

Leicester
City Council

MEETING OF THE AUDIT AND RISK COMMITTEE

DATE: WEDNESDAY, 17 JUNE 2020

TIME: 5:30 pm

PLACE: Teams Virtual Meeting

Members of the Committee

Councillor Pantling (Chair)

Councillor O'Donnell (Vice-Chair)

Councillors Bajaj, Joshi, Kaur Saini, Dr. Moore and Rahman

One Non-Group vacancy (to be notified)

Members of the Committee are summoned to attend the above meeting to consider the items of business listed overleaf.

for Monitoring Officer

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Information for members of the public

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Further information

If you have any queries about any of the above or the business to be discussed, please contact Edmund Brown, Democratic Support on **(0116) 454 3833** or email Edmund.Brown@leicester.gov.uk

For Press Enquiries - please phone the **Communications Unit on 0116 454 4151**

PUBLIC SESSION

AGENDA

NOTE: THIS MEETING WILL BE A VIRTUAL MEETING USING MS TEAMS LIVE EVENT

The public link to view this meeting is:- <https://tinyurl.com/y6uy427e>

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members are asked to declare any interests they may have in the business to be discussed.

3. MINUTES OF THE PREVIOUS MEETING

**Appendix A
(Pages 1 - 8)**

The Minutes of the previous meeting of the Audit and Risk Committee held on Wednesday 20 November are attached, and Members are asked to confirm them as a correct record.

**4. GRANT THORNTON - CERTIFICATION REPORT -
LEICESTER CITY COUNCIL - YEAR ENDING 31
MARCH 2019**

**Appendix B
(Pages 9 - 14)**

The letter from Grant Thornton concerning the Certification of Claims and Returns Annual Report year ending 31 March 2019 is attached.

**5. GRANT THORNTON - EXTERNAL AUDIT PLAN -
YEAR ENDING 31 MARCH 2020**

**Appendix C
(Pages 15 - 40)**

'The 'External Audit Plan' report prepared by Grant Thornton, which provides an overview of the planned scope and timing of the statutory audit of the Council is attached.

**6. INFORMING THE AUDIT RISK ASSESSMENT FOR
LEICESTER CITY COUNCIL 2019/20**

**Appendix D
(Pages 41 - 68)**

The 'Informing the Audit Risk Assessment' report prepared by Grant Thornton, which covers important areas of the auditor risk assessment under auditing standards, is attached.

**7. REGULATION OF INVESTIGATORY POWERS ACT
2000 BI-ANNUAL PERFORMANCE REPORT JUNE
2019 - DECEMBER 2019**

**Appendix E
(Pages 69 - 70)**

The City Barrister and Head of Standards submits a report, which advises on the performance of The Council in authorising Regulation of Investigation Powers Act (RIPA) applications from 1 June 2019 to 31 December 2019.

8. REVIEW OF WHISTLEBLOWING POLICY **Appendix F**
(Pages 71 - 78)

The City Barrister and Head of Standards submits a report reviewing the Leicester City Council Whistleblowing Policy. The Committee is advised to note the policy and suggest any changes.

9. RISK MANAGEMENT AND BUSINESS CONTINUITY STRATEGY AND POLICIES 2020 **Appendix G**
(Pages 79 - 120)

The Director of Delivery, Communications and Political Governance submits a report, which presents the revised Risk Management and Business Continuity Policy Statement and Strategies.

10. ANNUAL REVIEW OF THE COUNCIL'S LOCAL CODE OF CORPORATE GOVERNANCE **Appendix H**
(Pages 121 - 132)

The Director of Finance and the City Barrister & head of Standards submit a report, which presents for approval updates to the assurance and corporate governance processes at the City Council and to approve the Local Code of Corporate governance.

11. MEMBER SCRUTINY AND INVOLVEMENT DURING THE COVID-19 PANDEMIC **Appendix I**
(Pages 133 - 136)

The Director of Delivery, Communications and Political Governance submits a report updating the Committee on the scrutiny and member involvement during the Covid-19 pandemic. The Committee is advised to note the report and comment upon it.

12. INTERNAL AUDIT CHARTER (MARCH 2020) **Appendix J**
(Pages 137 - 154)

The report of Leicester County Council's Head of Internal Audit and Assurance Service on the Internal Audit Charter (March 2020) is attached for approval of the Committee.

13. INTERNAL AUDIT SERVICE - ANNUAL PLAN 2020-21 **Appendix K**
(Pages 155 - 164)

The internal auditor submits a report, which provides an indication of internal audit work planned to be conducted during 2020-21.

14. PRIVATE SESSION

Members of the Public to Note

Under the law the committee is entitled to consider certain items in private where in the circumstances the public interest in maintaining the matter exempt from publication outweighs the public interest in disclosing the information. Members of the public will be asked to leave the meeting when such items are discussed.

The Committee is recommended to consider the following reports in private on the grounds it will contain "exempt" information as defined by the Local Government (Access to Information) Act 1985, as amended, and consequently makes the following resolution:

“that the press and public be excluded during consideration of the following report in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because it involves the likely disclosure of “exempt” information, as defined in the Paragraph detailed below of Part 1 of Schedule 12A of the Act, and taking all the circumstances into account, it is considered that the public interest in maintaining the information as exempt outweighs the public interest in disclosing the information.”

Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The following reports concern the strength of internal controls of the City Council’s financial and management processes and includes references to material weaknesses and areas thereby vulnerable to fraud or other irregularity.

It is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Appendix L- Progress Against the 2018-19 and 2019-20 Internal Audit Plans

Appendix M- Internal Audit Service – Annual Report 2019-20

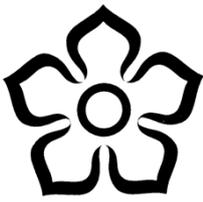
15. PROGRESS AGAINST THE 2018-19 AND 2019-20 INTERNAL AUDIT PLANS **Appendix L (Pages 165 - 182)**

The internal auditor submits a report, which provides a summary of progress against the Internal Audit Plans 2018-19 and 2019-20, summary information on high importance recommendations and progress with implementing them, and information on resources used to progress the plan.

