access to NHS patient data and systems must use this toolkit to provide assurance that they are practising good data security and that personal information is handled correctly.

3.6.6 The Data Security and Protection (**DSP**) Requirements are ten standards applying to all health and care organisations. These are:

- Personal Confidential Data. All staff ensure that personal confidential data is handled, stored and transmitted securely, whether in electronic or paper form. Personal confidential data is only shared for lawful and appropriate purposes.
- Staff Responsibilities. All staff understand their responsibilities under the National Data Guardian's Data Security Standards, including their obligation to handle information responsibly and their personal accountability for deliberate or avoidable breaches.
- Training. All staff complete appropriate annual data security training and pass a mandatory test, provided linked to the revised Information Governance Toolkit.
- Managing Data Access. Personal confidential data is only accessible to staff who need it for their current role and access is removed as soon as it is no longer required. All access to personal confidential data on IT systems can be attributed to individuals.
- Process Reviews. Processes are reviewed at least annually to identify and improve processes which have caused breaches or near misses, or which force staff to use workarounds which compromise data security.
- Responding to Incidents. Cyber-attacks against services are identified and resisted and security advice is responded to. Action is taken immediately following a data breach or a near miss, with a report made to senior management within 12 hours of detection.
- Continuity Planning. A continuity plan is in place to respond to threats to data security, including significant data breaches or near misses, and it is tested once a year as a minimum, with a report to senior management.
- Unsupported Systems. No unsupported operating systems, software or internet browsers are used within the IT estate.
- IT Protection. A strategy is in place for protecting IT systems from cyber threats which is based on a proven cyber security framework such as Cyber Essentials. This is reviewed at least annually.
- Accountable Suppliers. IT suppliers are held accountable via contracts for protecting the personal confidential data they process and meeting the National Data Guardian's Data Security Standards.

3.6.7 Organisations are scored as follows

- Not published – the organisation has not submitted a completed DSP
- Standards Not Met – the organisation does not meet all the mandatory criteria set by the National Data Guardian
- Baseline – the organisation has provided a baseline submission, but as yet does not meet all the mandatory criteria
- Standards not fully met action plan agreed – the organisation does not meet all the mandatory criteria, but has an action plan, approved and monitored by senior leaders in the organisation, which will lead to compliance with the criteria within a defined timeframe (all organisations which submit an action plan are subject to increased rigour from NHS Digital).
- Standards Met – the organisation meets all the mandatory criteria set by the National Data Guardian
- Standards Exceeded – the organisation meets all the mandatory criteria, plus all the non-mandatory criteria set by the National Data Guardian.

3.6.8 Comparisons of other Local Authorities and local NHS organisations are given below (please note Local Authorities only submit once a year (March), whereas some NHS organisations are expected to submit twice a year (October and March)).

Organisation	Status	Date Published
City of Bradford MDC	Standards Met	03/04/2019
Calderdale MDC	Standards Met	15/02/2019
Kirkless Council	Standards Met	25/02/2019
	Standards Met	03/05/2019
Leeds City Council	Standards Met	26/03/2019
Wakefield Council	Standards Not Fully Met (Plan Agreed)	28/03/2019
Leeds and York Partnership NHS Foundation Trust	Baseline	31/10/2018
	Baseline	14/03/2019
	Standards Met	28/03/2019
	Baseline	04/11/2019
Leeds Community Healthcare NHS Trust	Baseline	31/10/2018
	Standards Met	29/03/2019
	Standards Met	31/03/2019
	Baseline	31/10/2019
NHS Leeds CCG	Standards Met	27/03/2019
	Baseline	31/10/2019
Leeds Teaching Hospitals NHS Trust	Baseline	30/10/2018
	Standards Met	25/03/2019
	Standards Met	27/03/2019
	Baseline	28/10/2019

3.6.9 Leeds City Council's performance is consistent with other regionally local Council's and NHS organisations. Local Authorities known to be 'Standards Exceeding' are Barnsley MBC, Bolton MBC, Liverpool City Council, Derby City Council, Nottingham City Council, Norfolk County Council and Oxfordshire County Council.

3.6.10 A group of Leeds City Council employees visited Barnsley MBC colleagues in December 2019 to learn and share best practice and to compare in more detail information management and governance policies and processes. The IM&G Management Team have committed to further investigate a number of the practices and processes currently applied in Barnsley, to determine how these can be implemented in LCC in order to further improve our standards.

3.6.11 In order to continue this more detailed comparison of policies and processes, IM&G have committed to working with one of the core cities which are known to be 'Standards Exceeding', in the coming year.

3.6.12 The Council is currently on track to submit its DSP Toolkit in March 2020, expecting a 'Standards Met' outcome.

4 Corporate considerations

4.1 Consultation and engagement

- 4.1.1 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 Digital and Information Service Hubs and Information Management Board members.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 There are no issues in relation to equality and diversity or cohesion and integration

4.3 Council policies and best council plan

- 4.3.1 All IM&G programmes of work are working towards ensuring the Council meet statutory and regulatory requirements.
- 4.3.2 All Information Management and 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.

4.4 Resources and value for money

- 4.4.1 There are no issues in relation to resources and value for money.

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

- 4.5.1 Delegated authority for Information Management and Governance sits with the Director of Resources and Housing and Senior Information Risk Owner and has been sub-delegated to the Chief Digital and Information Officer under the heading “Knowledge and information management” in the Deputy Chief Executives Sub-Delegation Scheme.
- 4.5.2 Delegated authority for the Caldicott function sits with the Director of Adults and Health and has been sub-delegated to i) the Deputy Director, Social Work and Social Services, ii) the Director of Public Health and, iii) to the Director of Children’s Services with a further sub-delegation to the Chief Officer, Partnerships and Health. These delegations can be found in the Director of Adults and Health sub-delegation scheme under the heading ‘Local Authority Circular 2002(2) Implementing the Caldicott Standard into Social Care’.
- 4.5.3 There are no restrictions on access to information contained in this report

4.6 Risk management

- 4.6.1 Non-compliance with PSN standards could leave the Council vulnerable to the following risks:

- The Head of the PSN could inform the Department of Works and Pensions of our non-compliance. Continued non-compliance could culminate in denial of access to Revenues and Benefits data.
- The Head of PSN could inform the ICO, which could culminate in the revisiting of the audit conducted by the ICO in 2013 to ensure compliance against the Data Protection Act / GDPR.
- The Head of PSN could 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

4.6.2 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.

4.6.3 Without a PSN certificate, there is significant risk to the council's National reputation as a Digital Innovator.

4.6.4 The risk associated with not implementing GDPR / DPA18 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.

4.6.5 Non-compliance with the Caldicott function could leave the Council vulnerable to the following risks:

- compromises to the security of confidential patient identifiable data.
- damage to the Council's reputation and the trust which individuals place in the Council to safeguard their data.
- infringements of data protection legislation / law on confidentiality and subsequent complaints / claims from individuals affected.
- non-compliance with the Data Security and Protection toolkit which would restrict the sharing of patient data with the NHS.
- enforcement action from the Information Commissioner's Office.

4.6.6 Further work is being undertaken in conjunction with the Corporate Risk Manager to embed the recording and reporting of information risk. 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.

5. Conclusions

5.1 The establishment of information governance practice and procedures outlined in this report provides a level of assurance to Committee that the range of information risk is 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 aimed at attacking and/or bringing down council information systems.

- 5.2 Considerable progress has been made this year to resolve security issues. The Council regained its PSN certificate in July 2019. Work is on-going to ensure continued compliance, working towards re-submission for 2020 certification.
- 5.3 An internal audit has found a need for improvement regarding raised privilege active directory accounts. A project has immediately been established, with high level project plan documented to resolve this matter.
- 5.4 The volume of requests for information to the Council has increased significantly over the last two years and continues to rise. A plan has been developed, including the recruitment of additional resources for the Central Requests Team to address this issue.
- 5.5 The Council's Caldicott Guardian is an established role which is appropriately implemented through the Caldicott function of 3 senior leaders and robustly supported by the IM&G Service.

6. Recommendations

- 6.1 Corporate Governance and Audit Committee is asked to consider the contents of this report and the assurance provided as to the Council's approach to information management and governance.

7. Background documents¹

N/A

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

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Report of the Chief Officer (Financial Services)

Report to Corporate Governance and Audit Committee

Date: 16 March 2020

Subject: Internal Audit Update Report January to February 2020

Are specific electoral wards affected? If yes, name(s) of ward(s):	☐ Yes ☒ No
Has consultation been carried out?	☐ Yes ☒ No
Are there implications for equality and diversity and cohesion and integration?	☐ Yes ☒ No
Will the decision be open for call-in?	☐ Yes ☒ No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	☐ Yes ☒ No

Summary

1. Main issues

- 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 January to February 2020 and highlights the incidence of any significant control failings or weaknesses.
- This report also provides an update from the Head of Service (Legal) about the use of the Council's surveillance powers under the Regulation of Investigatory Powers Act 2000 (RIPA).

2. Best Council Plan Implications

- The work of Internal Audit contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on accomplishing the Best Council Plan objectives.

3. Resource Implications

- A risk-based approach has been used to devise an Internal Audit plan that promotes the effective and efficient use of resources across the organisation.

Recommendations

- a) The Corporate Governance and Audit Committee is asked to receive the Internal Audit Update Report covering the period from January to February 2020 and note the work undertaken by Internal Audit during the period covered by the report.
- b) 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.
- c) The Committee is asked to note the information provided by the Head of Service (Legal) confirming no 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 January to February 2020 and highlight the incidence of any significant control failings or weaknesses.

2. Background information

- 2.1 The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements, including matters such as internal control and risk management. The reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.
- 2.2 The reports issued by Internal Audit are directed by the Internal Audit Annual Plan. This has been developed in line with the Public Sector Internal Audit Standards (PSIAS) and has been reviewed and approved by the Committee.
- 2.3 The Corporate Governance and Audit Committee considers the Council's arrangements relating to internal audit requirements, including monitoring the performance of Internal Audit.
- 2.4 This update report provides a summary of the Internal Audit activity for the period from January to February 2020.
- 2.5 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 January to February 2020

Report Title	Audit Opinion		
	Control Environment Assurance	Compliance Assurance	Organisational Impact
Key Financial Systems			
Benefits Reconciliations	Substantial	N/A	Minor
Sundry Income Central Controls	Substantial	Substantial	Minor
Resources and Housing			
Electric Vehicle Trial Scheme	Memo Issued		
ICT and Information Governance			
ICT Projects - Benefits Realisation Follow Up	Good	Acceptable	Minor
Privileged User Access	Limited	N/A	Moderate
Children and Families			
In-house Fostering, Special Guardianship and Leaving Care Follow Up	Acceptable	N/a	Minor
City Development			
Commercial Rents Follow Up	Good	N/a	Minor
Schools			
School Voluntary Funds x 4	Certification of Balances		

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 11 audit reviews (excluding data analytics, work for external clients and fraud and irregularity work) and we have not identified any issues that would necessitate direct intervention by the Corporate Governance and Audit Committee.
- 3.2.2 Each of the audits that have been completed in respect of the Council's key financial systems have received Substantial assurance opinions. This provides the Committee with assurance that these systems are well established and operating as intended.

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. However one audit has resulted in a limited assurance opinion overall, further details of which are explained below.

Privileged User Access

- 3.2.4 During the year we carried out an audit of privileged user access within the Digital and Information Service (DIS). The main aim of the audit was to review the procedures in place to manage privileged user accounts, these are user accounts on the network that have elevated levels of IT access in order to manage and maintain the council IT systems and infrastructure. We have provided a limited assurance opinion for this review as issues were identified that impair our ability to provide assurance that enhanced permissions are only granted where required, are appropriate for the roles undertaken by the officers and are removed when no longer required.
- 3.2.5 DIS have agreed all of our recommendations and initiated a project to address the issues highlighted in our report. A project timeline has been established by DIS detailing the key milestones within the project, and we are continuing to liaise with the service to ensure that key actions are prioritised. We will be reviewing the progress of the project and will provide further updates to the Committee.

Follow Up Reviews

- 3.2.6 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.
- 3.2.7 We have finalised three follow up reviews during the reporting period:

ICT Projects - Benefits Realisation Follow Up

- 3.2.8 We have previously undertaken a review of ICT enabled projects with Digital and Information Services (DIS) that reported limited assurance had been provided for compliance with the control environment in relation to services carrying out benefit realisation exercises. We have carried out a follow up review focusing on how the benefits realisation process for ICT enabled projects is being implemented across the authority and found greater levels of compliance in this area which has enabled us to provide an increased level of assurance to reflect this. Recommendations have been made to further embed the post implementation review process and ICT projects remain an area of focus within the proposed coverage for 2020/21.

In-house Fostering, Special Guardianship and Leaving Care

- 3.2.9 We have previously reported that limited assurance has been provided for the control environment in relation to the financial controls in place to ensure the legitimacy and accuracy of payments. This arose primarily as a result of limited segregation of duties in the payments process and a significant number of errors in payments tested. We have carried out two follow up reviews since the original audit and consider that the direction of travel is now positive which has resulted in an acceptable assurance opinion. A more robust and thorough checking process of the weekly payment cycle has been introduced. It is noted that a number of the new

checks are still in their infancy and are yet to be fully embedded. A higher level of assurance can be given as and when these are fully implemented

Commercial Rents

- 3.2.10 At the November 2018 meeting we reported that limited assurance was provided for both the control environment and compliance in respect of commercial rents. During the original audit we were unable to locate a number of key documents to support commercial rental agreements. Following finalisation of our report, we were subsequently provided with the majority of these documents which confirmed compliance with controls in key areas.
- 3.2.11 During the initial review we found that there was no proactive monitoring of commercial properties in place to ensure that the terms and conditions of a property's lease agreement were being adhered to. Management have now agreed a cyclical programme through which all commercial property assessments are to be completed. Ultimately it is planned to simultaneously use this process alongside other current assessment requirements to determine the best future for the council's commercial property portfolio. Our follow up review also confirmed that processes surrounding debt recovery had been enhanced with a more robust process to substantiate the action taken.

Other Internal Audit Work

Electric Vehicle Trial Scheme

- 3.2.12 During the period the Chief Officer for Sustainable Energy and Clean Air requested that we review the planned process in place for managing the electrical vehicle trial scheme, which is being run to promote the take up of electric vehicles by organisations within West Yorkshire. The scheme is principally funded by Highways England and is being run by the council's Sustainable Energy and Clean Air service. We found that the service has taken appropriate steps to develop a proposal that actively encourages take up and manages the risks to the council throughout the duration of the scheme. Recommendations have been agreed aimed at further strengthening the arrangements in place to accompany the launch of the scheme.

Counter Fraud and Corruption

- 3.2.13 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

- 3.2.14 As previously reported we take part in the National Fraud Initiative (NFI). The NFI is an exercise conducted by the Cabinet Office every two years that matches electronic data within and between public and private sector bodies to prevent and detect fraud.
- 3.2.15 Relevant teams within the Council (for example, Internal Audit, Benefits, Blue Badge and Adult Social Care) are currently working through the matches on a risk basis. This work has been ongoing since January 2019 and, to date, £203,631 has been identified and is in the process of being recovered. This relates to 76 cases of benefit overpayments (compared with £189,380 relating to 73 cases at the last reporting period). One right to buy sale was prevented due to information from this data match, with an estimated saving of £72k. A possession order was also granted

on this tenancy, with an estimated saving of £93k (the estimated savings are automatically calculated by the Cabinet Office).

- 3.2.16 To help ensure that there is an effective counter fraud culture in place within Leeds City Council, we have included time in the counter fraud block to undertake proactive fraud reviews. These reviews consider areas identified through various methods, including the use of best practice publications and our internal risk assessments. We have issued one proactive review in this period relating to the council's anti money laundering arrangements.

Reactive Anti-Fraud Work

- 3.2.17 During the reporting period we have received 13 potential irregularity referrals. Of these, 10 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.
- 3.2.18 During the reporting period 11 referrals have been closed. There are 18 referrals that are currently open and being investigated. One of the referrals remains under investigation by police. We are currently working with the service area involved and will provide a detailed update to the committee once the police investigations have been concluded.

Regulation of Investigatory Powers Act 2000

- 3.2.19 Members will recall 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.
- 3.2.20 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 previous update was provided in March 2019. In addition, there has been no use of the powers to obtain communications data over the same period.

Internal Audit Performance

- 3.2.21 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.
- 3.2.22 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.
- 3.2.23 For the period from 1 April 2019 to 29 February 2020 we have issued a total of 73 Customer Satisfaction Questionnaires and received 43 completed returns at a response rate of 59% to date. This compares favourably against the response rate of 38% during 2018/19. A summary of the scores is presented in table 2.

Table 2: Results from Customer Satisfaction Questionnaires for the period 1 April 2019 to 29 February 2020.

Question	Average Score (out of 5)
Sufficient notice was given	4.65
Level of consultation on scope	4.72
Auditor's understanding of systems	4.49
Audit was undertaken efficiently	4.74
Level of consultation during the audit	4.69
Audit carried out professionally and objectively	4.93
Accuracy of draft report	4.77
Opportunity to comment on audit findings	4.93
Clarity and conciseness of final report	4.81
Prompt issue of final report	4.60
Audit recommendations will improve control	4.64
The audit was constructive and added value	4.72
Overall Average Score	4.73

3.2.24 We continue to manage our available resources to direct these towards the highest areas of 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). Our overall resources have now been restored to the level originally forecast at the start of the year.

3.2.25 A summarised version of the 2019/20 Audit Plan is appended to provide members with an overview of the objective of each review and the current status. This also includes audits that have been carried forward into the current year from the 2018/19 Audit Plan. Planned audits are those that are anticipated to be completed for inclusion within the Head of Internal Audit Report and Opinion that will be presented to the Corporate Governance and Audit Committee at the meeting in July 2020. As a result of resourcing implications and risk prioritisation, not all audits that were included in the Internal Audit Plan for 2019/20 will be completed by then. The outstanding audits have either been included in next year's audit plan or considered for future audit coverage as a result of our ongoing risk assessment.