16. INTERNAL AUDIT SERVICE ANNUAL REPORT 2019-20 **Appendix M (Pages 183 - 204)**

The internal auditor submits a report, which provides an annual report on internal audit work conducted during 2019-20. The report also contains information on the internal audit function’s conformance to professional standards and its quality assurance framework, which provides an insight into its effectiveness.

17. ANY OTHER URGENT BUSINESS



Leicester
City Council

Appendix A

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 20 NOVEMBER 2019 at 5:30 pm

P R E S E N T:

Councillor Pantling (Chair)
Councillor O'Donnell (Vice-Chair)

Councillor Joshi
Councillor Kaur Saini

Councillor Dr Moore
Councillor Rahman

* * * * *

13. APOLOGIES FOR ABSENCE

There were no apologies for absence.

14. DECLARATIONS OF INTEREST

Members were asked to declare any interests they may have in the business on the agenda.

Councillor Rahman declared that she was a Governor for the Madani Schools Federation.

15. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting held on 18 September 2019 be confirmed as a correct record.

16. PROPOSED CHANGES TO THE CONTRACT PROCEDURE RULES

The City Barrister submitted a report on Proposed Changes to the Contract Procedure Rules (CPR).

Neil Bayliss, Head of Procurement, presented the report. He noted that the CPRs were required by law to be reviewed every five years. It was noted that 2020 would be five years since the current CPR were adopted. It was noted the report was coming to the committee as required by the constitution before

going to Full Council.

The Head of Procurement noted that it had been proposed to change the CPR to reflect legislation and mitigate any change that may arise as a result of Brexit. It was noted that whilst the proposed changes were minimal, they were aimed at increasing flexibility and efficiency, and making rules more user-friendly. It was acknowledged that there may be further changes before the report went to Full Council.

Councillor Dr Moore noted the large increase from £1,000 to £10,000 for the threshold for Direct Award and Purchase Order. Councillor Dr Moore asked if the process would be monitored.

The Head of Procurement noted all Purchase Orders would go through the audit system. Along with this there would be retrospective monitoring, to ensure that orders just under the £10,000 threshold to the same supplier were not being put through on a regular basis to bypass the CPR's.

Councillor Dr Moore asked what measures were in place to encourage the use of local suppliers.

The Head of Procurement responded that whilst there was an expectation to make use of local suppliers, it was difficult to enforce in practice. However, it would be stated in the CPR that local suppliers were the preferred option and should be considered where appropriate.

Deputy Director of Finance Colin Sharpe noted that whilst Direct Purchase Orders of up to £10,000 were allowed, quotes could still be sought.

The Head of Procurement further explained that raising the threshold below which a limited number of quotes could be sought should enable the Council to make greater use of local suppliers for lower value purchases.

Councillor Dr Moore requested a report be submitted to the Committee to ensure that rules were followed on small contracts.

Councillor Dr Moore sought clarification on what a Teckal Company was.

The Deputy Director of Finance clarified that in essence a Teckal Company was a Local Authority owned and controlled company that conducts at least 80% of its business with the Local Authority or Authorities that own it.

Councillor Dr Moore enquired whether this would apply to the Council's local housing company, Housing Leicester. It was confirmed that this is intended to be the case.

RESOLVED:

- 1) That the Committee consider the changes to CPR and make any comments to officers and/or Full Council; and
- 2) That a report be submitted to the Committee in due course on

the implementation of the new CPRs.

17. COUNTER-FRAUD UPDATE REPORT 2019-20

Corporate Investigations Manager Stuart Limb submitted a report, which provided a mid-year update on counter-fraud activities for the period April 2019 to September 2019.

In discussing the report, Councillor Joshi sought further information on how business rate debts were collected from companies that had gone bankrupt and re-opened similar businesses under a different name/ownership.

The Corporate Investigations Manager explained that in such situations, known as 'phoenixing', debt was pursued, and investigations were made when it was suspected that asset-stripping for fraud or tax-evasion had taken place. However, this was often very difficult to prove, and hence debt may not be collected.

Councillor Rahman enquired as to the proportion of Right to Buy (RTB) applications that were subject to background checks and how many of these raised concerns.

The Corporate Investigations Manager reported that all RTB applications were subject to background checks, including credit checks. He further reported that fewer than 10% of these raised concerns. Where there was concern, for example around the source of funds, further investigation was undertaken. Where sufficient doubts were identified, the RTB application would be refused.

RESOLVED:

That the contents of the report be noted.

18. DEVELOPMENTS IN AUDIT AND GOVERNANCE

Neil Jones of Leicestershire County Council submitted a report to inform the Committee about current and planned developments in audit (mostly external audit) and governance associated with the Committee's responsibilities.

Attention was drawn to the Redmond review, which was aimed at examining the existing purpose, scope and quality of statutory audits of local authorities, and it was noted that a number of findings and criticisms had been raised from it. It was noted that the Chartered Institute of Public Finance and Accountancy (CIPFA) was preparing a comprehensive response to the review and that Neil Jones had responded in his role as Head of Audit.

Neil Jones noted that he would need to review with members of the Committee and Officers as to how audit arrangements were supported.

It was noted that proposals on value for money were aimed at being more relevant to each individual authority rather than a binary yes or no answer.

It was noted that there could be overlap between this review and the Independent Review of the Financial Reporting Council, the Statutory Audit Market Study and the Independent Review into the Quality and Effectiveness of Audit.

The report examined the Ministry of Housing, Communities and Local Government (MHCLG) looking at the accountability framework and examining whether the government was providing adequate oversight. It noted that the MHCLG:

- Was not yet providing effective leadership of the governance system.
- Did not know why some local authorities were raising concerns that external audit was not meeting their needs.
- Lacked reliable information on key governance risks, or relied on weak sources of information, meaning it had no way of pinpointing the at-risk councils.
- Monitoring was not focussed on long-term risks to council finances and therefore to services.
- Had a complete lack of transparency over both its informal interventions in local authorities with financial or governance problems and the results of its formal interventions.

The report also laid out the CIPFA Financial Management Code which looked at developments in government and local authority financial sustainability.

Councillor Dr Moore enquired as to whether members' fitness to be on the Committee would be under examination and emphasised the heavy expectation of members to be knowledgeable on complex issues, further noting how members were appointed to the committee. Councillor Dr Moore further suggested that prospective members be able to observe and shadow meetings, suggesting that if members were fully briefed and motivated then they would be able to be more active on the committee.

Councillor Bajaj supported Councillor Dr Moore's views, noting that the committee usually had some changes in membership each year, and as such elected members shadowing meetings was a good idea.

Councillor O'Donnell added that any changes to the Committee should be gradual as the financial year does not align with the municipal year. He also stressed the importance of building relationships within the Committee as it helped with smooth and effective running.

Neil Jones referred to views expressed in Appendix 2 of the report, noting that he considered the arrangements of the Committee to be more recently much improved and that the level of engagement was much better. He further reported that the Chair would be meeting with the External Auditor on the issue.

Nicola Coombe of Grant Thornton noted that there was recognition that the Audit Committee should be more accountable and praised members' self-

awareness and understanding of the seriousness of the Committee.

RESOLVED:

That the contents of the report be noted.

19. PRIVATE SESSION

Into Private Session.

RESOLVED:

That the press and public be excluded during consideration of the following report, in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because it involved the likely disclosure of “exempt” information, as defined in the Paragraph detailed below of Part 1 of Schedule 12A of the Act, and taking all circumstances into account, it was considered that the public interest in maintaining the information as exempt outweighed the public interest in disclosing the information.

Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Internal Audit Update Report

20. PROGRESS AGAINST THE 2018-19 AND 2019-20 INTERNAL AUDIT PLANS

Bharat Mistry, Internal Audit Manager, submitted a report, which provided:

- A summary of progress against the 2018-19 and 2019-20 Internal Audit Plans.
- Information on resources used to progress the plans.
- Summary information on high importance recommendations and progress with implementing them.

With regard to progress against the plans it was noted that of the originally planned 13 themes, only two remained work in progress as of 30 September 2019 with reports having been issued for the two others.

With regards to the resources used it was reported that progress was being made to catch up on earlier shortfalls.

The internal audit team would continue to monitor progress.

Regarding schools, it was noted that on-site visits were made to schools and a number of recommendations had been made. Responses from the schools had been positive and many of the recommendations had been closed.

Councillor Dr Moore drew attention to Special Educational Needs and Disabilities (SEND) funding, noting that it can only be seen to be used appropriately if progress is shown, and a lack of progress could show that funds were not being used properly.

Bharat Mistry noted that the SEND review was part of a bigger audit. He noted that from the information available that audit had identified that quality checks of provision were absent and there was not enough scrutiny. This had been agreed to be followed up as one of their recommendations.

In response to Councillor Dr Moore's suggestion that the system was coming in at a late stage and relying on the skills of staff, Bharat Mistry noted that the review had identified a quality check not in place and that the auditors were taking the issue seriously and that more scrutiny would be given on the next update.

Councillor Dr Moore suggested interviewing staff in order to hold them responsible, as it was easy to record inaccurate information in a placement review as it relied on the skill and honesty of staff.

Bharat Mistry confirmed that this had been picked up on the central review.

In response to a query about how OFSTED were used, Bharat Mistry acknowledged that they were sometimes referred to, however, in this case, it was clear that checks were not being done so no further communication was necessary.

Neil Jones referred back to his report and noted that part of it was about following actions through to make sure they had been implemented. He further noted that this was an example of how the Committee had moved on and that the Committee had the power to call officers to account if needed. He acknowledged that this was in the early stages but said that it was positive to see implementation happening.

Bharat Mistry reported that he had been conducting follow-ups and officers and schools were engaging.

RESOLVED:

That the contents of the report be noted.

21. ANY OTHER URGENT BUSINESS

The Chair advised that the following item had been accepted as a Matter of Urgency for the following reason:

The Audit Progress Report and Sector Update needed to be considered at the meeting, in order to enable the external auditor to ensure that they are meeting their responsibilities.

22. AUDIT PROGRESS AND SECTOR UPDATE

Nicola Coombe of Grant Thornton presented a report on the Audit Progress Report and Sector Update.

It was reported that it was very early in the audit process and that once clarification work had been undertaken a report would be compiled and a more detailed audit plan would be presented at the meeting in March 2020.

Attention was drawn to the teachers' pension return for 2018/19, noting this was close to completion. Also, it was also noted that work was currently underway on the housing benefit subsidy claims, for which an extension had been requested from DWP due to the complexities around the audit.

Grant Thornton stated there would be a continued focus on the valuation of the Leicester City Council property and the net pension liability, as seen in previous years.

There was a focus on the valuation of the Leicester City Council Property Fund and Net Pension Liability.

The risks surrounding value for money were being considered and will again look at financial resilience and the OFSTED opinion along with other key areas.

It was noted the consultation on the Code of Audit Practice would no longer be a conclusion, but a narrative annual report decoupled from the financial statements opinion.

It was reported that Grant Thornton had an audience with the Redmond Review where they discussed simplifying the statutory accounts, development of the code of audit practice, the nature of the value for money opinion and the deadline for completing audits

Other audits were still ongoing.

RESOLVED:

That the contents of the report be noted.