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 the 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.
- 4.3.2 The Internal Audit Plan has links to risks that may affect the achievement of Best Council Plan objectives and the aims of council policies.

Climate Emergency

- 4.3.3 Internal Audit will consider the Climate Emergency in the development of Annual Internal Audit Plans and in the scope of all relevant audits.

4.4 Resources, procurement 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, including coverage of procurement activity.
- 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 January to February 2020 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 January to February 2020 and note the work undertaken by Internal Audit during the period covered by the report.

- 6.2 The Committee is also asked to note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.
- 6.3 The Committee is asked to note the information provided by the Head of Service (Legal) confirming no recent use of the Council's surveillance powers under RIPA.

7. Background documents

- 7.1 None.

Appendix A – Status of Planned Audits from the 2019/20 Audit Plan and Follow Up Reviews

Audit Area	Overview of Assurance	Status / CGAC Meeting
Grants and Head of Audit Assurances		
Grants and Head of Audit Assurances arising during the year	Independent examination of accounts and / or assurance that the grant claim has been spent in accordance with the grant determination.	Reported November 2019, January 2020 and ongoing
ICT and Information Governance		
Privileged User Access	To ensure that there are appropriate procedures in place to manage privileged user accounts.	Reported March 2020
Access Database Project	To provide assurance that the Council is aware of all access databases that require action and that there are appropriate plans in place to ensure that the deadline for PSN compliance is met.	Reported November 2019
Community Cloud	To provide assurance that the Community Cloud project is being managed to deliver its intended outcomes.	In progress
Application Portfolio Programme	To review how non-compliant systems are identified and the mechanisms in place to move these towards compliance.	In progress
Information Asset Registers	To provide assurance that the Council is aware of all data that it holds so that it can be managed and secured in line with legislation.	In progress
Information Governance Policy Reviews	To provide support to the business in the development of the new Information Governance Policies.	In progress
ICT Projects	Time reserved to provide internal audit support for ICT related projects.	Included in 2020/21 audit plan
ICT Projects - Benefits Realisation Follow Up	To review progress in implementing the recommendations made in the previous audit, reported to the Corporate Governance and Audit Committee at the January 2018 meeting.	Reported March 2020

Audit Area	Overview of Assurance	Status / CGAC Meeting
Management of Major Cyber Incident Risk	To review how the Cyber Incident risk is being managed, including the effectiveness of the controls in place, back up processes and the assurance reporting arrangements.	Reported November 2019
Key Financial Systems		
Benefits Reconciliations	A review of the reconciliation processes between Orchard, Academy and FMS for Housing Benefit and Council Tax Support.	Reported March 2020
Benefits: Assessment and Payments	To gain assurance over the processes and performance within the Benefits Assessment Unit, including ensuring that Housing Benefit and Council Tax Support payments are accurately processed and paid.	In progress
Council Tax	To gain assurance over the Council Tax processes for billing, income collection, recovery action, refunds and write offs.	In progress
Business Rates	To gain assurance over the business rates processes for billing, income collection, recovery action, refunds and write offs.	Reported January 2020
Capital Programme Central Controls	To gain assurance that expenditure in the capital programme is appropriately approved, controlled and monitored and that the accounting system provides accurate and timely information.	In progress
Financial Management Central Controls	To provide assurance over the central budget setting and budget monitoring arrangements.	Reported November 2019
Treasury Management and Bankline	To provide assurance that treasury management transactions are authorised, correct, appropriately recorded and reported, and are in line with relevant strategies and guidelines.	Reported November 2019
Housing Rents	To gain assurance over the housing rents processes for charging, income collection, amendments and write offs.	In progress
Sundry Income Central Controls	To provide assurance over the central management of income collection for sundry charges raised within the Council, including recovery procedures and write offs.	Reported March 2020

Audit Area	Overview of Assurance	Status / CGAC Meeting
Sundry Income Directorate Reviews	To provide assurance that all income is identified and requests for sundry income accounts are promptly and accurately raised for a sample of service areas.	In progress
Income Management System	To provide assurance over the systems that ensure all sources of income have been identified and accurately processed through the Income Management System.	Reported November 2019
Payroll Central Controls	To provide assurance over the integrity of central payroll functions, including the accuracy of payments made and the authorisation and processing of new starters and leavers.	In progress
FMS Creditor Purchase and Payment; Central and Directorate Processes	A review of the system through which orders are raised and payments are made to suppliers for goods and services.	Reported November 2019
Central Purchasing Card Controls	To provide assurance over the central purchasing card functions performed by the Central Payment Services Purchasing Card Management Unit.	In progress
Bank Reconciliation and Cash Book	The audit assesses the accuracy and timeliness of the reconciliations performed on the cashbook and the authority's main accounts.	Reported January 2020
Total Repairs	To provide assurance that there are adequate systems in place to ensure that payments made through the Total Repairs system are made to the correct creditor for goods / services which have been provided to the Council and that the payments are accurately recorded within the Council's accounting system.	In progress
Procurement		
Contract Management	Individual reviews of contract management arrangements on a sample of contracts to gain assurance that they are being managed to deliver their intended outcomes, incorporating a review of contract extensions and open book review where necessary.	Reported January 2020 and ongoing
Procurement Category Actions	To review the effectiveness of the Category Management process in supporting the delivery of strategic procurement objectives.	Incorporated within Waivers Follow Up
Social Value	To review the arrangements in place to ensure that social value outcomes are appropriately considered and delivered through procurement.	Included in 2020/21 audit plan

Audit Area	Overview of Assurance	Status / CGAC Meeting
Waivers of Contract Procedure Rules (CPRs) Follow Up	To review progress in implementing the recommendations made in the previous audit, reported to the Corporate Governance and Audit Committee at the January 2019 meeting.	In progress
Contract Review: Joint Venture Follow Up	To review progress in implementing the recommendations made in the previous audits, as reported to the Corporate Governance and Audit Committee at the June 2018 meeting	Reported November 2019
Contract Specification and Management Follow Up	To review progress in implementing the recommendations made in the previous audit, as reported to the Corporate Governance and Audit Committee at the November 2018 meeting.	In progress
Tendering System Controls Follow Up	To review progress in implementing the recommendations made in the previous audit, as reported to the Corporate Governance and Audit Committee at the November 2018 meeting.	Reported November 2019
Directorate Risks - Adult Social Care and Health		
Customer Information System (CIS) Payments	To provide assurance that payments are only made in relation to people with an assessed need, have been correctly processed and are net of any client contribution. The review will also provide assurance on the adequacy of controls for identifying changes in circumstances. The review will cover all payments made through CIS for Residential and Nursing Care, Direct Payments and Homecare payments	In progress
Payments to Providers of Homecare Follow Up	To review progress in implementing the recommendations made in the previous audit, reported to the Corporate Governance and Audit Committee at the January 2018 meeting.	Planned
Deprivation of Liberties Follow Up	To review progress in implementing the recommendations made in the previous audit, reported to the Corporate Governance and Audit Committee at the March 2018 meeting.	Planned
Strength Based Approach to Adult Social Care	To provide assurance that there are controls in place to ensure the Council complies with legislative requirements.	Reported January 2020
Short Break Service	To review the new process to ensure that service users are receiving the right tier of support, it has been properly authorised, providers have been paid and that the outcomes are managed / monitored.	Planned

Audit Area	Overview of Assurance	Status / CGAC Meeting
Third Sector / Not for Profit Organisations	To review the arrangements in place to gain assurance that third sector / not for profit groups are delivering their agreed services and objectives.	Reported January 2020
Income Recovery	To provide support to the directorate's Income Recovery Project to gain assurance that all income due is identified and there are appropriate processes in place to ensure that it is billed and collected.	Consultation in progress
Unannounced Visits	Individual establishment visits to provide assurance on cash handing arrangements, including the safeguarding of service users monies.	Included in 2020/21 audit plan
Directorate Risks - Children and Families		
In-house Fostering, Special Guardianship and Leaving Care Follow Up	To review progress in implementing the recommendations made in the previous audit, reported to the Corporate Governance and Audit Committee at the November 2018 meeting.	Reported March 2020
Children Looked After Services	To gain assurance that there are effective arrangements in place to manage and monitor the safe reduction of the numbers of children looked after.	Reported January 2020
Payments to Providers of Residential Care and Independent Fostering Agencies	To provide assurance over the efficiency and effectiveness of financial controls.	Reported November 2019
Cluster Model and Area Inclusion Partnerships (AIP)	A review of the arrangements in place to ensure that funding is spent effectively on intervention and inclusion, in support of the intended outcomes of the Cluster Model and AIPs.	In progress
School Attainment	To provide assurance that there are mechanisms in place to monitor school attainment for all children and that appropriate action is taken where issues are identified.	To be considered for future audit coverage
Funding for Inclusion	To provide assurance that the top up element of the funding is being correctly calculated in line with formal criteria and then appropriately remitted to the school	In progress
Personal Education Plans	To ensure that there are quality personal education plans in place that are clear and consistent, provide purposeful targets and are subject to regular review.	Planned

Audit Area	Overview of Assurance	Status / CGAC Meeting
Budget Pressures	To gain assurance over the processes in place to manage the budget pressures within the directorate.	Planned
Programme of Unannounced Visits	Individual establishment visits to provide assurance on cash handling arrangements, including the safeguarding of service user monies	Included in 2020/21 audit plan
Schools		
Schools Audits	Individual audits of LCC maintained schools undertaken on a risk basis and audits of year end school voluntary fund accounts.	Reported November 2019, January 2020, March 2020 and ongoing
Primary School Follow Up	To review progress in implementing the recommendations made in a previous audit.	Planned
Directorate Risks – Housing		
Housing Disrepair Follow-up	To review progress in implementing the recommendations made in the previous audit, reported to the Corporate Governance and Audit Committee at the November 2018 meeting.	Reported January 2020
Leeds Building Services Information Governance (Records Management) Follow-up	To review progress in implementing the recommendations made in the previous audit, reported to the Corporate Governance and Audit Committee at the June 2018 meeting.	Reported November 2019
Private Sector Regulation (Houses of Multiple Occupancy) Follow-up	To review progress in implementing the recommendations made in the previous audit, reported to the Corporate Governance and Audit Committee at the January 2019 meeting	Planned
Fire Safety	To provide assurance over the controls in place to mitigate the risk of fire in Council properties.	Planned
Lettings Enforcement follow-up and new system review	The review will follow up on the recommendations which remain outstanding since the September 2018 follow-up review. Additional work will also be undertaken on the implementation of the new system and the roll out of the revised lettings policy.	Planned

Audit Area	Overview of Assurance	Status / CGAC Meeting
Leeds Building Services Assurances	Time set aside to provide assurance that key risks relating to Leeds Building Services are appropriately managed. Outline of specific assurance to be confirmed. To include gaining assurance that the recommendations made across previous audits are being tracked and implemented.	Planned
Universal Credit	This review assesses the arrangements that have been put in place to support tenants moving to Universal Credit	Reported January 2020
Gas Servicing	To provide assurance over the controls in place to mitigate the health and safety risks of gas fault incidents in Council properties, including the arrangements in place to ensure works identified through the gas servicing process are undertaken.	Reported January 2020
Estate Management	To provide assurance that there are adequate arrangements in place to manage estates to the required standard and that best practice is shared across areas.	Reported November 2019
BITMO Assurance	To provide support to Housing Partnerships in the management of the BITMO Assurance Framework	Reported January 2020
Council Housing Growth	To review the procurement strategy and provide assurance over the achievement of intended outcomes.	Planned
Other Directorate Risks		
Delivery of the Medium Term Financial Strategy	Review of the arrangements in place to achieve the expected outcomes set out within the Medium Term Financial Strategy.	Incorporated within scope of relevant audit coverage
Partnership Risk Management	To review the central arrangements in place for managing risk with partners.	Consultation in progress
Financial Due Diligence	A review of the arrangements in place to ensure that due diligence is consistently and appropriately applied before entering into an agreement or financial transaction with another party.	Reported January 2020

Audit Area	Overview of Assurance	Status / CGAC Meeting
Invest to Save – Benefits Realisation	To review how the benefits realisation process has been implemented for a sample of Invest to Save projects.	Reported November 2019
IR 35 Legislation Follow Up	To review progress in implementing the recommendations made in the recent audit as reported to the Corporate Governance and Audit Committee at the June 2018 meeting	In progress
Application of HR Policies	To gain assurance that a sample of HR policies are consistently and properly applied across the authority.	Reported November 2019 and January 2020
Civic Enterprise Leeds – Income Collection	To provide assurance that all external income is identified and collected.	Reported November 2019
LCC Vehicle Fleet Clean Air Zone Standards	Time set aside to support the directorate in ensuring that appropriate plans are in place to mitigate environmental risks relating to LCC's vehicle fleet.	Reported November 2019
Community Cohesion / Locality Working	To review the governance arrangements in place to identify and address the barriers to community cohesion in the city.	In progress
Funding from the Communities and Environment directorate to the third sector	To review the arrangements in place to gain assurance that third sector / not for profit groups are delivering their agreed services and objectives.	In progress
Customer Satisfaction	A review of the processes that support continual improvement in respect of the customer experience.	In progress
Strategic Investment Fund Acquisitions	To review the directorate's approach to, and governance of the Strategic Investment Fund. The audit will aim to provide assurance that there are appropriate controls over the acquisitions and management and that strategic investment fund plans are adequately scrutinised, approved and align with Council plans and wider best practice.	Planned
Flood Alleviation Scheme	To review the operational readiness of the Flood Alleviation Scheme	In progress
Income Review - Room Hire Follow Up	To review progress in implementing the recommendations made in the recent audit as reported to the Corporate Governance and Audit Committee at the November 2018 meeting.	Reported January 2020

Audit Area	Overview of Assurance	Status / CGAC Meeting
External Advertising Income – Follow Up	To review progress in implementing the recommendations made in the recent audit as reported to the Corporate Governance and Audit Committee at the June 2018 meeting.	Planned
Commercial Rents – Follow Up	To review progress in implementing the recommendations made in the recent audit as reported to the Corporate Governance and Audit Committee at the November 2018 meeting.	Reported March 2020
Income Review – Leeds International Beer Festival Follow Up	To review progress in implementing the recommendations made in the recent audit as reported to the Corporate Governance and Audit Committee at the November 2018 meeting.	Reported November 2019

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Report of the Chief Officer (Financial Services)

Report to Corporate Governance and Audit Committee

Date: 16 March 2020

Subject: Internal Audit Plan 2020-21

Are specific electoral wards affected? If yes, name(s) of ward(s):	☐ Yes ☒ No
Has consultation been carried out?	☐ Yes ☒ No
Are there implications for equality and diversity and cohesion and integration?	☐ Yes ☒ No
Will the decision be open for call-in?	☐ Yes ☒ No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	☐ Yes ☒ No

Summary

1. Main issues

- The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements.
- The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the Council to inform its governance statement. The standards also refer to the need for a risk-based plan to take into account the requirement to produce an annual internal audit opinion which includes input from management and the Corporate Governance and Audit Committee. Standard 2020 requires that internal audit plans are communicated to senior management and the Committee for review and approval.
- The Terms of Reference for the Corporate Governance and Audit Committee include the consideration of the Council's arrangements relating to internal audit requirements and specifically, reviewing and approving the risk-based plan and any additional significant work.
- This report provides Members with the proposed Internal Audit Plan for 2020-21

2. Best Council Plan Implications

- The work of Internal Audit contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on accomplishing the Best Council Plan objectives.

3. Resource Implications

- A risk-based approach has been used to devise an Internal Audit plan that promotes the effective and efficient use of resources across the organisation.

Recommendations

- a) The Corporate Governance and Audit Committee is asked to review and approve the proposed Internal Audit Plan for 2020-21.

1. Purpose of this report

- 1.1 The purpose of this report is to present the proposed Internal Audit Plan for 2020-21 to the Corporate Governance and Audit Committee for review and approval. This report also includes a summary of the basis for the plan. The plan has been developed in consultation with senior management.

2. Background information

- 2.1 The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements.
- 2.2 The Public Sector Internal Audit Standards (PSIAS) set out the standards for internal audit and apply to all public sector internal audit service providers. They include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the Corporate Governance and Audit Committee. Standard 2020 requires that internal audit plans are communicated to senior management and the Committee for review and approval.
- 2.3 The Chief Officer (Financial Services), as the Council's Section 151 Officer, is responsible under the Local Government Act 1972 for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of Internal Audit is an important source of information for the Chief Officer (Financial Services) in exercising her responsibility for financial administration.

3. Main issues

3.1 Background

- 3.1.1 Internal audit contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on achieving the Council's objectives.
- 3.1.2 Internal audit also supports the Chief Officer (Financial Services) in discharging her statutory duties. The following are two key pieces of legislation that internal audit supports the Chief Officer (Financial Services) to comply with:
- Section 151 of the Local Government Act 1972. The Chief Officer (Financial Services), as the Council's Section 151 Officer, is responsible under the Local Government Act for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of internal audit is an important source of information for the Chief Officer (Financial Services) in exercising her responsibility for financial administration.
 - The Accounts and Audit Regulations 2015. The regulations state that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 3.1.3 The PSIAS set out the standards for internal audit and include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the 'Board'. Within Leeds City Council, the Corporate

Governance and Audit Committee fulfils the key duties of the Board laid out in the PSIAS. This report sets out the proposed plan for 2020-21.