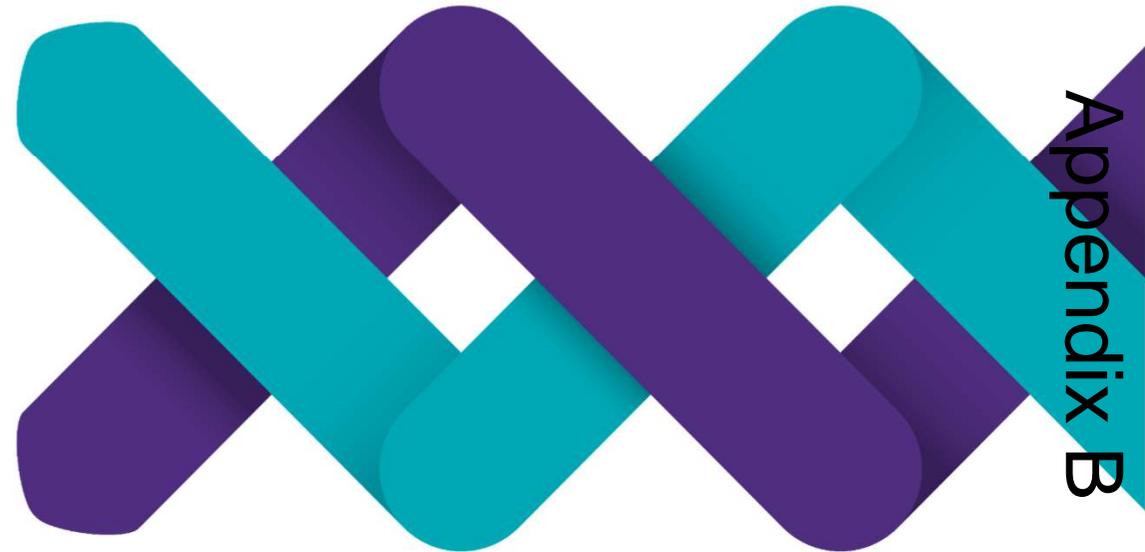
23. CLOSE OF MEETING

The meeting closed at 6.35pm

Certification Report

Leicester City Council
Year ending 31 March 2019

25 March 2020



Introduction



Grant Patterson
Engagement Lead

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This paper provides the Audit and Risk Committee with details of the outcome of the certification work that we have undertaken at Leicester City Council in respect of the year ending 31 March 2019.



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Engagement Manager

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Certification work undertaken

Page

Housing Benefit Assurance Process

3

Value of the claim (total subsidy claimed): £112,320,335

Teachers Pension Return

5

Value of the claim (total contributions): £20,916,894.16

Pooling of Housing Capital Receipts

5

Value of the claim (total housing capital receipts subject to pooling): £5,154,058.38

Housing Benefit Assurance Process (HBAP): Housing Benefit Certification 2018/19

Background

The HBAP Module 1 framework sets out the Department for Work and Pensions' (DWP) requirements for the reporting accountant to provide a report of factual findings on the completion of the housing benefit subsidy assurance process. This work must be delivered to the DWP no later than 30 November.

Leicester City Council – 2018/19

In 2018/19 we were unable to meet the 30 November deadline and therefore the Council secured an initial extension with DWP to 13 December which was subsequently extended further to 24 December.

We identified a number of issues from our certification work and, as a result of the errors identified, the claim was qualified, and we reported our findings to the DWP in our Reporting Accountant's Report dated 18 December 2019.

Year	Value	Amended?	Amendment	Qualified?
→ 2017-18*	£122,212,458	No	N/A	Yes
→ 2018-19	£112,320,335	No	N/A	Yes

* work undertaken by predecessor auditors

The reason the deadline was not met was due to the volume of work needing to be undertaken, including additional work by the Authority to drill down on some of those errors identified, to perform 100% testing of those population in order to determine absolute, rather than extrapolated errors.

The Council completes the workbooks for us to review and re-perform work on cases on a sample basis. The quality of evidence within the workbooks was generally good and we look forward to providing another workshop to officers in due course as part of our planning for the 2019/20 HBAP work, to further streamline the process where we can.

We acknowledge that due to the nature of the welfare system this is inherently a complex and multifaceted area, and because of the number of errors identified historically in the claim, there is automatically a high level of testing that needs to be undertaken (to see if the errors have been addressed), before taking into account any new issues identified in the current year.

Overall, the consequences for failure to meet the deadline is withheld subsidy, initially at 5% rising to 10% the more time that elapses: this has a cash flow impact on the Council. There was no withheld subsidy in respect of the 2018/19 claim, due to the Council's correspondence with the DWP and the permission that was granted to extend the deadline.

Issues identified this year

Similar to prior years, a lengthy Reporting Accountant's report was produced, with all content and errors agreed with the Authority prior to submission. We are happy to provide a copy of this letter separately should members wish, but in summary, findings were as follows:

Initial Testing

Non HRA Rent Rebate

- No fails identified

HRA rent rebate

The following errors were noted:

- 1 case whereby a claimant's non-dependent deduction had been incorrectly calculated resulting in an overpayment of benefit
- 1 case whereby service charges within a claimant's rent liability had been incorrectly calculated resulting in an underpayment of benefit
- 1 case whereby tax credits within a claimant's entitlement had been incorrectly calculated resulting in an overpayment of benefit
- 1 case whereby earnings within a claimant's entitlement had been incorrectly calculated resulting in no impact to benefit
- 1 case whereby the pension within a claimant's entitlement had been incorrectly calculated resulting in no impact to benefit
- 1 case whereby the carer's premium within a claimant's entitlement had been incorrectly calculated resulting in no impact to benefit.

Rent Allowance

The following errors were noted:

- 2 cases whereby tax credits within a claimant's entitlement had been incorrectly calculated resulting in an underpayment of benefit.
- 1 case whereby applied earnings disregard had been incorrectly calculated within a claimant's entitlement resulting in an overpayment of benefit
- 2 cases whereby earnings within a claimant's entitlement had been incorrectly calculated resulting in an overpayment of benefit.

"CAKE" (cumulative audit knowledge and experience) testing

In line with the requirements of HBAP modules we undertook CAKE testing based upon the preceding Qualification Letter. This involved the authority completed testing of the sub populations in relation to 22 different error types. We reformed a sample of the Authority's testing and concurred with the results. On that basis, 2 of the 22 CAKE tests returned no errors and are

Housing Benefit Assurance Process (HBAP): Housing Benefit Certification 2018/19

considered closed. These will not be rolled forward to feature as CAKE testing in respect of the 2019/20 subsidy claim. There were errors identified in relation to the remaining 20 error types and these will be rolled forward to 2019/20 CAKE testing.

Fee variation

The fee proposal for certification of the housing benefit subsidy claim is based on an anticipated level of work and is adjusted accordingly through a variation based on the actual output. A fee was proposed and agreed of £53,000.

The mix of work undertaken (100% testing compared to 40+ workbook testing) was different to what was originally anticipated but we agreed with the Authority that in the round the overall level of work was relatively consistent with what was anticipated and therefore no additional fee has been proposed.

Going forward

We will continue to support the Council in improving the HBAP process which stems from pragmatic and effective forward planning. We have already held a planning meeting for the 2019/20 claim and are in the process of agreeing the testing approach with the Council's QA officers within its Revenue and Benefits team.

12

Other certification work undertaken

Teachers Pension Return

Background

The Council is required to submit an EOYC (end of year certificate) to Teachers Pensions which sets out Teachers' Pensions contributions split between employer and teacher across the various tiers.

The EOYC is an annual return completed by employers showing the level of teachers' pension contributions that should have been deducted and paid to Teachers' Pensions within the financial year i.e. the totals for the payroll and employer adjustments such as deductions at the incorrect tier which they identify during the financial year. The EOYC should cover all teachers who should be contributing to the TPS and for whom the employer is responsible.

The Council appointed Grant Thornton UK LLP as its Reporting Accountant to undertake agreed upon procedures, as set out by Teachers Pensions. On conclusion of our work we are required to submit the Council's final EOYC along with our signed Reporting accountant's report directly to Teachers Pensions by the deadline of 29 November.

2018/19 findings

2018/19 was the first year we had been invited to undertake this work. From the 20 tests we are required to undertake, we identified one exception: for a sample of teachers we were required to, amongst other things, check the status of the teacher to the employer portal. In respect of 1 teacher, from a sample of 20, the teacher had opted out of the scheme on the portal whilst at a previous employer, but had paid contributions since being employed at the Council, despite still showing as having "opted out" on the portal. This retrospective correction to the portal was made during our testing. In our Reporting Accountant's report the explanation given by the authority for this exception, was that the correct information had been supplied to Teachers Pensions, but for an unknown reason this had not updated the employer to show they had not opted into the scheme.

This exception did not impact the level of contributions paid, owed or due.

Our Reporting Accountant's report was submitted on 21 November ahead of the deadline.

Fee

A fee was agreed for this work of £5,500. This is disclosed to you separately in our Audit Plan along with the reasons as to why we consider ourselves to be independent in relation to this non-audit service.

Pooling of Housing Capital Receipts

Background

The Ministry of Housing, Communities and Local Government (MHCLG) administers the pooling of housing capital receipts scheme.

Use of receipts arising from the disposal of housing assets (i.e. generally assets held under Part II of the Housing Act 1985 and for which account is made in the Housing Revenue Account (HRA)) is governed by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) ("the regulations"). The regulations require that, in short:

- a. receipts arising from Right to Buy (and similar) sales may be retained to cover the cost of transacting the sales and to cover some of the debt on the properties sold, but a proportion of the remainder must be surrendered to central Government;
- b. receipts arising from all other disposals may be retained in full provided they are spent on affordable housing, regeneration or the paying down of housing debt (each of which is defined in the regulations).

The 2018-2019 pooling return is an annual return generated by local authorities showing the breakdown of the various elements of the housing capital receipts.

The Council appointed Grant Thornton UK LLP as its Reporting Accountant to undertake agreed upon procedures, as set out by MHCLG. On conclusion of our work we are required to submit the Council's final pooling return, supported by four debt supportable workbooks (one for each quarter) along with our signed Reporting accountant's report directly to MHCLG by 7 February 2020.

2018/19 findings

From the 23 tests undertaken no exceptions were identified.

Our Reporting Accountant's report was submitted on 5 February ahead of the deadline.

Fee

A fee was agreed for this work of £5,075. This is disclosed to you separately in our Audit Plan along with the reasons as to why we consider ourselves to be independent in relation to this non-audit service.

External Audit Plan

Year ending 31 March 2020

Leicester City Council
29 March 2020



Appendix C

Contents



Your key Grant Thornton
team members are:

Grant Patterson

Director

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Section

1. Introduction & headlines
2. Key matters impacting our audit
3. Significant risks identified
4. Other risks identified
5. Other matters
6. Materiality
7. Value for Money arrangements
8. Audit logistics & team
9. Audit fees
10. Independence & non-audit services

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Appendix

- A. Audit quality – national context

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Leicester City Council ('the Authority') for those charged with governance (the Audit and Risk Committee).

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Leicester City Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance; and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Risk Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Significant risks

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

- Management override of controls
- Valuation of land and buildings
- Valuation of the pension fund net pension liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

- We have determined planning materiality to be £16.5m (2018/19: £17.2m) for the Authority, which equates to 1.5% of your forecast gross expenditure for the year.
- We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £25k for senior officers' remuneration disclosures.
- We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.8m (2018/19: £0.86m).