3.2 The Planning Process

- 3.2.1 The PSIAS require that the Head of Internal Audit *‘must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.’* The standards state that the risk-based plan should take into account the requirement to produce an annual internal audit opinion and report that is used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. To support this, the risk-based plan needs to include an appropriate and comprehensive range of work. There also needs to be a balance between breadth (taking a broad look at governance and risk management) and depth (drilling down into specific areas where internal audit can provide valuable insight).
- 3.2.2 The proposed plan for 2020/21 represents a marginal increase in the level of internal audit resources and, by implication, the level of audit coverage. At this stage, the plan is considered to be sufficient to enable the Head of Audit to provide appropriate assurances in support of the statutory finance officer’s role, nevertheless, this will need to be monitored going forward. There will continue to be a need for greater reliance to be placed on management controls within the internal control framework and for a potentially higher level of risk to be accepted. Directorate Leadership Teams must have appropriate arrangements in place to ensure that they have assurance on key risk areas and that the risk management process supports and enables the delivery of objectives. Internal audit resource will need to be focused on the most significant risk areas and on the robustness of financial control.
- 3.2.3 In line with the PSIAS the proposed audit plan has been devised adopting a risk based approach using the following sources:
- the Council’s risk management processes and the corporate and directorate risk registers;
 - the results of previous internal audit work and our ongoing assessment of the auditable entities within the authority;
 - planned work deferred from 2019-20;
 - awareness of relevant local and national issues;
 - consultation with Corporate Governance and Audit Committee, the Council’s Section 151 Officer, the Monitoring Officer, the Corporate Leadership Team and other senior management and colleagues from across the organisation; and
 - regular dialogue with the core cities and authorities within South and West Yorkshire helps to ensure that we are aware of emerging risks within other Councils so that they can be considered during audit planning.
- 3.2.4 The outputs from the planning process have been prioritised to produce a plan that balances the following:
- the requirement to give an objective and evidenced based opinion on aspects of governance, risk management and internal control;
 - the time required for anti-fraud and corruption activity
 - the requirement for internal audit to add value through improving controls, streamlining processes and supporting corporate priorities;

- the need to retain a contingency element to remain responsive to emerging risks, including areas put forward by the new Head of Audit; and
- the resource and skill mix available to undertake the work

3.3 Resources

- 3.3.1 There are 16.78 FTEs in the Internal Audit team (16.14 FTEs for 2019-20). The number of days allocated in the plan to specifically provide the Head of Internal Audit with the evidence for the opinion on the control environment is 2,205 days (2,122 days for 2019-20). The level of resources required to provide internal audit services to external clients is 126 days (127 days for 2019-20). The total Internal Audit Plan for 2020-21 is therefore 2,331 days (in 2019-20 it was 2,249 days).
- 3.3.2 Productive audit days have increased marginally from the level in place for 2019-20. We will continue to develop our use of modern audit techniques to ensure that we deliver the audit coverage as efficiently and effectively as possible. In the opinion of the Head of Audit, the resources that are currently available are sufficient to perform the work necessary to deliver the annual internal audit opinion and report that is used by the organisation to inform its governance statement. Sufficient time has also been set aside for the management, development and training of team members, and to support their health and wellbeing.
- 3.3.3 Other Local Authorities are currently in the process of agreeing audit plans and budgets for the coming year, and as such benchmarking data around planned activity for 2020-21 is not yet available. The latest benchmarking data relating to planned audit activity during 2019-20 indicates that Leeds sit just above the core cities average for net audit days available based upon the returns provided. This needs to be taken within the context of structural differences in the way that internal audit functions are organised, and work is ongoing with the core cities to establish a consistent basis for comparison. Further information will be reported to the Committee when this becomes available.

3.4 Internal Audit Plan 2020-21

- 3.4.1 Appendix A provides a breakdown of the individual audits that are proposed for inclusion within the audit plan for 2020-21. The work is grouped at directorate level or functional area to align with risk registers and accountabilities. An overview of the assurance that each audit aims to achieve is provided together with an estimate of the audit resource that will be required to complete the review.
- 3.4.2 The plan is designed to be responsive in nature and all efforts will be made to maximise coverage to provide an effective internal audit service that focuses on those key issues facing the organisation throughout the year.
- 3.4.3 Members were consulted ahead of drafting the plan. Progress against the plan will be monitored throughout the year, and key issues arising will continue to be reported to the Corporate Governance and Audit Committee.

3.4.4 Table 1: Comparison with Internal Audit Plan 2019-20

Assurance Block	Days in 2020/21 Plan	Days in 2019/20 Plan	% Change
Anti-Fraud and Corruption	300	290	3%
Grants / Head of Audit Assurances	107	107	-
Data analytics	80	100	-20%
ICT and Information Governance	200	150	33%
Key Financial Systems	391	364	7%
Procurement	150	175	-14%
Directorate risks	800	735	9%
Schools	77	50	54%
Follow up and General Contingency	100	151	-34%
Total Assurance Days	2,205	2,122	4%
Other			
External Contracts	126	127	
Total Other	126	127	
Total Days	2,331	2,249	

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 the 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 (including matters such as internal control and risk management). They also require the Committee to consider the Council's arrangements relating to internal audit requirements including reviewing and approving the risk-based plan and any additional significant work.

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

4.3.3 The Internal Audit Plan has links to risks that may affect the achievement of Best Council Plan objectives and the aims of council policies.

Climate Emergency

- 4.3.4 The plan includes a review of the governance arrangements in place to support the implementation of the Waste Strategy, central to which is the aim to manage waste sustainably and reduce carbon emissions. The proposed audit of Social Value will also look at how environmental benefits are considered and monitored throughout the procurement process. Internal Audit will ensure that the Climate Emergency is considered in the scope of all relevant audits.

4.4 Resources, procurement 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, including coverage of procurement activity.
- 4.4.2 In relation to resources and value for money, the Internal Audit Plan includes a number of reviews that are aligned with the Council's value of spending money wisely.
- 4.4.3 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 will continue to be reported to the Committee.

5 Conclusions

- 5.1 The proposed Internal Audit Plan for 2020-21 has been prepared in line with the PSIAS. A risk-based approach has been used to prioritise internal audit work and ensure that there is sufficient coverage and internal audit resource to provide an evidence-based assurance opinion that concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 5.2 The plan is responsive in nature and all efforts will be made to maximise coverage to provide the most effective internal audit service that focuses on those key risks facing the organisation throughout the year.
- 5.3 Progress against the plan will be monitored throughout the year and key issues will continue to be reported to the Corporate Governance and Audit Committee

6 Recommendations

- 6.1** The Corporate Governance and Audit Committee is asked to review and approve the proposed Internal Audit Plan for 2020-21.

7 Background documents

- 7.1** None.

Appendix A – Internal Audit Plan 2020/21

Audit Area	Overview of Assurance	Audit Days
Anti-Fraud and Corruption		
Whistleblowing Hotline and Reactive Work	Risk assessment and investigation of allegations and referrals.	150
Anti-Fraud and Corruption Proactive Work	Risk-based work to prevent and detect fraud.	135
Anti-Fraud and Corruption Policy Update	Update of anti-fraud and corruption policies.	15
		300
Grants and Head of Audit Assurances		
Local Transport Capital Block Funding	Independent examination of accounts and / or assurance that the grant claim has been spent in accordance with the grant determination.	9
West Yorkshire Plus Transport Fund		5
Cycle City Ambition Grant		15
Pot Holes Grant		5
National Productivity Investment Funds		11
Leeds Public Transport Investment Programme		5
Additional Highways Maintenance Grant		5
Bus Subsidy Ring Fenced Grant		2
West Yorkshire Combined Authority Treasury Management Assurance		2
Families First Earned Autonomy		15
Disabled Facilities Grant		5

Audit Area	Overview of Assurance	Audit Days
Blue Badge Grant		5
Schools Central Financial Controls		15
Pensions Contributions		8
		107
Data Analytics		
Data Analytics	Evaluation of control effectiveness across key systems on a routine basis, highlighting and reviewing high risk events or transactions.	80
		80
ICT and Information Governance		
Asset Management and Security	To provide assurance that there are appropriate controls in place to ensure assets are securely and effectively managed.	40
Internal Software Development	To provide assurance that there are appropriate controls in place for the development of software internally.	25
Privileged User Access Follow Up	To review the progress made in implementing the recommendations made in the 2019/20 audit.	10
Data Centre Management	A review of the controls in place to ensure effective risk management in relation to the council's data centre management including physical and technical controls.	25
Database Management	Review of the controls in place to ensure effective DBA and prevent and identify misuse of database admin access.	25
Data Protection Impact Assessment	To provide assurance that there are appropriate controls in place to ensure that Data Protection Impact Assessments are completed where required.	25
Business Applications	Individual reviews of the key computer applications looking at system access	15

Audit Area	Overview of Assurance	Audit Days
	and administration, input, processing and output controls.	
Information Governance Policy Reviews	To provide support to the business in the development of the new Information Governance Policies.	10
ICT Projects	To review the arrangements in place for the management of ICT projects.	25
		200
Key Financial Systems		
Benefits Reconciliations	A review of the reconciliation processes between Orchard, Academy and FMS for Housing Benefit and Council Tax Support.	9
Benefits: Assessment and Payments	To gain assurance over the processes and performance within the Benefits Assessment Unit, including ensuring that Housing Benefit and Council Tax Support payments are accurately processed and paid.	27
Council Tax	To gain assurance over the Council Tax processes for billing, income collection, recovery action, refunds and write offs.	40
Business Rates	To gain assurance over the business rates processes for billing, income collection, recovery action, refunds and write offs.	27
Capital Programme Central Controls	To gain assurance that expenditure in the capital programme is appropriately approved, controlled and monitored and that the accounting system provides accurate and timely information.	18
Financial Management Central Controls	To provide assurance over the central budget setting and budget monitoring arrangements.	9
Treasury Management and Bankline	To provide assurance that treasury management transactions are authorised, correct, appropriately recorded and reported, and are in line with relevant strategies and guidelines.	23
Housing Rents	To gain assurance over the housing rents processes for charging, income collection, amendments and write offs.	40

Audit Area	Overview of Assurance	Audit Days
Sundry Income Central Controls	To provide assurance over the central management of income collection for sundry charges raised within the Council, including recovery procedures and write offs.	18
Sundry Income Directorate Reviews	To provide assurance that all income is identified and requests for sundry income accounts are promptly and accurately raised for a sample of service areas.	20
Income Management System	To provide assurance over the systems that ensure all sources of income have been identified and accurately processed through the Income Management System.	20
Payroll Central Controls	To provide assurance over the integrity of central payroll functions, including the accuracy of payments made and the authorisation and processing of new starters and leavers.	50
FMS Creditor Purchase and Payment; Central and Directorate Processes	A review of the system through which orders are raised and payments are made to suppliers for goods and services.	40
Central Purchasing Card Controls	To provide assurance over the central purchasing card functions performed by the Central Payment Services Purchasing Card Management Unit.	10
Bank Reconciliation and Cash Book	The audit assesses the accuracy and timeliness of the reconciliations performed on the cashbook and the authority's main accounts.	20
Total Repairs	To provide assurance that there are adequate systems in place to ensure that payments made through the Total Repairs system are made to the correct creditor for goods / services which have been provided to the Council and that the payments are accurately recorded within the Council's accounting system.	20
		391
Procurement		
Contract Management	Individual reviews of contract management arrangements on a sample of contracts to gain assurance that they are being managed to deliver their intended outcomes, incorporating a review of contract extensions and open book	100

Audit Area	Overview of Assurance	Audit Days
	review where necessary.	
Social Value	To review the arrangements in place to ensure that social value outcomes are appropriately considered and delivered through procurement.	30
Emerging Procurement Risks	Time reserved to respond to emerging procurement risks throughout the year.	20
		150
Directorate Risks - Adult Social Care and Health		
Customer Information System (CIS) Payments	To provide assurance that payments are only made in relation to people with an assessed need, have been correctly processed and are net of any client contribution. The review will also provide assurance on the adequacy of controls for identifying changes in circumstances. The review will cover all payments made through CIS for Residential and Nursing Care, Direct Payments and Homecare payments.	30
Financial Assessments	To provide assurance that all eligible customers in receipt of reviewable services have been financially assessed as appropriate, that assessments have been correctly calculated and that all income due has been collected.	25
Recovery Service	To review the Recovery Hubs and ensure that there are adequate controls in place in terms of care received, safeguarding and safeguarding clients' personal assets.	20
Nursing and Residential Homecare Payments	To provide assurance that the revised processes for paying residential and nursing care providers are operating as intended.	20
Public Health Priorities – Healthy Weight Declaration	To review progress against the agreed priorities and provide assurance on the extent to which the work being carried out is delivering the outcomes of both the Healthy Weight Declaration and the Best Council Plan.	25
Continuing Health Care	To provide assurance that controls are in place to ensure all income is being received in relation to Continuing Health Care.	25
		145

Audit Area	Overview of Assurance	Audit Days
Directorate Risks - Children and Families		
One Adoption West Yorkshire – Decision Making	To provide assurance that there are appropriate governance arrangements in place with regard to decision making for the organisation and that outcomes of the decisions are appropriately monitored and reported.	25
Children's Centres – Little Owls Service	To provide assurance that there are arrangements in place to monitor performance against expected outcomes for the service, including financial outcomes, and that action is taken where issues are identified.	25
Special Educational Needs Out of Area Placements	To provide assurance that there are appropriate systems in place for assessing and approving the need for making out of area placements, ensuring that payments are accurate and that performance in relation to this is appropriately monitored.	20
Support for Care Leavers	To provide assurance that there are processes in place for the identification and assessment of support needs for care leavers.	20
School Attainment	To provide assurance that there are mechanisms in place to monitor school attainment for all children and that appropriate action is taken where issues are identified.	20
Safeguarding	To provide assurance that the new requirements for improved partnerships set out in the Working Together to Safeguard Children 2018 have been effectively implemented.	20
		130
Directorate Risks - Housing		
Major Adaptations	To review the process in place to ensure major adaptations completed for both council and private houses are appropriate, completed to the required quality and timescale, and provide value for money.	25
Complaints Handling Process	A review of the processes in place for dealing with customer complaints, including ensuring root causes are identified and action taken on lessons learned.	30

Audit Area	Overview of Assurance	Audit Days
Leaseholders	To review the process in place to manage leaseholder arrangements.	25
Private Sector Regulation – Selective Licensing	A review of the processes in place for ensuring that properties subject to selective licensing are licenced and inspected as appropriate.	25
Housing Disrepair	To assess the extent to which the Authority manages claims received in line with established best practice, ensuring that appropriate consideration has been given to the council's responsibilities in line with the Fitness for Human Habitation Act.	35
BITMO Assurances	To provide support to Housing Partnerships in the management of the BITMO Assurance Framework.	20
Leeds Building Services Assurances	Time set aside to provide assurance that key risks relating to Leeds Building Services are appropriately managed. Outline of specific assurance to be confirmed.	40
Housing Leeds In-Year Follow Up Work and Contingency	To undertake follow up work as required during the year and respond to emerging risks within Housing Leeds.	50
		250
Other Directorate Risks		
Application of HR Policies	To gain assurance that a sample of HR policies are consistently and properly applied across the authority.	20
Civic Enterprise Leeds	Time set aside to provide assurance that key risks relating to Civic Enterprise Leeds are appropriately managed. Outline of specific assurance to be confirmed.	20
Invest to Save – Benefits Realisation Follow Up	To review the progress made in implementing the recommendations made in the 2019/20 audit.	15
Medium Term Financial Strategy Assurances	To review and provide assurance on the work being undertaken to ensure strategic planning and prioritisation of the council's resources.	40
Service Review Programme	Time set aside to contribute to the ongoing review of service delivery	50

Audit Area	Overview of Assurance	Audit Days
	arrangements being undertaken through the Medium Term Financial Strategy.	
High Value Stock Management	To review the processes in place to ensure the secure management of high value stock items. Directorates and services to be sampled on a cyclical basis.	20
Programme of Unannounced Visits	Individual establishment visits to provide assurance on cash handling arrangements including safeguarding of service user monies where applicable.	10
Waste Strategy	To gain assurance that governance arrangements are in place to support the implementation of the Waste Strategy.	25
Taxi Service	To gain assurance that licenses are issued correctly and complaints are investigated appropriately. This includes reviewing compliance with the Suitability Policy to ensure drivers licenses are approved in accordance with new criteria.	25
Leeds Cultural Trust	To provide assurance on the governance arrangements in place for the Leeds Cultural Trust.	25
City Development Assurances	Time set aside to provide assurance that key risks relating to City Development are appropriately managed. Outline of specific assurance to be confirmed.	25
		275
Schools		
Schools Audits	Individual audits of LCC maintained schools undertaken on a risk basis and audits of year end school voluntary fund accounts.	50
School Follow Up Audits	To follow up on limited assurance opinions issued within 2019/20.	27
		77
Follow Up and General Contingency		
Follow Up and General Contingency	Time set aside for new emerging risks, unplanned work and to complete individual follow up audits of areas that have been given a low assurance audit opinion arising during the year.	100

Audit Area	Overview of Assurance	Audit Days
		100
Total Assurance Days		2,205

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Report of the Chief Officer Financial Services

Report to Corporate Governance and Audit Committee

Date: 16th March 2020

Subject: Annual assurance report on the financial management and control arrangements and compliance with the Chief Finance Officer Protocol

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

Summary of main issues

1. The Chief Finance Officer's protocol, which constitutes Section 5k of the Council's constitution, requires that the Chief Finance Officer will report to the Corporate Governance and Audit Committee annually whether the arrangements set out in the protocol have been complied with and will include any proposals for amendments in the light of any issues that have arisen during the year.
2. Recognising the significant financial challenges facing the Council, and in the context of a number of high profile authorities running into financial difficulties, most noticeably Northamptonshire County Council who issued Section 114 notices in 2018, it is critical that the Council has in place sound arrangements for financial planning and management.
3. The Council has established an effective financial control environment and specifically robust arrangements for strategic financial planning combined with effective financial management and control.
4. The Council also has a sound framework for reviewing and challenging financial performance, has realistic plans in place to make the necessary savings in the 2020/21 financial year, and is taking the appropriate steps to deliver them. Directorates have contingency plans in place to help to manage unforeseen variations against the budget.

5. The financial management and control framework is subject to a number of independent assessments, including the Council's Internal Audit function which has reviewed and given substantial assurance that there are robust controls in place to support the central co-ordination of the setting and monitoring of the Council's budget.
6. The financial management and control framework is continually being assessed and reviewed to ensure that it remains fit for purpose. This will continue and any issues and developments will be reported back to this Committee.

Recommendation

7. Corporate Governance and Audit Committee are asked to note the Chief Officer (Financial Services) assurances that the appropriate systems and procedures are in place to ensure that there is sound financial management and control across the Authority. This provides the assurance that the arrangements set out in the Chief Finance Officer protocol, as set out in Section 5k of the Council's constitution, have been complied with.

1. Purpose of this report

- 1.1 The overall purpose of this report is to provide assurance to this committee that the Council has in place effective and robust arrangements for financial planning, financial control and other financial management activities. In doing so the report sets out the current arrangements for complying with the requirements of the Chief Finance Officer's protocol that are set out in Section 5k of Council's constitution.
- 1.2 Given the financial challenges facing the Council both currently and in the medium-term, it is essential that we continue to ensure that we have in place appropriate arrangements around financial performance, strategic financial planning, financial governance and financial control. This report outlines;
 - The key systems, controls and procedures,
 - New developments and improvements which have been put in place,
 - New developments in the near future
 - New risks and any issues arising.
- 1.3 The report aims to give members assurance that the financial control and financial governance arrangements in place are fit for purpose, up to date and embedded across the organisation.

2. Background information

- 2.1 This is the ninth year of reporting to this Committee on the financial planning and management arrangements of the Council. Previous reports have outlined the following arrangements;
 - a) Overarching controls;
 - The strategic role within the council of the Responsible Financial Officer;
 - Professionally qualified and accountable staff;

- Financial regulations;
- Monitoring of the integrity of financial systems;
- A statutory code of practice for treasury management arrangements.

b) Main financial processes;

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

2.2 Reports to this Committee over a number of years have provided a detailed assessment of these arrangements, along with appropriate assurances that they are fit for purpose and embedded. As in previous reports, rather than just report the main financial processes and arrangements, this report also seeks to highlight any new developments or risks that have emerged over the last year. For information and reference, the basic processes and systems of financial control are contained within Appendix A.

2.3 The financial procedures and controls are part of the overall financial control environment and form a fundamental part of the assurances received by this Committee when approving the Annual Governance Statement as required by the Accounts & Audit Regulations 2015.

2.4 The Chief Finance Officer's protocol, which constitutes Section 5k of the Council's constitution, requires that the Chief Finance Officer will report to the Corporate Governance and Audit Committee annually whether the arrangements set out in the protocol have been complied with and will include any proposals for amendments in the light of any issues that have arisen during the year. The protocol provides some general information on how the Chief Finance Officer's statutory requirements will be discharged. A copy of the Chief Finance Officer's protocol is appended as Appendix B.

3. Main issues

3.1 Chief Financial Officer & Section 151 Officer

3.1.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those arrangements. The role of Chief Financial Officer also known as the statutory Section 151 officer within Leeds City Council is being fulfilled by the Chief Officer (Financial Services).

3.1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) sets out the role of the Chief Financial Officer in local government in its Statement which was last updated in February 2016. This Statement sets how the requirements of legislation and professional standards should be fulfilled by Chief Financial Officers in the carrying out of their role.

3.1.3 In its Statement, CIPFA asserts that the Chief Financial Officer in a local authority;

- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest,
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy,
- must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- to deliver these responsibilities the Chief Financial Officer must lead and direct a finance function that is resourced to be fit for purpose and must also be professionally qualified and suitably experienced.

3.1.4 The governance requirements in the Statement are that the Chief Financial Officer should be professionally qualified, report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the Annual Governance Statement, together with an explanation as to how these different arrangements deliver the same impact.

3.1.5 As referenced in paragraph 3.1.1 the Council's designated statutory Section 151 officer currently holds the position of Chief Officer (Financial Services). In undertaking this statutory Section 151 function, and recognising that Chief Officer (Financial Services) reports to the Director of Resources & Housing, it is necessary in this governance statement to explain how these arrangements fulfil the statutory Section 151 officer role.

3.1.6 To this end, the Chief Officer (Financial Services);

- Will report directly to the Chief Executive in terms of their statutory Section 151 responsibilities;
- Will be a member of the Council's Leadership Team and have advance notice of all agendas and reports;
- Will attend meetings of the Council's Executive Board and have advance notice of all meetings, agenda and reports and the right to attend and speak;
- Will have advance notice, (including receiving agendas, minutes, reports and related papers) of all relevant meetings of the Authority (including meetings at which officer delegated decisions are taken) at which a binding decision may be made (including a failure to take a decision where one should have been taken);

- Will have the right to attend (including the right to be heard) any meeting of the Authority (including meetings at which officer delegated decisions are taken) before any binding decision is taken (including a failure to take a decision where one should have been taken);
- Will have sufficient resources to enable them to address any matters concerning their Section 151 functions;
- Will appoint a deputy and keep them briefed on any relevant issues that they may be required to deal with in the absence of the Section 151 officer;
- Will meet regularly with the Head of Paid Service and the Monitoring Officer to consider and recommend action in connection with corporate governance issues and other matters of concern regarding any legal, ethical standards, probity, propriety, procedural or other constitutional issues that are likely to (or do) arise;
- Will report annually to the Corporate Governance and Audit committee regarding whether the arrangements are satisfactory and have been complied with and will include any proposals for amendments in the light of any issues that have arisen during the year.

3.1.7 These arrangements contribute towards satisfying the requirements of the Chief Finance Officer protocol which forms part of the Council's constitution.

3.2 Strategic Financial Planning.

3.2.1 It is clear that the current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions. The Council continues to make every effort possible to protect the front line delivery of services, and whilst we have been able to successfully respond to the financial challenge so far, it is clear that the position is becoming more difficult to manage and it will be increasingly difficult over the coming years to maintain current levels of service provision without changes in the way the Council operates. The report to Council in February 2020 'Best Council Plan 2020-2025' explains how this will be done: that, while continuing its programme of efficiencies, the Council needs to work differently, to keep evolving and innovating in terms of *what* it does and *how* it does it, exploring different service models and greater integration with other organisations and skilling up staff to grow their commercial and business acumen.

3.2.2 The final local government finance settlement which was announced on the 24th February 2020 re-confirmed both the Council's Settlement Funding Assessment for 2020/21 and the North and West Yorkshire's application for a 50% Business Rate Retention pool. The Council's financial position for the period covered by the current Medium Term Financial Strategy needs to be seen in the context of significant inherent uncertainty for the Council in respect of future funding and spending assumptions. Specifically the implications of the Government's future spending plans with regard to local government and other areas of the public sector after 2020/21 remain unknown. To compound this uncertainty the Government remains committed to move to 75% business rate retention

nationally, implement business rate resets which has implications for the level of business rate growth the Council retains and progress the Fair Funding review of the methodology which determines current funding baselines which are based on an assessment of relative need and resources. The outcome of these changes, and the subsequent implications for Leeds won't be known until the autumn of 2020. In addition it remains uncertain how the Government intend to fund social care in future, what any devolution proposals for West Yorkshire will mean for the Council and the implications of the UK leaving the EU are as yet unknown.

3.2.3 The 2020/21 budget was approved by Full Council on the 26th February 2020. The headlines from the 2020/21 budget proposals, when compared to the 2019/20 budget, are as follows:

- An increase in the Council's net revenue budget of £9.0m to £525.7m;
- The Council will receive £28.2m in Revenue Support grant (RSG) as result of returning to 50% Business Rates Retention (BRR);
- A reduction in business rates income of £36m which is as a result of a combination of BRR, reduced business rates growth and a deficit on the Collection Fund;
- An increase in the Settlement Funding Assessment (SFA) of £3m (1.6%);
- An increase in the general Council Tax of 1.99% together with a further 2% in respect of the Adult Social Care precept and an increase in the Council Tax base, generating an additional £16.9m of local funding;
- Whilst resources receivable from SFA and council tax have increased pay, price and demand pressures mean that the Council will need to deliver £28.4m of savings by March 2021;
- This requirement to deliver £28.4m of savings is after the use of £10m from the Council's general reserve and the application of an additional £10m in capital receipts which is being use to smooth the impact of Minimum Revenue Provision (MRP) and;
- A net increase in staffing of 380 full time equivalent posts.

3.2.4 The Council has a proven and comprehensive approach to the development of its Medium Term Financial Strategy, its annual budget setting and the identification of saving plans. The Council's Medium Term Financial Strategy now covers a five year period and it will also now incorporate the Council's capital strategy. The updated 2020/21 to 2024/25 Medium Term Financial Strategy, which was agreed by Executive Board in October 2019, recognised the requirement for the Council's revenue budget to become more financially resilient and sustainable, whilst at the same time reducing the risks associated with funding recurring revenue through mechanisms such as capital receipts and capitalisation. Work is already underway to update this strategy in preparation for reports to be received at Executive Board in both June and July 2020.

3.3 Financial Health Performance.

3.3.1 Budget management and monitoring is a continuous process which operates at a number of levels throughout the Council. Although Directors are ultimately responsible for the delivery of their Directorate budget, operational accountability for respective budgets within a Directorate are devolved down to budget holders

across the various services. The Council's budget accountability framework clearly articulates roles and responsibilities and aligns financial accountability within service decision-making. Every budget has a named accountable budget holder, supported by a finance officer, who is responsible for managing, monitoring and forecasting income and expenditure against the approved budget.

- 3.3.2 Financial monitoring across the Council is facilitated by the Council's Financial Management Systems (FMS). On a monthly basis budget holders, taking a risk-based approach and in conjunction with finance staff, review their spend and commitments against the approved budgets and project their year-end position. There are also instances where spending is controlled on systems other than the Council's FMS, for example community care payments. In these instances, procedures are in place to ensure that information held in these systems is regularly reconciled to FMS. Ensuring the integrity of the accounts is as important to our budget monitoring processes as it is to the accounts, and this is a key role of the Corporate Financial Integrity Forum which includes senior finance staff and is chaired by the Head of Finance (Financial Management).
- 3.3.3 Financial monitoring is undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. To reinforce this risk-based approach, achievement of the key budget actions plans is highlighted specifically on the regular budget monitoring dashboards that form a part of the Financial Health monitoring reports that are received at Executive Board.
- 3.3.4 As part of in-year budget management and monitoring, year-end projections for income and expenditure are submitted to the Chief Officer Financial Services, and the Corporate Leadership Team, and are also reviewed and challenged by the Corporate Finance Performance Group. In addition, budget monitoring reports are presented monthly to Directorate leadership teams, individual executive members, Executive Board and respective Scrutiny Committees.
- 3.3.5 In line with the Council's financial procedure rules and the Council's value of 'Spending Money Wisely', it is critical that where projected overspends are identified that action is taken to bring spending back into line with the approved budgets or to identify other sources of funding such as areas of under spend. The Council's Revenue Budget principles, which provide a framework for managing the revenue and capital budgets, requires that savings options to balance identified overspends are reported through the regular Financial Health reports to Executive Boards. All Directorates are required to have an agreed contingency plan in place before the beginning of each financial year.
- 3.3.6 In July 2019 the Council's Executive Board agreed the adoption of principles which have been developed to support both the determination and management of both the revenue and capital budgets. These budget principles are detailed in Appendix C. The revenue principles have been developed to support both the process for the determination of the budget and the financial management arrangements for the delivery of a balanced revenue budget position. The capital principles have

been developed to enable the Capital Programme resource to achieve the priorities within the Best Council plan and will support the development and monitoring of the Capital Programme. Adoption of these principles results in a more robust and accountable approach to budget management which closely aligns itself with the principles that are set out in CIPFA's Financial Management Code which all local authorities will be required to fully implement by the 31st March 2021.

- 3.3.7 Within the year, any decision to amend the approved budget has to be undertaken within the virement rules which, as part of the budget and policy framework, are agreed annually by Full Council as part of the annual budget setting process.

3.4 Capital Programme Controls and Monitoring

- 3.4.1 The Council recognises a number of pressures and development schemes that bring economic and wider benefits that have implications for the level of debt. The Council will look to manage these pressures and limit the impact on debt costs by ensuring where possible that new schemes are fully funded (either by external resources or departmental prudential borrowing), or are essential (under health and safety grounds or in order to ensure Council assets are maintained for continued service provision).
- 3.4.2 Proposals for new capital schemes funded from borrowing must follow a rigorous business case process to demonstrate investment is aligned to capital objectives, meets the needs of the public and will deliver best value whilst ensuring that affordability remains within the Medium Term Financial Strategy. The process involves submission of bids for review and prioritisation by the Council's Strategic Investment Board before CLT, cabinet and member engagement and consideration takes place. Injection approval is sought at February Executive Board at the same time as revenue budget proposals to ensure overall affordability. If necessary, a second injection at a mid-year point could be utilised. The process does however allow for fully funded, spend to save or schemes of an immediate health and safety nature to be injected throughout the year.
- 3.4.3 One of the main risks in developing and managing the capital programme is that insufficient resources are available to fund the programme. A number of measures are in place to ensure that this risk can be managed effectively:
- Ensuring written confirmation of external funding is received prior to contractual commitments being entered into;
 - Monthly monitoring of overall capital expenditure and resources forecasts alongside actual contractual commitments;
 - The capital programme includes a central contingency to cater for any unforeseen circumstances. In addition individual programmes and schemes contain a risk provision for unexpected circumstances;
 - Monthly updates of capital receipt forecasts prepared, using a risk based approach, by the Director of City Development;
 - Quarterly monitoring of the Council's VAT partial exemption position to ensure that full eligibility to VAT reclaimed can be maintained;

- Compliance with Financial Procedure rules, Financial Regulations and Contract Procedure Rules to ensure the Council's position is protected and;
- Ensuring all major programmes are supported by programme boards.

3.4.4 The forecast of borrowing costs resulting from capital expenditure are budgeted for within the revenue budget. In the year following capital expenditure, as well as budgeting for interest costs, the revenue budget must make provision for the minimum revenue provision on borrowings which is accounted for over the life of the asset. Forecasts for the debt budget are dependent upon the interest rate assumptions, the likely level of capital spend and the Council's cash balances. The affordability of new borrowing and existing borrowing is reported on a monthly basis as part of the financial health reporting to the Executive Board, with specific treasury strategy reports presented to the Executive Board at least three times a year.

3.5 Financial Control Arrangements.

3.5.1 External Audit provide independent assurance on the Council's accounts and accounting practice as well as the arrangements to ensure value for money and the controls around the key financial systems. The 2018/19 Grant Thornton's Annual Audit Letter for Leeds City Council, which was received at this Committee on the 22nd November 2019 concluded that they were satisfied that "the Council had put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources." In respect of financial resilience Grant Thornton concluded in the same Annual Audit letter that not only does the Council have "effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources" but also "that the Council has proper arrangements in place to ensure sustainable resource deployment".

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

- The Council has tried and trusted arrangements for treasury management which complies with CIPFA's Code of Practice on Treasury Management and the Prudential Code. At the same time as this report this Committee will also be receiving separate Treasury Management Governance Report which reports on the robustness of these arrangements.
- In response to the government's reduction in public spending since 2010, the Council has delivered significant reductions in expenditure and increases in income in order to address a £266m reduction in core funding from Government between 2010/11 and 2019/20. The 2020/21 budget assumes further savings of £28.4m. Establishing robust and achievable budgets under such challenging financial circumstances provides strong evidence that the financial process underpinning the budget and budget monitoring processes are effective. Grant Thornton will provide, in respect of the

2019/20 accounts, the independent assurance that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Grant Thornton have already commenced upon the process of providing this independent assurance.

- Internal Audit continues to provide assurance to members that all of the key core financial systems and processes are robust and are operating effectively. The financial management and control framework is subject to a number of independent assessments which include annual reviews of the major financial systems undertaken by the Council's Internal Audit function. Internal Audit has provided a substantial assurance opinion or good assurance opinions for each of the major financial system audits completed in the year to date. This includes the audit of Financial Management Central Controls which provides independent assurance that there are robust controls in place to support the central co-ordination of the setting and monitoring of the Council's budget.
- The Corporate Financial Integrity Forum, which is an officer forum, meets each month and is chaired by the Head of Finance (Financial Management), has a key role within the financial control environment and its function is to help ensure that there are procedures and operations in place to provide the necessary quality, integrity and reliability of financial information and accounts. The overall purpose is to help ensure the financial stewardship of the Authority by monitoring;
 - The regular review and reconciliation of financial systems to the financial ledger.
 - The regular review and reconciliation of balance sheet accounts.
 - The requirement to have effective systems and procedures in place to facilitate the posting of financial data to the ledger.
 - That there are up to date bank mandates for all bank accounts to which LCC officers are signatories and that bank statements are regularly received and reconciled.
 - Reviewing any other area of financial control or financial governance risk, including partnerships and other joint working arrangements.
 - Areas of concern affecting financial integrity are investigated and reported on.
 - Responding to external audit recommendations such as that contained in Grant Thornton's Audit Progress Report, received at the June 2019 meeting of this Committee, which recommended that journals "over a pre-determined amount are reviewed by another team member prior to the journal being posted." In this particular instance an overall risk assessment of FMS was undertaken and this confirmed that there is limited risk associated with journals and that the Council has compensating controls in place. A subsequent review by Internal Audit has confirmed this view.