Value for Money arrangements

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

- Financial resilience

Audit logistics

We will undertake a split interim visit, which will take place throughout January to March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £133,234 (2018/19: £112,884) for the Authority, subject to the Authority meeting our requirements set out on page 11.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

2. Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Leicester City Council, these, along with uncertainties about future funding, have led to a one year budget being set in respect of 2020/21. As reported to Council in February 2020, there is an underlying budget gap of £5.6m, which will be met by the use of reserves, (though we note that this includes a contingency of £1m).

In January 2020 the UK government and the EU ratified the Withdrawal Agreement and the UK's membership of the EU formally ceased on 31 January. The existence of a 'transition period' to 31 December 2020 means that there will be little practical change for the Authority until at least 2021.

However, the nature of the future relationship between the UK and the EU is still to be determined and considerable uncertainty persists. The Authority will need to ensure that it is prepared for all outcomes, including those with any impact on contracts, on service delivery and on its support for local people and businesses.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

IFRS 16 – Leases

IFRS 16 is a new accounting standard, which applies to the public sector from 1 April 2020. It replaces four previous standards and interpretations as it sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. It requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance and is subject to PSAA agreement.

- While this standard does not apply to the public sector until 1 April 2020, there is a requirement to disclose in the 2019/20 financial statements, the impact of any accounting standards in issue, but not yet adopted. We will assess the adequacy of your disclosure about the financial impact of implementing IFRS 16 – Leases from 1 April 2020 and if considered necessary test a sample of lease obligations to determine whether they have been accounted for appropriately under the new requirements.
- While we have not identified this as a significant risk, it nevertheless is a new accounting requirement, and therefore is necessitating a large amount of work by the Council's finance team, which will then need to be subject to audit.

3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Leicester City Council, mean that all forms of fraud are seen as unacceptable. 	<p>Therefore we do not consider this to be a significant risk for Leicester City Council.</p>
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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3. Significant risks identified continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Authority revalues its land and buildings on a rolling basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (in excess of £2 billion as at 31 March 2019) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2020.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuations were carried out, with follow up discussions where appropriate • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding and engage our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation. • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register • evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved in the Authority's balance sheet (£811 million at the 31 March 2019) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Leicestershire County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

4. Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)</p>	<p>The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.</p> <p>In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Authority's 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements. • assess the completeness of the disclosures made by the Authority in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC Local Authority Leasing Briefings.
<p>Prior period adjustment (PPA)</p>	<p>The Authority's finance team have brought to our attention that there are two secondary schools which transferred to academy status during previous financial periods, and were not derecognised by the Council when they should have been.</p> <p>In accordance with the requirements of <i>IAS8 Accounting Policies, Changes in Accounting Estimates and Errors</i>, prior period adjustments are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:</p> <ol style="list-style-type: none"> a) Was available when financial statements for those periods were authorised for issue; and b) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. <p>The Authority are proposing to correct this as a prior period adjustment.</p>	<p>In order to be classified as a prior period error, both criteria (a) and (b) must be met. From initial discussions we have had with the Authority, this is the case, which would therefore support the proposal for a prior period adjustment.</p> <p>We will:</p> <ul style="list-style-type: none"> • ascertain how the PPA was identified • investigate the facts and circumstances that gave rise to the PPA and what management will do differently to prevent to prevent it recurring • review management's proposed corrections to the financial statements, for both completeness and accuracy • review the disclosures made in the financial statements for completeness and accuracy.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

5. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

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Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties, and evaluate the disclosures in the financial statements.

6. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

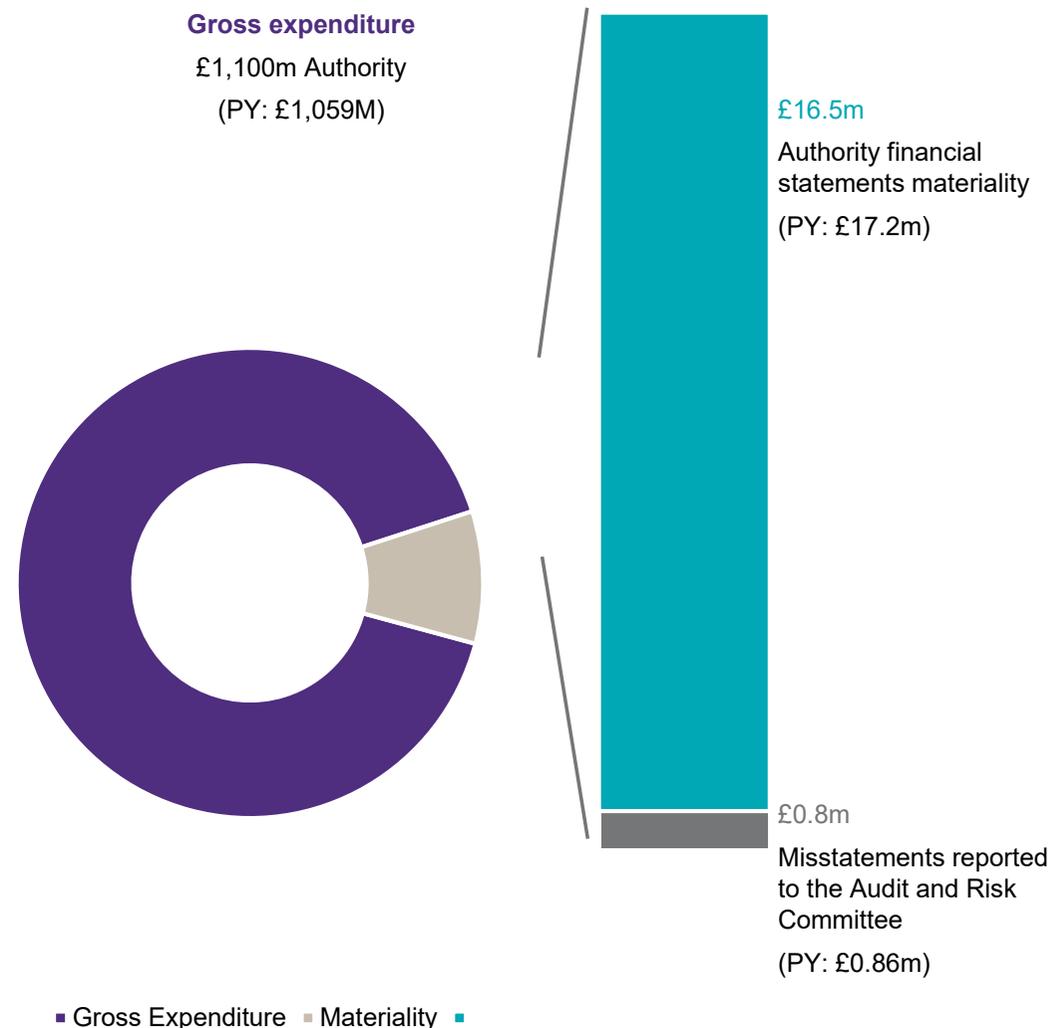
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £16.5m (PY £17.2m) for the Authority, which equates to 1.5% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £25k for senior officers' remuneration disclosures.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit and Risk Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.8m (PY £0.86m).

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



7. Value for Money arrangements

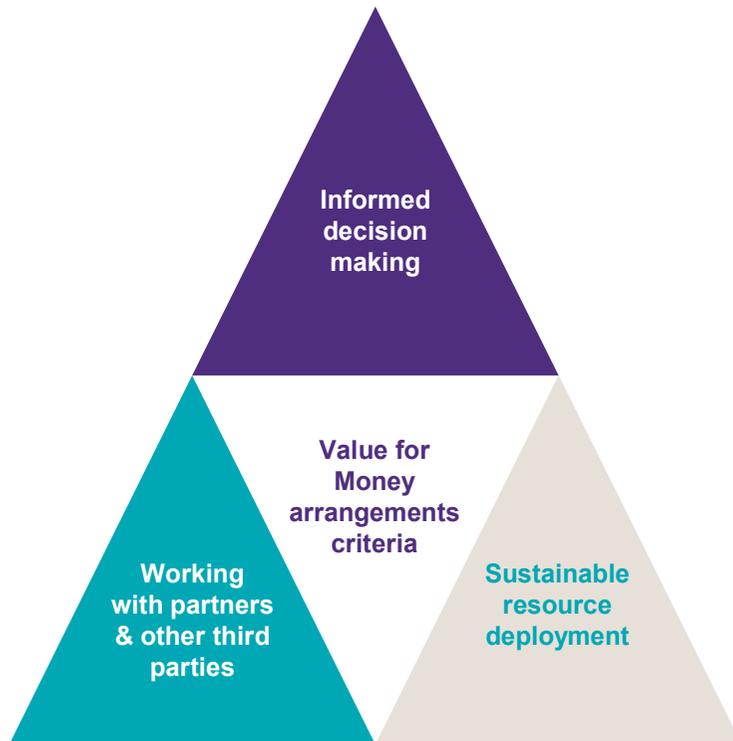
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



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Significant VFM risks

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



Financial Resilience

The Authority has historically managed its finances well, achieving financial targets: however, the scale and pace of change for local government will affect future projections and it is important the Authority is on track to identify and produce savings required to deliver balanced budgets in the future.

The General Fund Revenue Budget considered by Council on 20 February 2019 identified that the budget for 2019/20 was in balance following the application of the managed reserves strategy.

However, it also noted that the Authority would be faced with finding further budget reduction and income generation proposals and there is therefore still a gap to address in terms of future funding and savings solutions.

Since then the General Fund Revenue Budget 2020/21 to 2021/22, has been approved at Council on 19 February. It confirmed that while the budget for 2020/21 has been balanced using reserves, savings from the previous rounds of spending reviews are still being sought. The report notes that projections of spending and income have been made beyond 2020/21 but that they are “uncertain and volatile”.

We will review the Council's Medium Term Financial Strategy and financial monitoring reports and assess the assumptions used and savings being achieved.

8. Audit logistics & team



Grant Patterson, Engagement Lead

As your engagement lead, Grant will have the ultimate responsibility for the delivery of your audit service. He will lead our relationship with the Authority and take overall responsibility for delivering a high quality audit, which meets the highest professional standards while adding value.



Nicola Coombe, Audit Manager

As the engagement manager, Nic is responsible for overseeing the delivery of our service and managing the audit process. She will work with officers and our on-site team to ensure the smooth planning and delivery of the audit. She will oversee the on-site team and discuss any issues with you during the audit process as well as any questions you may have throughout the year.

Janette Scotchbrook, Audit Incharge

Janette will lead the on-site audit team and is responsible for the performance of the audit fieldwork and day-to-day liaison with the finance team.

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

9. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been discussed with the Director of Finance and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed Fee 2019/20
Council audit scale fee	146,603	£112,884	£112,884
Fee variation	-	£9,000	£20,350 (see page 13)
Total audit fees (excluding VAT)	£146,603*	£121,884	£133,234

* This was the scale fee in place as charged by the predecessor auditor.

Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

9. Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
2019/20 Scale fee	112,884	
Raising the bar	5,000	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	3,500	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	9,350	We have therefore engaged our own audit expert – (Wilks, head & Eve) and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. This increase includes an estimate for the fee payable to the auditor's expert, the cost of which we estimate to be in the region of £5,000.
IFRS 16 - Leases	2,500	IFRS 16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a 'right of use' asset and corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS 8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements. We estimate the cost of auditing this disclosure will be in the region of £2,500.
Revised scale fee (to be approved by PSAA)	133,234	

10. Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified.