3.6 Key issues and developments for 2020/21 and future challenges and improvements;

- 3.6.1 In December 2019 the Government notified the Council that the North and West Yorkshire Business Rates Pool bid for 50% business rates retention for 2020/21 had been successful. This replaces the 2019/20 75% business rates retention pilot scheme for North and West Yorkshire authorities which ceases on the 31st March 2020. This 50% retention scheme is for one year only and allows the North and West Yorkshire Pool to retain the levy payments within the region that otherwise would have been made to central government. Whilst this is significantly lower financial gain when compared to the 75% retention scheme we estimate the gains to the region to be around £9.6m for this Pool. For Leeds the financial commitment to the new Pool is £2.2m.
- 3.6.2 On December 2018 the Government issued their consultation document in respect of the planned introduction of 75% business rate retention nationally from 2020/21. Whilst the proposals included options to mitigate volatility in income from business rates, the plans to devolve business rates need to be managed carefully as they are a volatile source of income that can vary according to valuations, appeals and how the national and local economy is performing with local authorities ill-equipped to absorb short-term risks and economic shocks. Since the Council responded to the December 2018 consultation the Government have re-affirmed their intention to move to 75% retention with an MHCLG led working group being re-constituted to determine proposals. These proposals will be circulated for consultation prior to an anticipated start date of April 2021.
- 3.6.3 In December 2018 the Government issued a further Fair Funding Review consultation document on proposals to simplify the assessment of local authorities' relative needs. It also considered the type of adjustment that will need to be made to an authority's relative needs assessment to take account of the relative resources available to them and principles for the design of transitional arrangements. The current funding baselines for local authorities are based on an assessment of relative needs, resources introduced over ten years ago and on data which has not been refreshed since the introduction of the 50% business rates retention system in 2013/14. Even under a scheme of 100% business rate retention, there will still be a need for a mechanism whereby resources are re-distributed between local authorities to reflect relative needs and resources. The key risk is the impact that the review will have upon the level of resources available to Leeds and the Government themselves recognise that "introducing a new needs and resources formula could result in significant changes to the funding baselines of some local authorities." As with 75% business rate retention MHCLG are re-constituting the Fair Funding Review Group with the outcome of their proposals running alongside a similar timescale for the publication of the Government's future spending proposals.
- 3.6.4 2020/21 is the third transitional year of the national funding formula for schools. During this transitional period local authorities will be allocated an amount based on the new national funding formula but they can decide on a local formula for allocating this to schools. The Government has not indicated whether the transitional arrangements will continue beyond 2020/21. The schools funding

formula for 2020/21 has now been approved following consultation with all schools and the Schools Forum. In line with the majority view, some funding will be transferred from schools to provide additional funding for pupils with high needs, in order to address ongoing pressures in this area. After taking account of this transfer and the views from the consultation, the 2020/21 funding formula will move as close as possible to the national funding formula. In addition work continues to be carried out to assess the financial impact and risk to the Council should maintained schools become academies.

- 3.6.5 A combination of CIPFA's code and government guidance require a local authority to produce a Capital and Investment strategy. The capital element of the strategy sets out the principles that underpin the Council's Capital Programme and as such how it supports the corporate priorities and objectives. The strategy sets the framework for all aspects of the Council's capital expenditure and investment decisions. It supports strategic planning, asset management and robust option appraisal. The investment strategy covers the council's approach to non-treasury investment decisions. Treasury investment decisions are already contained within the Treasury Management Policy Statement that is presented as part of the annual Treasury Management report. The Capital and Investment strategy was approved at February Executive Board as an appendix to the Capital Programme report. I
- 3.6.6 Financial management systems - the current Financial Management System (FMS) is an in-house developed and managed Oracle-based system. The system is a ledger system, the general feel of the system is not modern and not user-friendly and there are specific gaps in the system's capabilities, for example procurement/purchasing. It is also anticipated that further economies and efficiencies could be realised through a review of our Financial Management System. Following an optional appraisal a multi-disciplined project team has been established to determine a business case which will inform the procurement of a replacement for FMS.
- 3.6.7 Financial Management System (FMS) – the integrity of the data within the Council's core FMS is very much dependent on the data and information from a multiple of source feeder systems, for example SAP for employee costs, Mosaic Framework- for foster carer payments and CIS for Adult Social Care payments, Qube for property rental income, etc. In 2020/21 the work programme for the Corporate Financial Integrity Forum will include seeking specific assurances as to the integrity of the source data that feeds into the core FMS, and in particular the new Civica system which is being introduced during the year for housing management functions.
- 3.6.8 Supporting the Best Council Plan – the 2020/21 budget recognises the Council's ambition to be the best city by being a strong economy and a compassionate city as well as achieving its best City priorities. Financial Services have a key role to play in this around supporting the Council to realise its ambitions. As well as ensuring that resources are aligned in the budget to support these priorities, specific support is being provided in respect of the priorities such as the Clean Air Zone and Housing Growth.

- 3.6.9 Recognising the financial challenges identified through the currently approved Medium Term Financial Strategy, Support Services functions are working more collaboratively to both maximise the resources that are available to the Council whilst at the same time supporting services to ensure that they achieve value for money.
- 3.6.10 Financial Services review – as part of the ongoing Council-wide review of support services the Financial Service needs to ensure that it remains a highly effective and responsive function whilst continuing to demonstrate that it offers value for money. Given the reductions that have already been achieved to date, which have contributed towards helping the Council meeting its financial challenges, and given the scale of the challenge going forward, a review of the structure of the finance function has commenced.
- 3.6.11 In 2018 a number of high profile local authorities ran into significant financial difficulties. Most noticeable of these was Northamptonshire County Council whose Section 151 officer first issued a Section 114 notice in February 2018 as in his opinion the Council was at risk of not being able to balance its budget. A subsequent MHCLG Best Value inspection of the Council identified a number of key weaknesses that had ultimately led to the issue of the first Section 114 notice. As a result of this all local authorities are under increased scrutiny to demonstrate that they have appropriate governance arrangements in place to manage their financial affairs. This report forms part of that re-assurance to members with regards to the Council's financial management and control arrangements.
- 3.6.12 In response to a number of high profile authorities reporting financial difficulties, CIPFA (Chartered Institute of Public Finance and Accountancy) have issued their financial resilience index for local government. This analytical tool is designed to provide councils with a clear understanding on their position in terms of risk. The selection of nine indicators, three of which relate to reserves, measure an individual Authority's resilience to continue to deliver annual savings and manage significant shocks whilst still pursuing ambitious goals for Local Communities. The use of the index compliments the Council's approved Medium Term Financial Strategy which recognises the requirement for the Council's revenue budget to become more financially resilient and sustainable.
- 3.6.13 In October 2019 CIPFA published the Financial Management Code. The Financial Management Code, which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability, has been introduced following concerns about fundamental weaknesses in financial management particularly in relation to organisations that may be unable to maintain services in the future. The code itself contains a series of financial management standards for which compliance is required if a local authority is to meet the minimum standards of financial management acceptable to meet fiduciary duties to tax payers, customers and lenders. Local authorities are required to apply the requirements of the Financial Management Code with effect from 1st April 2020.
- 3.6.14 Implementation of the code will complement the Council's Statutory Financial Officer's statement, which is required under the 2003 Local Government Act, on

the adequacy of reserves as a part of the annual budget setting process. It is also good practice for the Authority to have a policy on the level of its general reserve and to ensure that it is monitored and maintained.

- 3.6.15 A new Code of Audit practice which comes into effect from April 2020 will include the requirement for external auditors to have a sharper focus on arrangements supporting both financial sustainability, governance and improving value for money. A more narrative form of reporting in relation to the value for money aspect of the external audit opinion will be required in the annual audit report. There are also clearer expectations on timely and effective auditor reporting.

4.1 Consultation and Engagement

- 4.1.1 Extensive consultation was undertaken as part of the budget setting process, as outlined in the Revenue Budget and Council Tax 2020/21 report to Full Council on the 26th February 2020. This report has no direct issues requiring consultation or engagement.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 A specific equality impact assessment of the budget at a strategic level was undertaken and was reported to Full Council on the 26th February 2020 as part of the Revenue Budget and Council Tax 2020/21 report. This report has no direct equality and diversity/cohesion issues.

4.3 Council policies and Best Council Plan

- 4.3.1 The 2020 to 2025 Best Council Plan's ambitions, outcomes and priorities underpin the 2020/21 budget and have been used to ensure that the Council's financial resources are directed towards its policies and priorities and, conversely, that these policies and priorities themselves are affordable. Spending money wisely is one of the core Council's values, with the priority being for Directorates and services to keep within their budgets. Ensuring that the Council has appropriate financial management systems and procedures in place is clearly a key aspect and as such this report does provide some assurances, albeit not comprehensive, assurance that money is being spent wisely.
- 4.3.2 The terms of reference of the Corporate Governance & Audit Committee require the Committee to consider the adequacy of the Council's policies and practices to ensure compliance with statutory guidance and the adequacy of the Council's corporate governance arrangements.

4.4 Resources and value for money

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

4.5 Legal implications, access to information and call in

- 4.5.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer have responsibility for those arrangements. The Accounts and Audit Regulations 2015 came into force on the 1st April 2015 and set out the responsibility for internal control, the published accounts and audit.
- 4.5.2 This report does not require a key or major decision and is therefore not subject to call-in.

4.6 Risk Management

- 4.6.1 An analysis of the key budget risks is maintained and subject to monthly review. Any significant and new risks are contained in the budget monitoring reports submitted to meetings of the Executive Board together with any identified slippage on budget savings plans.
- 4.6.2 The Council's external auditors provide a risk assessment on the Council's financial resilience and the accounts process as part of their audit.

5. Conclusions

- 5.1 The Responsible Financial Officer has established an effective overall financial control environment framework for financial planning and exercises effective financial management and control which, in her opinion, discharge both her statutory responsibilities and are consistent with the Chief Financial Officer protocol which forms part of the Council's constitution.
- 5.2 The framework of control and developments outlined in this report are fit for purpose, up to date, embedded and are regularly complied with.
- 5.3 Members can also take assurance from a number of rigorous reviews and assessments undertaken, including;
- Internal Audit provide annual assurances on the major financial systems and controls.
 - Member scrutiny via Scrutiny Boards, Executive Board and Full Council ensures that the budget continues to meet the council's priorities and objectives. In addition, Corporate Governance & Audit Committee approves the Council's accounts.
 - Officer review of the financial strategy, annual budget and in-year budget management and monitoring processes through the Financial Strategy Group, Finance Performance Group, Directorate leadership teams and the Corporate Leadership Team.
 - Officer review of the adequacy of the control arrangements through the Corporate Financial Integrity Forum.

- External Audit evaluated the Council's key financial systems as part of their audit work in respect of the 2018/19 accounts and will do so again as part of the 2019/20 audit. They also provide an opinion in respect of the Council's financial resilience.

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

6. Recommendations

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

7. Background documents¹

7.1 None

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.

Appendix A

1. Overarching financial control environment

- 1.1 In order that the Council's statutory Chief Financial Officer can discharge her duties a number of overarching arrangements and controls are in place as part of an effective financial control environment;
- 1.1.1 **Chief Financial Officer** - The Chief Officer Financial Services, in the role of the Council's Chief Financial Officer, undertakes a strategic role and has established appropriate arrangements to discharge her responsibilities in line with CIPFA's recommended practice.
- 1.1.2 **Professionally qualified and accountable staff** - financial management across the council is delivered by colleagues who are managerially responsible to the Chief Officer Financial Services. Many of the staff within the Financial Management service are professionally qualified accountants with many years of experience, and are themselves personally and professionally responsible for their actions and advice. This is reinforced through the Council's performance and appraisal scheme which incorporates identifying key skills for finance staff, programmes of training, development and continuing professional development.
- 1.1.3 **Capital and treasury management arrangements** – The approach to setting the capital programme ensures that capital spending decisions and affordability are considered at the same time that the revenue budget is set for the following year. Directorates submit their future scheme spending intentions which are challenged and prioritised by the Council's Strategic Investment Board. Proposals for new capital schemes must be accompanied by robust business cases and ensure that they are aligned to the Best Council Plan objectives. Only those priority and deliverable schemes are put forward for inclusion within the capital programme. The framework seeks to ensure that schemes that have a revenue implication are only injected in February and, if necessary, November. However externally funded schemes, those of an essential health and safety nature or those where the debt cost is supported by a revenue stream or costs savings can be injected at any point in the year.
- 1.1.4 The capital programme continues to be closely monitored with Directorates and progress on schemes reported on a monthly basis. Quarterly updates are presented to the Executive Board. The cost and affordability of the borrowing required to fund the capital programme continues to be managed within the debt budget. The affordability of new borrowing and existing borrowing is reported on a monthly basis as part of the financial health reporting to the Executive Board, with specific treasury strategy reports presented to the Executive Board at least three times a year. A further report to ensure compliance with the prudential code, treasury management code of practice and internal audit compliance is presented to Corporate Governance and Audit Committee on an annual basis.

1.1.5 The Council also produces a Capital and Investment strategy that is annexed to the Capital programme update report. The capital strategy element sets out the principles that support the Council's capital programme and as such how it supports corporate priorities and objectives. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provisions of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.1.6 The investment strategy element considers three broad areas:

- treasury management – covered in the Treasury management strategy document annexed to the annual treasury strategy report;
- other financial investments such as loans and equity investment which are made to achieve service objectives; and
- non-financial investments such as property.

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

1.1.8 **Integrity of the accounts** - The integrity of all the financial data is of fundamental importance in ensuring financial information is both timely and accurate in order to correctly inform decision making. This is a key role of the Corporate Integrity Forum which includes senior finance staff and is chaired by the Head of Finance – Financial Management. The forum reviews all key financial control accounts such as cash and tax; the validity of all feeder systems into the financial ledger; along with such things as system access rights and coding structures.

2. Main financial processes

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

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

2.1.1 Financial planning and budget setting

2.1.1.1 Local authorities are under a statutory duty to set a balanced budget each year. Whilst at a basic level this can simply be seen as an annual exercise, given the financial challenges facing local authorities this needs to be set within a context of a medium term financial strategy. Since 2010 the Council has delivered significant reductions in expenditure and increases in income and the 2020/21 approved budget requires the realisation of a further £28.4m of savings.

- 2.1.1.2 The Council's 5 year Medium-Term Financial Strategy provides a framework within which the annual budget process can sit. The strategy does not attempt to provide a detailed budget but it does recognise the Council's ambitions, policies and priorities, sets out the main financial challenges facing the Council and provides a broad framework for the delivery of efficiencies and savings to bridge the identified funding gap. An update of this financial strategy was last presented to the Executive Board in October 2019 and will be updated and reported to the Executive Board in both June and July 2020.
- 2.1.1.3 Within the context of the financial strategy, as well as being a financial expression of the Council's policies and priorities, the annual budget is also a means of controlling spending to the available resources and re-enforcing financial accountability and responsibility.
- 2.1.1.4 The annual budget process is led by the Chief Officer Financial Services and involves a wide range of officers and members across the council. The process starts soon after the budget setting of the previous year with an update of the funding, key pressures and savings assumptions contained in the Medium Term Financial Strategy. Undertaking such an assessment involves a range of assumptions including the level of core government support as reflected through the Settlement Funding Assessment (SFA), other specific funding, council tax base, the determination of the level of business rates receivable, the level of inflation, demand and demography trends, interest rates, levels of income and fees & charges as well as new or developing spending pressures. This part of the process is led by finance staff, but will involve non-financial staff based in directorates and service areas. The process will, at such an early stage, invariably identify a budget shortfall. This high level exercise will be subject to a number of iterations with assumptions being subject to regular review and reassessment.
- 2.1.1.5 At the same time Directorates start to prepare detailed estimates for the forthcoming year although ultimately the totality of these estimates need to be consistent with the overall resources envelope that is available to the Council.
- 2.1.1.6 The development of options to balance to available resources is a key aspect in any budget process and there is a requirement to balance both capital and revenue pressures. This clearly can be a difficult area of work and whilst needing to be pragmatic and sufficient, it is crucial that the process reflects the Council's ambitions, policies and priorities. This is ensured through close engagement of senior officers and Executive Board portfolio members at appropriate points in the process.
- 2.1.1.7 The Council's constitution determines that initial budget proposals are submitted to Scrutiny prior to the Council's budget meeting. In practice this is after Executive Board approval, and requires the proposals to be submitted to the December and January meetings of the respective Scrutiny Boards.
- 2.1.1.8 Budget preparation and setting is a demanding process and operates to strict timescales. This places an emphasis upon not just process planning but also engagement with elected members and senior management.

2.1.1.9 In many ways the budget is an exercise in managing risk. With limited resources, it is inevitable that elements of the budget will depend upon actions which have yet to happen, or upon assumptions that may in reality vary from those assumed at budget setting. As such an important element of the budget process is the development and maintenance of a list of key budget risks which attempts to identify and assess the risks built into the budget. It is important to appreciate that the time frame of the list of budget risks is a single budget year. The list of key budget risks not only assists in assessing the robustness of the budget but also acts as a means of assessing the adequacy of the general reserve in that it provides an assessment of what may go wrong in-year.

2.1.1.10 Reaching a view of the robustness of the budget and the adequacy of the general reserve not only requires consideration of the processes and systems used in preparing the estimates, but also a consideration of the strength of the arrangement in place for internal financial management and control.

2.1.2 In-year Budget Management and Monitoring

2.1.2.1 Budget management and monitoring is a continuous process which operates at a variety of levels throughout the Council. Although Directors are ultimately responsible for the delivery of their Directorate budget, operationally these responsibilities are devolved down to budget holders within the Council. In line with the budget holder accountability framework, every budget has a named budget holder who is responsible for managing and monitoring income and expenditure against the approved budget. Director and Chief Officer sub delegations set out clearly what responsibilities have been delegated to them which allow them to undertake their duties and detailed requirements with regard to the budget are incorporated into the Council's Budget Management Accountability Framework which sets out clearly the responsibilities of Chief Officers, Budget Holders and Budget Monitoring Officers.

2.1.2.2 In advance of the financial year, and after the revenue budget for the forthcoming year has been approved, Directorates are requested to produce budget action plans for their services which detail what action is required to deliver the approved budget e.g. staffing restructure or a delegated decision to implement price increases; when the action is required to be completed by and; who is responsible for delivering the action required. In addition through taking a risk based approach to their respective budgets, Directorates are requested to identify contingency arrangements that could be implemented to address any variations from budgeted assumptions that will result in an overspend. The outcome of this exercise also informs how much is required in the Council's general reserve to provide for risks. Budget roll-out meetings are also held with services within Directorates to ensure that accountable budget holders are both aware of the key aspects of their budgets and also what key budget actions are required to be completed to deliver a balanced budget position.

2.1.2.3 Financial and budget monitoring in the Council is facilitated by the Council's financial management system (FMS). The system holds information as to the approved budgets, actual spend and income, commitments and year-end projections. On a monthly basis budget holders review spend to date, against

the approved budget and against profiled budgets. In addition, budget holders and finance staff project the end of year position and this clearly involves a degree of judgement. In practice some budgets are more difficult to manage and forecast than others. There are also instances where spending is controlled on systems other than the Council's main FMS, for example community care payments. In these instances, procedures are in place to ensure that information held in these systems are regularly reconciled to FMS.

- 2.1.2.3 Financial monitoring is undertaken and operates on a hierarchical basis, whereby the monthly projections are aggregated upwards to be reviewed by budget holders, Chief Officers and Directors. The year-end projections for each Directorate are reviewed and challenged each month by the Council's Finance Performance Group (FPG). This group is primarily made up of Directorate Heads of Finance and is chaired by the Head of Finance (Financial Management). The year-end projections are then reported to the Council's Corporate Leadership Team and the Executive Board. As well as being accurate, monitoring also needs to be timely, and as such reporting is operated according to a strict timetable. In addition, at each monthly FPG meeting, monitoring statements in relation to the capital programme and debt are also reviewed. Monitoring performance reports on the capital programme, capital receipts, council tax and business rate collection, and treasury/debt activities are considered during the year by the Executive Board.
- 2.1.2.4 In line with the Council's values of Spending Money Wisely, it is critical that where projected overspends are identified that action is taken to bring spending back into line with the approved estimates or to identify other sources of funding such as areas of under spend. This requirement has been incorporated into the Revenue and capital principles for managing the budget which were agreed at Executive Board in July 2019. All Directorates have agreed contingency plans identified to the value of the key risks identified in the budgets. In-year, any decision to amend budgets is undertaken within the virement rules agreed annually by Full Council as part of the budget-setting process. All such decisions are recorded as part of the delegated decision making process.
- 2.1.2.5 In July 2019 the Council's Executive Board agreed the adoption of principles which have been developed to support both the determination and management of both the revenue and capital budgets. These budget principles are detailed in Appendix C. The revenue principles have been developed to support both the process for the determination of the budget and the financial management arrangements for the delivery of a balanced revenue budget position. The capital principles have been developed to enable the Capital Programme resource to achieve the priorities within the Best Council plan and will support the development and monitoring of the Capital Programme. Adoption of these principles results in a more robust and accountable approach to budget management which closely aligns itself with the principles that are set out in CIPFA's Financial Management Code which all local authorities will be required to fully implement by the 31st March 2021.
- 2.1.2.6 It is also important to appreciate that both External and Internal Audit also review our budget and budget monitoring arrangements in order to assess whether they

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

2.1.3 Closure of accounts

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

CHIEF FINANCE OFFICER PROTOCOL

CHIEF FINANCIAL OFFICER PROTOCOL

1.0 INTRODUCTION TO STATUTORY RESPONSIBILITIES

1.1 The Chief Finance Officer is a statutory appointment pursuant to section 151 of the Local Government Act 1972. This Protocol provides some general information on how those statutory requirements will be discharged.

1.2 The role of the Chief Finance Officer rests with the Chief Officer Financial Services.

1.3 A summary list of the Chief Finance Officer's statutory responsibilities appears in the Annex A attached. The Chartered Institute of Public Finance and Accountancy (CIPFA) has also issued a Statement on the role of the Chief Finance Officer and the key responsibilities are outlined at Annex B. The Chief Finance Officer's ability to discharge these duties and responsibilities will depend, to a large extent, on members and officers:-

- (a) complying with the law;
- (b) complying with any relevant Codes of Conduct or codes or protocols issued from time to time;
- (c) making lawful and proportionate decisions; and
- (d) generally, not taking action that would bring the Council, their offices or professions into disrepute.

1.4 The Chief Finance Officer is not merely a servant of the authority, but also holds a fiduciary responsibility to the local taxpayers.

2.0 WORKING ARRANGEMENTS

2.1 CIPFA have set out five principles that define core activities and behaviours that belong to the role of the Chief Finance Officer

- i) The Chief Finance Officer should be a key member of the Leadership Team, helping the organisation to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.
- ii) The Chief Finance Officer must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the organisation's financial strategy

- iii) The Chief Finance Officer must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- iv) To deliver these responsibilities the Chief Finance Officer must lead and direct a finance function that is resourced to be fit for purpose; and
- v) The Chief Finance Officer must be professionally qualified and suitably experienced.

2.2 Having excellent working relations with members and officers will assist in the discharge of the statutory responsibilities by the Chief Finance Officer. Equally, a speedy flow of relevant information and access to debate (particularly at the **early stages** of any decision-making by the council) will assist in fulfilling those responsibilities. Members and officers must, therefore, work with the Chief Finance Officer (and his/her staff) to discharge the council's statutory and discretionary responsibilities.

2.3 The Chief Finance Officer must be a qualified member of a specified accountancy body and is vested with the statutory responsibilities for maintaining finance administration and stewardship including the responsible finance officer duties and with strategic and corporate roles. CIPFA asserts that the Chief Finance Officer in a public service organisation should be a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives, sustainably and in the public interest. Whilst the Chief Officer Financial Services is not a member of the corporate leadership team in Leeds the following arrangements and understandings between the Chief Finance Officer, members and directors are designed to ensure the effective discharge of the council's business and functions. The Chief Finance Officer will:-

2.3.1 Resources

- (a) report to the Council, as necessary on the staff, accommodation and resources s/he requires to discharge his/her statutory functions;
- (b) have sufficient resources to enable him/her to address any matters concerning his/her Chief Finance Officer functions;
- (c) appoint a deputy and keep him/her briefed on any relevant issues that s/he may be required to deal with in the absence of the Chief Finance Officer. Appoint an appropriate external adviser in cases where the Chief Finance Officer is precluded from offering advice and the deputy is unable to advise.

2.3.2 Access to information/meetings

- (a) be alerted by members and officers to any issue(s) that may become of concern to the council, including in particular, issues around financial management, accounts and audit regulations, proposed expenditure or proposed actions which might lead to a loss or deficit;

- (b) have advance notice (including receiving agendas, minutes, reports and related papers) of all relevant meetings and delegated decision making of the council at which a decision may be made (including a failure to take a decision where one should have been taken);
- (c) have the right to attend any meeting of the council (including the right to be heard and report to the Executive Board) before any decision is taken (including a failure to take a decision where one should have been taken);
- (d) in carrying out any investigation(s) and exercising any fiduciary duties have unqualified access to any information held by the council and to any officer who can assist in the discharge of his functions;
- (d) have advance notice of meetings of the Corporate Leadership Team, including agendas and reports and have the right to attend and speak on all matters which have financial implications;

2.3.3 Relationships

- (a) A reciprocal responsibility to ensure the other statutory officers (Head of Paid Service and the Monitoring Officer) are kept up-to-date with relevant information regarding any financial management, accounts and audit regulations, proposed expenditure or proposed actions which might lead to a loss or deficit;
- (b) meet regularly with the Head of Paid Service and the Monitoring Officer to consider and recommend action in connection with corporate governance issues and other matters of concern regarding any financial management, accounts and audit regulations, proposed expenditure or proposed actions which might lead to a loss or deficit;
- (c) develop effective working liaison and relationship with the external auditor (including having the authority, on behalf of the council, to complain to the same, refer any breaches to the same or give and receive any relevant information, whether confidential or otherwise, through appropriate protocols, if necessary);
- (d) in consultation, as necessary, with the Leader, the Executive Board and the external auditor, defer the making of a formal report under sections 114, 115 and 116 of the Local Government and Finance Act 1988 where another investigative body is involved;

3.0 **MEMBER AND OFFICER RESPONSIBILITIES**

To ensure the effective and efficient discharge of the arrangements set out in paragraph 2 above, members and officers will report any breaches of statutory duty or council policies or procedures and ultra vires or constitutional concerns to the Chief Finance Officer, as soon as practicable.

4.0 ADVICE

The Chief Finance Officer is also available for members and officers to consult on any issues of the council's financial powers, possible unlawful payments, or general advice on the financial arrangements.

The Chief Finance Officer or deputy will record details of any advice given.

5.0 MONITORING THE PROTOCOL

Annually, the Chief Finance Officer will report to the Corporate Governance and Audit Committee regarding whether the arrangements set out in this protocol have been complied with and will include any proposals for amendments in the light of any issues that have arisen during the year.

6.0 SANCTIONS FOR BREACH OF PROTOCOL

Complaints of a breach of this protocol by an officer will be referred to the relevant Director and/or the Chief Executive for appropriate action to be considered, including disciplinary investigation.

Annex A

SUMMARY OF CHIEF FINANCE OFFICER STATUTORY FUNCTIONS

Description		Source
1	That the Treasurer is not merely a servant of the Council but holds a fiduciary relationship to the local taxpayers.	Case law - Attorney General -v- De Winton (1906).
2	To make arrangements for the proper administration of their Finance affairs. Legal opinion taken states that the term "administration" means responsibility for managing the totality of the Finance affairs of a local Council in all of its dealings.	Section 151 of the Local Government Act 1972
3	The Officer appointed as the responsible Chief Finance Officer must, be a Member of a specified accountancy body. The statutory role must be performed by an "Officer" of the Council.	Section 113 of the Local Government Finance Act 1988
4	In consultation with the Monitoring Officer and Head of Paid Service, reporting to all members and the external auditor if there is, or is likely to be, unlawful expenditure or an unbalanced budget.	Section 114 Local Government Finance Act 1988
5	Advising whether particular decisions are likely to be contrary to the policy framework or budget of the council.	Local Government Act 2000
6	Maintain an adequate and effective system of internal audit for accounting records and control systems.	Accounts and Audit Regulations 2015
7	Reporting to Council on both the robustness of the budget estimates and the adequacy of financial reserves, and ensuring compliance with the prudential capital regime.	Local Government Act 2003

Annex B

In its Statement CIPFA sets out the five principles that define the core activities and behaviours that belong to the role of the Chief Finance Officer in public service organisations. The core responsibilities against each of these principles are set out below.

(a) **Principle 1 - contributing to Corporate Management and Leadership**

- Contributing to the effective leadership of the authority, maintaining focus on its purpose and vision through rigorous analysis and challenge.
- Contributing to the effective corporate management of the authority, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and performance management.
- Supporting the effective governance of the authority through development of corporate governance arrangements, risk management and reporting framework corporate decision making arrangements.
- Contributing to the development of public service partnership to deliver objectives.
- Leading or promoting change programmes within the authority.
- Leading development of a medium-term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery.

(b) **Principle 2 - responsibility for financial strategy and influencing decision making**

Responsibility for financial strategy:

- Agreeing the financial framework and planning delivery against the defined strategic and operational criteria.
- Maintaining a long-term financial strategy to underpin the authority's financial viability within the agreed performance framework.
- Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.
- Evaluating the financial implications of alternative delivery models.
- Appraising and advising on commercial opportunities and financial targets.
- Developing and maintaining an effective resource allocation model to deliver business priorities.
- Developing an approach for the delivery of collaborative services within a structured framework.
- Leading on asset and balance sheet management to allow the authority to maximise its effective use of resources.
- Co-ordinating the planning and budgeting processes.
- Involvement in strategic assets management.

Influencing decision making:

- Ensuring that opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.

- Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.
- Ensuring that efficient arrangements are in place and sufficient resources available to provide accurate, complete and timely advice to support councillors' strategy development.
- Ensuring that clear, timely, accurate advice is provided to the executive in setting the funding plan/budget.
- Ensuring that advice is provided to the scrutiny function in considering the funding plan/budget.
- Ensuring that the authority's capital projects are chosen after appropriate value for money analysis and evaluation using relevant professional guidance.
- Checking, at an early stage, that innovative financial approaches comply with regulatory requirements.
- Financial information for decision makers
- Monitoring and reporting on financial performance that is linked to related performance information and strategic objectives that identifies any necessary corrective decisions.
- Preparing timely management accounts.
- Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.
- Monitoring the service impact of 3rd party contacts on the delivery of organisational objectives.
- Monitoring the longer-term financial impact of 3rd party contracts.

(c) **Principle 3 – Financial Management, value for money, safeguarding public money and assurance & scrutiny.**

Promotion of financial management:

- Assessing the authority's financial management style and the improvements needed to ensure it aligns with the authority's strategic direction.
- Actively promoting financial literacy throughout the authority.
- Actively promote good financial management throughout all partnerships and alternative delivery models.
- Assisting the development of a protocol which clearly sets out the roles and responsibilities of both democratically elected councillors, whether acting in executive or scrutiny roles, and of officers for financial management, including delegated authority/powers.
- Ensure effective monitoring of partnerships through monitoring and access to information.

Value for money:

- Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with financial implications are signed off by the finance function or being clear on the reasons for alternative selection.
- Advising on the financial thresholds for 'key' decisions where there is a requirement to do so.

- Developing and maintaining appropriate asset management and procurement strategies.
- Managing long-term commercial contract value.

Safeguarding public money;

- Applying strong internal controls in all areas of financial management, risk management and asset control.
- Establishing budgets, financial targets and performance indicators to help assess delivery.
- Implementing effective systems of internal control that include standing financial instructions, operating manuals, and compliance with codes of practice to secure probity.
- Ensuring that the authority has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.¹⁴
- Ensuring that delegated financial authorities are respected.
- Promoting arrangements to identify and manage key business risks, including safeguarding assets, risk mitigation and insurance.
- Overseeing of capital projects and post completion reviews.
- Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.
- Ensuring the effective management of cash flows, borrowings and investments of the authority's own funds or the pension and trust funds it manages on behalf of others; ensuring the effective management of associated risks; pursuing optimum performance or return consistent with those risks.
- Implementing appropriate measures to prevent and detect fraud and corruption.
- Establishing proportionate business continuity arrangements for financial processes and information.
- Ensuring that any partnership arrangements are underpinned by clear and well documented internal controls.
- Be alert to potential conflicts of interest and ensure the authority has access to appropriate independent advice.

Assurance and scrutiny;

- Reporting performance of both the authority and its partnerships to the board and other parties as required.
- Ensuring that financial and performance information presented to members of the public, the community and the media covering resources, financial strategy, service plans, targets and performance is accurate, clear, relevant, robust and objective.
- Supporting and advising the audit committee and relevant scrutiny groups.
- Ensuring that clear, timely, accurate advice is provided to the executive and the scrutiny functions on what considerations can legitimately influence decisions on the allocation of resources, and what cannot.
- Preparing published budgets, annual accounts and consolidation data for government-level consolidated accounts.

- Ensuring that the financial statements are prepared on a timely basis, meet the requirements of the law, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice.
- Certifying the annual statement of accounts.
- Ensuring that arrangements are in place so that other accounts and grant claims (including those where the authority is the accountable body for community led projects) meet the requirements of the law and of other partner organisations and meet the relevant terms and conditions of schemes
- Liaising with the external auditor.

(d) Principle 4 - Lead and direct a finance function that is resourced to be fit for purpose.

- Leading and directing the finance function so that it makes a full contribution to and meets the needs of the business.
- Determining the resources, expertise and systems for the finance function that are sufficient to meet business needs and negotiating these within the overall financial framework.
- Managing partnership delivery.
- Implementing robust processes for recruitment of finance staff and/or outsourcing of functions.
- Reviewing the performance of the finance function and ensuring that the services provided are in line with the expectations and needs of its stakeholders.
- Seeking continuous improvement in the finance function.
- Ensuring that finance staff, managers and the leadership team are equipped with the financial competencies and expertise needed to manage the business both currently and in the future whether directly or indirectly employed.
- Ensuring that the head of profession role for all finance staff in the authority is properly discharged.
- Acting as the final arbiter on application of professional standards.

Revenue & Capital Principles

REVENUE BUDGET PRINCIPLES

The revenue budget principles have been developed to support the budget process and need to be complied with in conjunction with compliance with the Council's Budget and Policy Framework, the Budget Management Accountability Framework and detailed guidelines provided for setting the 2020/21 to 2022/23 budget.

The budget position is based on a number of significant subjective assumptions. To enable the Council to react to changes in these assumptions in a timely fashion, these principles should be adhered to which should support a balanced budget being set.

The current financial year will also have a significant impact on future years budgets being set and therefore a number of the principles relate to the current financial year.

1. Budget Principles for Future Years Budgets

1.1 The budget will initially be prepared on the basis that current resources support existing service levels in line with budget assumptions and with the exception of:

- (a) The full year effect of previous year's savings proposals and spend.
- (b) Consequences of the approved capital programme.
- (c) Where expenditure needs to be reduced with regard to adjustments in relation to specific 'one year only' allocations and other time expired funding.
- (d) Other specific Council decisions.
- (e) Directors and Departmental Chief Officers supported by Finance Services are responsible for:
 - i. Business cases (rationale) need to be developed for growth and invest to save proposals, with evidence based justification for increasing demand included in business cases to be considered as part of the budget gap. These are to achieve the priorities in the Best Council Plan.
 - ii. All savings within their Directorate are to be agreed by the Executive Member however if a saving is not approved then an alternative must be found. If an approved saving is not delivered in year then a reason why this hasn't happened needs to be considered by the Council's Corporate Leadership Team (CLT).
 - iii. Identifying potential savings with "No options" for savings being off the table. These savings if previously considered are to be presented to Cabinet at the earliest meeting to obtain the Members views as to whether these are to be progressed.
 - iv. Contingency Action Plans – The value of any risks / pressures in the Directorates managed budgets should be quantified. Savings proposals as a contingency are to be identified which can be implemented quickly. These proposals will be actioned if the service goes into an overspend position during the financial year.

- v. Budget Action Plans – Saving proposals to manage:
 - The savings requirement for the Directorate
 - Pressures identified within the service
 - Future developments

The contingency and Budget Action Plans must be robust and fit for purpose. Each Director will be required to verify that the actions contained in the plan are achievable.

1.2 Salary budgets are to be prepared with reference to the 2019/20 budget (net of any vacancy factor) adjusted for pay awards, approved service changes, savings and other approved variations. The salary budgets can only be used to employ staff in established posts on approved grades in line with the following conditions:

(a) All changes to the approved staffing budget where Council funding is available in full must be approved by Executive Board, or within the requirements of the Scheme of Delegation.

(b) All changes to the approved staffing budget where resource implications arise, even if the costs are met entirely from external funding, must also be approved by Executive Board, or within the requirements of the Scheme of Delegation.

(c) Posts funded from external sources must be established as temporary or specific purpose posts unless it can be demonstrated that:

- the external funding is permanent, or specific approval has been given, or future years' costs can be contained within current budgets.

1.3. Discretionary Fees and Charges. Directors are to provide a report to CLT on their proposals to generate income from within the Directorate.

(a) Fees and charges are to be varied to achieve an overall annual increase in income for each Directorate in line with the Fees and Charges Policy. Increases can be implemented at any time subject to the overall financial target being achieved.

(b) If the target cannot be achieved by varying fees and charges then alternative savings must be identified. Claims by Directors to exempt or apply a lesser increase to any part of their service must be justified in the context of their Directorate policies and plans and referred to CLT.

1.4. External Funding

(a) Wherever possible external funding should be used to reduce pressure on current expenditure, thereby releasing resources for redirection into priority areas.

(b) All legal, human resources, financial and administrative support costs required to manage grant conditions and fulfil the role of the accountable body should be charged, wherever possible, against the funding regime.

2. Current Year Principles

2.1 Revenue Grants received in the year – agreement to be reached at CLT whether substitution of general funding should be identified before the grant is utilised.

2.2 Contributions to a non-ring fenced reserve can only be made if a directorate is forecast to be underspending and contributions needs to be agreed by the Chief Officer Financial Services.

2.3 Carry forward of budget into the next year will be considered by CLT and will only be considered if the service is forecast to be underspending at the reported provisional outturn position.

2.4 Directors must balance service requirements against the need to manage within their budgets when taking decisions to fill vacant posts or employ temporary staff.

2.5 No overspend in budgets should be incurred unless there is a safeguarding / statutory need and these where possible should be agreed by the Director. A report with a budget action is to be provided to CLT detailing proposals as to how this variation will be managed within the Directorate's approved budget.

2.6 When a revenue grants received from Central Government stops the Directorate will need to manage the reduction in both expenditure and loss of income. The Director with support from Finance Services will be required to provide an exit strategy or an evidence based business case of why this expenditure should be added to the base budget.

2.7 Budget pressures. Services need to manage budget pressures identified within the service. Any pressures which the service identifies which cannot be managed need to be agreed by CLT and with clear business case being developed.

2.8 In year saving proposals which have not been achieved in the current financial year, the Director will need to identify budget savings options to mitigate the Directorate from going into an overspend position. These savings options will be incorporated into Financial Health reports which are received initially at Executive Board and then subsequently at both Strategy and Resources and the respective service Scrutiny Boards.

B CAPITAL PROGRAMME PRINCIPLES

The Capital principles have been developed to enable focus on the purpose of the Capital Programme and to seek agreement for the use of limited resources.

1. Capital Programme Principles

1.1 The Capital Programme is compiled at project level for the years 2020/21 through to 2030/31. The format of the capital schemes submissions, which are to be supported by a business case, will be determined by the Strategic Investment Board. The Capital schemes being considered by SIB are to meet the priorities identified in the Business Case Guidance.

1.2 The profiling of capital expenditure into the correct financial years and over the projects development will be key to ensure the amount of re profiling of capital resources from one year to another is kept to a minimum, and to reduce the amount of revenue budget required to finance the project.

1.3 When a Capital Scheme has been completed, the business case and outcomes will be reviewed to ensure the specified outcomes have been achieved and a lessons learnt document will be produced to be used for future capital programmes.

1.4 Capital Resources are to be used as follows:

- Decisions on the use of Capital Receipts will be considered as part of the budget process.
- Un-ring fenced and ring fenced externally funded grants are considered on a case by case basis for their utilisation by SIB.
- Any grant funding received after the Capital Programme is set is to be used to reduce any Prudential Borrowing of the scheme in the first instance, where grant conditions allow.
- Approval of any new borrowing is considered with the implications for the revenue budget position.

1.5 Capital projects for approval are:

- Considered by Executive Member for the service who agree to the Directorates putting forward a request for funding the Capital Scheme.
- Completed to ensure all implications of the Capital Scheme are included in the 'Business Cases'. Business cases are to be developed and a scheme will only be included in the Capital Programme when considered by the Strategic Investment Board and CLT and ultimately approved by the Executive Board in line with the Budget and Policy Framework.
- The Business cases are to be developed by the Directorates with support from Finance Services. The ongoing monitoring of the Capital Schemes is the responsibility of the Director in accordance with the Financial Regulations.
- Inclusive of Multi Year Schemes with spend profiled accurately across the financial years.
- External Funding is maximised before the use of Prudential Borrowing is considered.
- Capital Expenditure is reviewed to ensure the capital scheme provides value for money, is sustainable in the future and meets the priorities detailed in the Best Council Plan. In order to ensure that schemes meet Council priorities and are value for money, the Chief Finance Officer will continue to ensure:
 - the introduction of new schemes into the capital programme will only take place after completion and approval of a full business case and identification of the required resources; and
 - the use of prudential borrowing by directorates is based on individual business cases and that revenue resources to meet the borrowing costs are identified.
- All revenue implications of the Capital Programme (regardless of the capital funding of those schemes) are considered and provided to SIB to enable informed decisions to be made, i.e.:
 - Ongoing operating costs and life cycle costs

- Cost of any prudential borrowing including both MRP and Interest

1.6 Capitalisation of expenditure (including staffing costs) is in line with CIPFA Guidance as issued by the Capital Team.

Do we need a section in here about how we deal with capital overspends?

C General Principles

The budget process shall adhere to the approved timetable.

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Report of Chief Officer Financial Services

Report to Corporate Governance and Audit Committee

Date: 16th March 2020

Subject: Annual Treasury Management Governance Report

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

Summary

1. 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 2017.
3. Since the last update all borrowings and investments undertaken have been in accordance with the approved governance framework.
4. 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.
5. Internal Audit has provided substantial assurance on the control environment and compliance in their 2018/19 audit report.

2. Best Council Plan Implications

- 2.1 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.

3. Resource Implications

- 3.1 This treasury strategy recognises the borrowing necessary to fund the capital programme requirements of both General Fund and HRA. The revenue costs of borrowing are included within the revenue budgets of the general fund and HRA.

Recommendations

- 1. Note that Treasury Management continues to adhere to its governance framework including the CIPFA Code of Practice, the Prudential Codes 2017 and revised CIPFA guidance notes issued in 2018. 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

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 2017 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 external debt which is in the region of £2,239m and investments that currently stand at around £45m. 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 had continued to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, Prudential Code (2017) and its guidance notes (2018). As such a strategy report was presented to Executive Board in February 2018 together with an update in November 2018. A further outturn report for the previous financial year was presented in June 2019. For the Year 2019/20 a strategy report was presented to Executive Board in February 2019 together with an update in November 2019.
- 3.3 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.
- 3.4 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 Treasury Management investments.
- 3.5 The 2020 February Executive Board update report has highlighted that the borrowing strategy has been updated during 2019/20 with the emphasis now on locking out risk in the Treasury management debt budget by taking longer term loans at historic low rates to fund the borrowing requirement of the capital programme and from 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. A further increase of 0.25% to 0.75% was made in August 2018 and have remained at this level since. Further increases

are expected going forward but expectations are that these increases will be introduced slowly and steadily. Pending locking out risk by taking longer term funding, the amount of debt that the Council is funding from short term loans and its balance sheet is forecast to fall to £390m by 31/03/2020. 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.

- 3.6 The Council's current long term debt of £2,098m has an average maturity of just under 38 years if all debts run to maturity. Approximately 11% of the Council's long term fixed debt has options for repayment which are the LOBO's excluding Barclays loans which are now fixed. 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 under 33 years. This compares favourably with the average maturity of the UK's government gross debt portfolio of 15.35 years. The existing profile of the Council's debt provides considerable certainty of funding costs with 82% or £1,668m of its total debt maturing in periods greater than 10 years.
- 3.7 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.
- 3.8 The Council has £215m of LOBO loans with Barclays of which £110m are the subject of a class action initiated by a total of 7 Councils. These LOBOs contained clauses that referenced London Inter Bank Overnight Rate (LIBOR) at a time when Barclays were subsequently convicted and fined for fraudulently fixing LIBOR. This is an ongoing action and further details will be reported as appropriate as the action progresses.
- 3.9 The Council's total external borrowing Capital Financing Requirement CFR i.e. the amount required to fund previous and current capital expenditure is circa £2,354m and its assets are valued at £5,671m as at 31 March 2019. 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.
- 3.10 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 near current rates.
- 3.11 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 12th February 2020.

- 3.12 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.
- 3.13 Furthermore TM undertakes to respond to all treasury management consultations and influence the national governance framework, through attendance at regular core city meetings.
- 3.14 Internal Audit has completed its annual review of the TM function for the year 2018/19 which is the most recent audit review. This involved a risk based system audit of TM to evaluate and validate key systems controls.

Treasury Management & Bankline 2018/19

Key controls for a sample of investments, loans and interest payments for 2018/19 were reviewed. The Internal Audit report issued 21st June 2019 provided the highest level of assurance for the control environment and compliance with the control environment.

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.

Climate Emergency

- 4.3.2 The Council declared a Climate Emergency at full Council in March 2019. As the Treasury Management strategy secures funding for the Council's capital programme the impact of the Council's activity and implications for the climate emergency will be considered in each individual capital programme and scheme project report.

4.4 Resources, procurement 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 14th February 2019 and 12th February 2020.

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 2017 and revised guidance notes issued in 2018 as revised.
- 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 2018/19 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 Codes 2017 and revised CIPFA guidance notes issued in 2018. 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

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	
Part 3 Section 3E(d) Officer Delegation Scheme	To Chief Officer Financial Services	to discharge the following functions 1) Ensuring effective financial management and controls, including:- b) managing the Council’s borrowing and investment requirements;	
Miscellaneous Functions - Financial Regulation 23: Treasury Management Page 35	Function delegated to Chief Officer (Financial Services). Delegated to Head of Finance – Technical.	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 MHCLG Investment Guidance Notes	Head of Finance - Technical Senior Treasury Manager Assistant Finance Manager	Ensure compliance and that any changes are reflected in the operating framework.

No.	PRUDENTIAL INDICATOR	2019/20	2020/21	2021/22	2022/23
(1). EXTRACT FROM BUDGET AND RENT SETTING REPORTS					
1a	Ratio of Financing Costs to Net Revenue Stream				
	General Fund (Borrowing Only)	12.35%	18.08%	20.43%	22.10%
1b	General Fund (Borrowing and Other Long Term Liabilities)	21.36%	27.13%	29.50%	30.74%
2a	HRA (Borrowing Only)	11.63%	11.52%	11.53%	11.78%
2b	HRA (Borrowing and Other Long Term Liabilities)	18.64%	18.19%	18.13%	18.27%
		£'000	£'000	£'000	£'000
5	Gross external borrowing requirement (Gross Debt and CFR)	2,239,000	2,414,000	2,598,000	2,753,000
	The Net Borrowing Requirement should not exceed the capital financing requirement (Note 3)	OK	OK	OK	OK
	Estimate of total capital expenditure	£'000	£'000	£'000	£'000
6	General Fund	290,386	434,209	289,556	172,978
7	HRA	97,680	154,067	155,671	143,018
	TOTAL	388,066	588,276	445,227	315,996
	Capital Financing Requirement (as at 31 March)	£'000	£'000	£'000	£'000
8	General Fund	2,242,013	2,353,759	2,467,790	2,562,618
9	HRA	810,753	851,819	896,676	930,512
	TOTAL	3,052,766	3,205,578	3,364,466	3,493,130

No.	PRUDENTIAL INDICATOR	2019/20	2020/21	2021/22	2022/23
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS		£'000	£'000	£'000	£'000
10	Authorised limit for external debt				
	borrowing	2,600,000	2,800,000	3,000,000	3,150,000
	other long term liabilities	690,000	660,000	580,000	540,000
	TOTAL	3,290,000	3,460,000	3,580,000	3,690,000
11	Operational boundary -				
	borrowing	2,450,000	2,650,000	2,850,000	2,850,000
	other long term liabilities	670,000	640,000	560,000	520,000
	TOTAL	3,120,000	3,290,000	3,410,000	3,370,000
14	Upper limit for fixed interest rate exposure (note 5)				
	expressed as either:-				
	Net principal re fixed rate borrowing / investments OR:-	115%	115%	115%	115%
	Net interest re fixed rate borrowing / investments				
15	Upper limit for variable rate exposure (note 5)				
	expressed as either:-				
	Net principal re variable rate borrowing / investments OR:-	40%	40%	40%	40%
	Net interest re variable rate borrowing / investments				
		£'000	£'000	£'000	£'000
17	Upper limit for total principal sums invested for over 364 days (Note 6)	150,000	150,000	150,000	150,000
18	Net Debt as a percentage of Gross debt	98.66%	98.76%	98.85%	98.91%

16	Maturity structure of fixed rate borrowing 2019/20	Lower Limit	Upper Limit	Projected 31/03/2020	
	under 12 months	0%	15%	0%	
	12 months and within 24 months	0%	20%	3%	
	24 months and within 5 years	0%	35%	10%	
	5 years and within 10 years	0%	40%	5%	
	10 years and within 20 years			5%	
	20 years and within 30 years			0%	
	30 years and within 40 years	25%	90%	35%	82%
	40 years and within 50 years			35%	
	More Than 50 Years			6%	
Notes.				100%	

- The indicator for the ratio of financing costs to net revenue stream for General Fund is now calculated based on the External Borrowing costs only and Borrowing and Other long term Liabilities (PFI and leasing)
- The Changes to the Prudential Code 2017 retired the Indicator 3 and 4 on the incremental impact of New Capital decision on HRA and GF as well as Indicator 13 the need to explicitly adopt the Code of Practice. In addition Indicator 9 the relating to the MHCLG imposed HRA borrowing debt ceiling has been recinded and is therefore no longer reported
- In order to ensure that over the medium term gross borrowing will only be for a capital purpose, the Council should ensure that gross 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 and was changed from Net Borrowing to gross borrowing under the update to the Codes in 2017.
- Prudential indicator 12 relates to actual external debt at 31st March, which will be reported in the Treasury Management Annual Report.
- Indicators 14 and 15 are no longer explicit within the updated codes however these have been but have been retained pending further review
- Indicator 17 relates solely to Treasury Management investments made under Section 12 of the Local Government act 2003

Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 16th March 2020

Subject: Annual Report 2019-2020

Are specific electoral wards affected? If yes, name(s) of ward(s):	☐ Yes ☒ No
Has consultation been carried out?	☐ Yes ☒ No
Are there implications for equality and diversity and cohesion and integration?	☐ Yes ☒ No
Will the decision be open for call-in?	☐ Yes ☒ No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	☐ Yes ☒ No

Summary

1. Main issues

- The Annual Report of the Corporate Governance and Audit Committee demonstrates the way in which the Committee has discharged its functions and responsibilities over the past year.

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- This report provides part of the assurance that demonstrates compliance with the Council's Code of Corporate Governance.

3. Resource Implications

- There are no implications for this report.

Recommendations

- Members are requested to consider and approve the draft Annual Report at Appendix 1 and refer the report to full Council for consideration.

1. Purpose of this report

- 1.1 This report seeks approval for submission of the attached Annual Report of the Committee to full Council.

2. Background information

- 2.1 This is the second annual report to Council on the work of the Committee.

3. Main issues

- 3.1 Members are requested to consider the draft annual report reflecting the work of the committee in the 2019/20 Municipal year attached at Appendix 1 and determine whether any additional commentary is required.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 This report consults Members on the contents of the Annual Report prior to submission to Council.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 There are no implications for this report.

4.3 Council policies and the Best Council Plan

- 4.3.1 This report provides part of the assurance that demonstrates compliance with the Council's Code of Corporate Governance.

Climate Emergency

- 4.3.2 There are no implications for this report.

4.4 Resources, procurement and value for money

- 4.4.1 The Council is required to have sound control arrangements in place to ensure effective use of resources. These are regularly reviewed and monitored to ensure that they are up to date and fit for purpose. The work programme of the Committee 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 eligible for call in.

4.6 Risk management

- 4.6.1 This annual report demonstrates that the Committee has obtained assurance that effective controls are in place for the management of risk at the Council.

- 4.6.2 The work programme that has been adopted and is reported on in this report has been based on a risk based approach to the significant governance arrangements of the Council.

5. Conclusions

- 5.1 This is the second Annual Report of the committee and is for consideration by full Council.

6. Recommendations

- 6.1 Members are requested to consider and approve the draft Annual Report at Appendix 1 and refer the report for full Council for consideration.

7. Background documents¹

- 7.1 None

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

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Draft Annual Report to Full Council

Corporate Governance and Audit Committee 2019/20

Annual Report of the Corporate Governance and Audit Committee 2019/20

Foreword by Councillor Andrew Scopes - Chair

I am delighted to introduce the annual report of Corporate Governance and Audit Committee, summarising the contribution we have made during the Municipal Year to the achievement of good governance and internal control within the Council.

Whilst newly appointed as Chair to the committee I developed experience and understanding of the committee's role serving as a Member of the committee with the guidance of Councillor Ritchie as chair. I should like to thank Councillor Ritchie for his time and commitment to the role and the work of the committee.

All Members of the committee bring an independent and open mind to business of the committee and I thank them for the contributions they have made.

We have:

- Overseen the production of the Annual Governance Statement;
- Reviewed and approved the Council's statutory accounts
- Ensured that assurance reports have been reviewed in detail on the key aspects of the Council's internal control arrangements including:
 - Risk management;
 - Performance management;
 - Business continuity management;
 - Employment policies and practices and officer conduct;
 - Financial management (including arrangements for Treasury management);
 - Customer access and complaints handling;
 - Information governance; and
 - The openness and transparency of our decision making arrangements.
- Provided robust challenge to our arrangements and monitoring for areas in need of improvement.

Our work has culminated in a clean external audit opinion on the council's Statement of Accounts, confirming their accuracy and completeness and confirmation (by external audit) that the council has in place the arrangements required to achieve its objectives and deliver its services economically, effectively and efficiently.

In addition to the work undertaken through our formal meeting cycle I have been pleased, as the committee's chair, to engage in

- the appointment of the Head of Internal Audit;
- initial work toward recruiting of a non-voting co-opted independent member for the committee
- closer working with the CCG

1. INTRODUCTION

This annual report to full council demonstrates the importance Council places on the authority's governance arrangements. The report on the work of the Council's Corporate Governance and Audit Committee demonstrates:

- How the Corporate Governance and Audit Committee has fulfilled its terms of reference;
- The extent to which arrangements comply with national guidance relating to audit committees;
- How the Corporate Governance and Audit Committee has contributed to strengthening risk management, internal control and governance arrangements.

This report provides additional assurance and underpins the Annual Governance Statement, which is approved by the committee in July, and is provided to all Members.

2. COMMITTEE INFORMATION

Audit Committee Membership

Nine elected members serve on the committee:

- Councillor Andrew Scopes (Chair)
- Councillor Jonathan Bentley
- Councillor Ben Garner
- Councillor Pauleen Grahame
- Councillor Peter Harrand
- Councillor Mark Harrison
- Councillor John Illingworth
- Councillor Jonathon Taylor
- Councillor Paul Truswell

The recruitment of a non-voting co-opted independent member on the committee.

Following Council's approval for the appointment of a non-voting co-opted independent member of the committee and in line with the Chartered Institute for Public Finance and Accountancy (CIPFA) guidance for Audit Committee in Local Government, we have prepared a role description and person specification. During the course of the municipal year a cross party panel, drawn from the committee's membership and including the executive member for resources, has invited applications from candidates for the role. Only one application was received as a result of this exercise, from an applicant with close connections to Leeds City Council. A decision was taken that a wider search should be undertaken, in order to attract a more diverse and independent field to provide assurance of separation and independence in the audit committee role.

Audit Committee Meetings

The committee has met on five occasions during the year with meeting dates structured around the regular receipt of annual assurance reports, external and internal audit reporting cycles and the statutory requirements around the production of the Accounts and Annual Governance Statement.

This frequency of meetings ensures the committee can fulfil its responsibilities in an efficient and effective way and has been benchmarked¹ against the CIPFA² recommended practice and arrangements in other local authorities.

The July meeting of the committee is particularly important, both the approval of the Council's Statement of Accounts and agreement of the Annual Governance Statement take place.

The committee is supported by a number of officers who attend regularly and bring expertise in relation to governance; internal audit and finance. There have been a number of changes in relation to these support arrangements, all of which have taken place through managed transition processes. The committee would like to thank Andy Hodson, Head of Democratic Services for the years of dedicated work as lead officer to the committee; Sonya McDonald, the outgoing Head of Audit; and Jonathan Foster, the Interim Head of Audit for the work they have done and the support given to the committee's oversight of internal audit functions.

3. TERMS OF REFERENCE

The Terms of Reference for the Corporate Governance and Audit Committee are reviewed each year to ensure they represent current regulations and best practice as outlined within guidance for audit committees from the Chartered Institute of Public Finance and Accountability.

The core functions of the committee are to:

- Consider the Council's arrangements relating to the Accounts;
- Consider the Council's arrangements relating to external audit requirements ;
- Review the adequacy of policies and practices to ensure compliance with statutory and other guidance;
- Review the adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management);
- Consider the Council's arrangements relating to internal audit requirements.

4. COMMITTEE BUSINESS

A list of the reports considered by the Corporate Governance and Audit Committee can be found in **Appendix A**. The main outcomes of the committee's work in relation to its core functions can be summarised as follows:

The Accounts

The committee has:

- Received reports on the Statement of Accounts;
- Considered the draft Statement of Accounts and approved the final Audited Statement Accounts for publication.

¹ Benchmarking took place during the 2018/19 municipal year.

² The Chartered Institute of Public Finance and Accountancy

- Received and considered reports from the External Auditor on the Statement of Accounts.

External Audit

The committee has received from the Council's appointed external auditor, Grant Thornton:

- The external audit plan;
- Regular reports setting out progress against the audit plan and sector updates;
- The annual audit letter; and

In addition the committee has continued to consider the responses of management to audit recommendations, to ensure that appropriate actions are agreed and implemented.

Compliance with statutory and other guidance

The committee has reviewed its role in relation to the appointment of the head of audit; and through the chair has engaged in the process of appointing the Council's new Head of Audit.

Internal Control

The committee has:

- Approved the annual report;
- Overseen the production of and recommended the adoption of the Annual Governance Statement;
- Received and considered annual Assurance reports in relation to:
 - Financial Management arrangements
 - Treasury Management
 - Procurement
 - Risk management
 - Business Continuity
 - Performance management
 - Customer Contact and Satisfaction
 - Decision Making (including planning, licensing and surveillance conducted by the Council under the Regulation of Investigatory Powers Act 2000)
 - Information Governance
 - Employment policies, procedures and employee conduct
- Requested specific work items to;
 - Follow up and receive additional assurances around the Public Service Network (PSN) and the Council's access project to ensure that the Council remains compliant with the PSN regime and retains PSN certification;
 - Receive information and assurance around the role of the Caldicott Guardian to ensure that the highest standards are maintained when handling confidential patient identifiable data;
 - Receive an update on the options being considered to accurately measure social value outcomes in procurement;

- Receive assurance around the arrangements in place for Members to refer planning applications to plans panel for determination and the governance arrangements for enforcement proceedings.
- Engaged with officers to:-
 - Recommend and see the introduction of third party oversight by way of review of Director's acceptance of gifts and hospitality; and introduction of nil returns by senior officers submitting returns in relation to gifts and hospitality received;
 - Develop the council's arrangements for scrutiny of risk through engagement with each Scrutiny Board in relation to matters within its remit;
 - Encourage increased feedback to internal audit following completion of work within directorates;

Internal Audit

The committee received and considered reports from the Head of Audit in relation to:

- The internal audit annual report and opinion on the Council's internal control environment.
- Information on the performance and effectiveness of the Internal Audit Team.
- The Internal Audit Team's progress in delivering the planned work and summaries of reports issued. In particular the committee considered:
 - limited assurance issues raised by the Head of Internal Audit during the year:
 - Audits of schools (June – one primary school with limited assurance for one objective; November – two schools with limited assurance ;January – one school with limited assurance for one objective)
 - Invest to save – benefits realisation – audit recommendations support work being undertaken by Financial Management to implement a robust process that will accompany the proposal of an innovation Fund and an Investment Fund from 2020/21. In addition the Best Council Design Team will play a key role in approval and monitoring of projects.
 - Privileged user access within Digital and information Service – corrective actions are being undertaken on a risk based approach to develop a robust framework for the management and oversight of privileged access. Internal Audit will be reviewing progress and providing updates to the Committee.
 - follow up reports on previous audits where a low assurance opinion was highlighted as follows:
 - Community Infrastructure Levy Fund – good assurance
 - Sundry income – (Telecare) – good assurance
 - Electricity contract – acceptable
 - Income review – Leeds International Beer Festival - acceptable
 - Leeds Building Services Information Governance - acceptable
 - Contract review – joint venture - acceptable
 - Tendering system controls - good
 - Housing disrepair - good

- Income review – room hire – acceptable
- ICT projects – benefits realisation – good
- In-house fostering, special guardianship and leaving care – acceptable
- Commercial rents - good
- monitoring information on the implementation of agreed audit recommendations.

In addition the committee:-

- Received assurance in relation to the authorisation process for journal entries posted in the financial system. The review undertaken by internal audit has concluded that there are satisfactory compensating controls in place to mitigate the risk of material error arising from an inaccurate journal entry. The review concluded that there is not a need to introduce a secondary check.
- Continued to provide support to the Internal Audit Team to ensure management was responsive to recommendations made and agreed.
- Continued to monitor customer feedback and performance information relating to the work of internal audit and actively sought the ongoing increased co-operation of officers in providing such feedback.
- Agreed the Internal Audit Annual Plan for 2020/21.
- Through the chair, been involved in the recruitment of the head of internal audit.

Compliance with Best Practice

During the 2018/19 municipal year the committee undertook a self-assessment of the committee's compliance with current best practice. This assessment was against a checklist from the CIPFA guidance "Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition." In response to this assessment the committee prompted consideration of the appointment of a non-voting co-opted independent member, an outcome approved by Council at the annual meeting in May 2019. In seeking to appoint an independent member of the committee we are further evidencing our compliance with best practice.

Knowledge and Skills Framework

Members bring with them a range of knowledge and skills from their working life and elected representative roles to the work of the committee.

The committee's skills and knowledge will be further complemented by those of the non-voting co-opted independent member, who in turn will receive a full induction to the role to enable them to apply their knowledge, skills and experience in the local government setting.

As in previous years the Chief Finance Officer provided training to the committee in preparation for their examination of the Accounts and further training is provided to Members as necessary.

Looking Forward

The committee is looking forward to the new municipal year which will begin with consideration of the draft accounts and annual governance statement. Through the receipt of regular reports the committee will provide the usual level of robust challenge to corporate governance and audit practice and procedure across the authority to ensure that our arrangements are up to date and fit for purpose, communicated, embedded and routinely complied with. In addition the committee will request and consider reports in relation to relevant matters which come to our attention during the course of the year.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE ACTIVITY – 2019/20

Appendix A

Reports	Jun 2019	July 2019	Nov 2019	Jan 2020	Mar 2020
Annual Reports					
Annual decision making assurance report					
Annual assurance report on employment policies and procedures and employee conduct					
Statement of accounts					
Annual governance statement					
Annual assurance report on corporate risk management arrangements					
Internal Audit annual report and opinion					
Annual assurance report on corporate performance management arrangements					
External auditor's annual audit letter					
Customer contact and satisfaction annual assurance report					
External audit – certification of housing benefit grant claims					
External audit plan					
Internal audit plan					
Annual financial management assurance report (incorporating capital)					
Annual treasury management assurance report					
Information governance annual assurance report					
Draft annual report of the committee					

Reports	Jun 2019	July 2019	Nov 2019	Jan 2020	Mar 2020
Regular Reports					
Internal Audit Update Report					
External audit progress report and sector update					
Work Programme					
Additional reports received in accordance with terms of reference					
Role of the Caldicott Guardian					
Applications Portfolio Programme – update on access project					
Social value in procurement – update on the options being considered to accurately measure social value outcomes.					
Assurance around the arrangements in place for Members to refer planning applications to plans panel for determination and the governance arrangements for enforcement proceedings.					

Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 16th March 2020

Subject: Work Programme

Are specific electoral wards affected?	☐ Yes	☒ No
If yes, name(s) of ward(s):		
Has consultation been carried out?	☐ Yes	☒ No
Are there implications for equality and diversity and cohesion and integration?	☐ Yes	☒ No
Will the decision be open for call-in?	☐ Yes	☒ No
Does the report contain confidential or exempt information?	☐ Yes	☒ No
If relevant, access to information procedure rule number:		
Appendix number:		

1. Purpose of this report

- 1.1 The Purpose of this report is to notify Members of the Committee's draft work programme for the forthcoming Municipal Year. The draft work programme is attached at Appendix 1.

2. Background information

- 2.1 The work programme provides information about the future items for the Corporate Governance and Audit Committee agenda, when items will be presented and which officer will be responsible for the item.

3. Main issues

- 3.1 Members are requested to consider the draft work programme attached at Appendix 1 and determine whether any additional items need to be added to the work programme.
- 3.2 Members are asked to consider and note the dates for meetings of the Committee (agreed in March 2020) in the Municipal Year; these have been set out in such a way as to enable the Committee to fulfil its functions and responsibilities in a reasonable and proportionate way.

4. Corporate considerations

4.1 Consultation and engagement

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

4.2 Equality and diversity / cohesion and integration

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

4.3 Council policies and the Best Council Plan

- 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.

Climate Emergency

- 4.3.2 There are no implications associated with the climate change emergency

4.4 Resources, procurement 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.

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

- 6.1.1 Members are requested to consider the draft work programme and meeting dates at Appendix 1 and determine whether any additional items need to be added to the work programme.

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.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE – WORK PROGRAMME 2020-21

	Agenda	Purpose	
10:00am Monday 29th June 2020			
1	Internal audit update report	To receive the update report from the Head of Internal Audit. This is a regular item	COFS Louise Booth
2	External Audit progress report	To receive the update report from the external auditor. This is a regular item	Grant Thornton
3	Draft statement of accounts	To receive the 2019/20 Statement of Accounts following them being made available for public inspection.	COFS Richard Ellis / Mary Hasnip
4	Interim annual governance statement	To receive a report setting out the Interim Annual Governance Statement for comment.	CS Kate Sadler
5	Annual assurance report on executive decision making arrangements	To receive the annual assurance report concerning the Council's decision making arrangements in relations to executive decision making.	CS Kate Sadler
6	Annual assurance report on corporate procurement policies and practices	To receive the annual assurance report concerning procurement, policies and practices	DRH Kieron Dennet / Dean Backhouse
7	Update assurance report on corporate risk management arrangements	To receive an update report relating to the council's corporate risk management arrangements.	DRH Coral Main
8	Applications Portfolio Programme – Update on Access Project	To receive an update report in relation to progress on the access project.	DRH Dylan Roberts / Louise Whitworth
10:00am Monday 27th July 2020			
1	Internal audit annual report and opinion	To receive the report setting out the annual audit report and opinion of the Head of Internal Audit. To receive assurance in relation to the arrangements for RIPA.	COFS Louise Booth
2	Audited accounts & audit report	To receive the audit report of the external auditor	Grant Thornton
3	Annual Governance Statement	To receive and approve the Annual Governance Statement.	CS Kate Sadler

	Agenda	Purpose	
Monday 10:00am 21st Sept 2020			
1	Annual Audit letter and update report	To receive the annual audit letter from the external auditor	Grant Thornton
2	Internal audit update report	To receive the update report from the Head of Internal Audit. This is a regular item	COFS Louise Booth
3	Annual assurance report on planning regulation and enforcement arrangements	To receive the annual assurance report concerning the Council's arrangements in relation planning regulation and enforcement	DCD Dave Feeney / Helen Cerroti
4	Annual assurance report on employment policies and procedures and employee conduct	To receive the annual assurance report relating to governance arrangements for employment policy and procedure and employee conduct.	DRH Andy Dodman / Helen Fallows
5	Applications Portfolio Programme – Update on Access Project	To receive an update report in relation to progress on the access project.	DRH Dylan Roberts / Louise Whitworth
10:00am Monday 14th Dec 2020			
1	External Audit update report	To receive the update report from the external auditor. This is a regular item	Grant Thornton
2	Internal audit update report	To receive the update report from the Head of Internal Audit. This is a regular item	COFS Louise Booth
3	Annual report on corporate risk management arrangements	To receive an update to the annual assurance report relating to the council's corporate risk management arrangements.	DRH Coral Main
4	Annual assurance report on corporate business continuity arrangements	To receive the annual assurance report concerning the Council's business continuity arrangements.	DRH Coral Main / Nigel Street
5	Annual assurance report on corporate performance management arrangements	To receive the annual assurance report concerning the Council's performance management arrangements.	DRH Coral Main / Tim Rollet
6	Applications Portfolio Programme – Update on Access Project	To receive an update report in relation to progress on the access project.	DRH Dylan Roberts / Louise Whitworth

	Agenda	Purpose	
10:00am Monday 8th Feb 2020			
1	External audit plan and update report	To receive the proposed external audit plan and update report from the external auditor.	Grant Thornton
2	Internal audit update report	To receive the update report from the Head of Internal Audit. To receive an update on the operation of RIPA arrangements. This is a regular item	COFS Louise Booth
3	Annual customer contact and satisfaction report	To receive the annual assurance report concerning customer contact and satisfaction	DCE Lee Hemsworth
4	Annual information governance assurance report	To receive the annual assurance report on the council's information governance arrangements, including arrangements for discharge of the Caldicott guardian role	DRH Shona McFarlane / Louise Whitworth
5	Applications Portfolio Programme – Update on Access Project	To receive an update report in relation to progress on the access project.	DRH Dylan Roberts / Louise Whitworth
10:00am Monday 15th Mar 2020			
1	External Audit update report	To receive the update report from the external auditor. This is a regular item	Grant Thornton
2	Internal audit plan	To receive the annual report seeking views on the proposed internal audit plan	COFS Louise Booth
3	Annual financial management report	To receive the annual assurance report concerning financial planning and management arrangements at the council	COFS Richard Ellis / Mary Hasnip
4	Annual treasury management report	To receive the annual assurance report on treasury management systems and processes	COFS Bhupinder Chana /
5	Applications Portfolio Programme – Update on Access Project	To receive an update report in relation to progress on the access project.	DRH Dylan Roberts / Louise Whitworth
6	Draft Annual report of Committee to Council.	To receive a proposed draft annual report from the committee for presentation by the Chair at Full Council	CS Kate Sadler

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