Service	£	Threats	Safeguards
Audit related:			
Certification of Housing Capital receipts grant 2018-19	5,000	Self-Interest (because this is a recurring fee)	The level of these recurring fees taken on their own is not considered a significant threat to independence when compared to the total fee for the audit of £133,234 and in particular relative to Grant Thornton UK LLP's turnover overall.
Grant certification of Housing Benefit Subsidy Claim 2019-20	54,000 (expected)	Self-Interest (because this is a recurring fee)	Further, they are fixed fees and there is no contingent element to them. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers Pension Return 2019-20	5,550 (expected)	Self-Interest (because this is a recurring fee)	
Non-audit related:			
None	-	-	-

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Risk Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>

Appendix

A. Audit Quality – national context

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Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- Improve the audit of going concern
- Improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, Energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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27 April 2020

Dear Alison

Leicester City Council - Audit scope and additional work 2019/20

I hope you and your colleagues are all keeping safe and well in these very unusual and difficult times. In this letter, I want to update you on our plans to work with you over the coming months, and to ensure that we plan our audit effectively, to provide assurance for those charged with governance, and to deliver a high quality audit to all users of the audit, whilst also seeking to maintain our fee within the envelope which we discussed previously.

I wrote to you previously regarding our detailed audit proposals on 3 February 2020, to outline how the increased regulatory focus facing all audit suppliers was impacting on our planned audit programme. I set out in my letter my expectation of what this would mean for our audit coverage for 2019/20, as well as for the audit fee. Items I highlighted in particular included the impact of 'raising the bar' to meet the FRC's expectation that all audits would now achieve a level of 2a (acceptable with limited improvements only) or above. I explained that we would need to increase our managerial oversight to achieve this audit standard. In addition, I outlined how you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. I also outlined the specific additional work which we would need to undertake in complex areas of the accounts with high estimation uncertainty, such as Property, Plant and Equipment and Pensions valuations. I set out full details in my audit plan dated 25 March 2020, where I advised that my estimate was that an additional fee of £20,350 would be required to complete the audit.

Subsequent to the above, global events have moved in an unexpected and tragic direction. None of us could have foreseen in February the impact that the Covid19 crisis has had on the world. As a local government body, you are at the forefront of efforts to support local people, and clearly the focus of the Authority will be directed to supporting local communities as best you can in these exceptionally difficult circumstances. As your auditors, we absolutely understand the challenges that you and your teams are facing and we have already been discussing with you and your team how we can work with you as effectively as we can. At these challenging times it is even more important to ensure that we can deliver a high quality audit, focused on good governance and the application of relevant accounting and auditing standards, whilst recognising the day to day pressures you face.

With this in mind we have prepared an update to our Audit Plan for 2019/20 and I attach this for your consideration. The following are the key points which I particularly wish to highlight for your attention.

Addition of a significant audit risk in respect of Covid 19:

The crisis has increased audit risk factors in the following areas:

- Remote working arrangements and redeployment of staff to critical front-line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation;
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management's estimates;
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and their overall financial resilience and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We have set out in the Audit Plan update the additional work we propose to undertake in respect of this new significant risk. Fundamental to our response will be working with you to understand the arrangements the Authority has in place to address relevant risks in respect of Covid 19 in its accounts preparation. We will also review the appropriateness of your disclosures, including in respect of any estimation uncertainties around for example PPE and Pensions asset valuations.

Value for Money and Financial Standing

As part of our VfM work we will ensure we understand the arrangements you are putting in place to manage risks around business continuity in the current crisis. We do not envisage this will be a significant audit risk for 2019/20, although we will keep this under review for 2020/21. We will also review your assessment of going concern and financial stability in the light of increased uncertainties around for example Council Tax and NNDR collection rates, car park income, and investment properties. We envisage linking the additional VfM work around financial standing with our Going Concern opinion work.

Regulatory changes.

As you will be aware, earlier this month, CIPFA decided to adopt a small number of presentational changes to its Accounting Code of Practice for 2019/20. The changes which are now proposed to the Code, for example around disclosure, will have only a marginal impact on the audit. The additional audit risk factors that I highlighted in my February 2020 letter regarding raising the bar, PPE and Pensions work, for example, will therefore all still be required this year. You will also be aware that the Government accounting Financial Reporting Advisory Board (FRAB) has deferred the implementation of IFRS 16 by a year. Whilst IAS 8 disclosures will be required, this change will lead to some reduction in preparatory work required by both you and us, for this year at least.

Finally, MHCLG has revised the publication date for the draft accounts to 31 August and set a target date for publication of audited accounts of 30 November. Whilst flexibility in moving away from July is welcome, a number of authorities have highlighted the risk that a delayed closedown process could impact on their budget programme for 2021/22. We are in dialogue with Amy and are currently working on a planned date of 15 June (subject to availability of information from external parties) for the accounts to be available for audit. We are keen to agree a timetable that works for you, and that we can both commit too and I will contact you to arrange a meeting to discuss.

Fee impact

As I set out in my previous letter, final audit fees are determined by PSAA, after the audit has been completed. At this stage, it is difficult to quantify the impact of the additional work required in respect of Covid19. My best estimate is that, taking into account increased work in respect of Covid 19, and reduced work on IFRS 16, the fee set out in our Audit Plan of 25 March 2020, totalling £133,234, remains appropriate, and we will do our best to work within this envelope. Should circumstances change, we will let you know.

I hope this is helpful and allows you to plan accordingly for the 2019/20 audit. Should you wish to discuss this further, please do not hesitate to contact me. I attach a copy of our Audit Plan update for your comment. We look forward to working with you again this year.

Yours sincerely



Grant Patterson
Engagement Lead and Key Audit Partner

For and on behalf of Grant Thornton UK LLP

External Audit Plan Update

Leicester City Council
Year ending 31 March 2020

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27 April 2020



Introduction & headlines

Purpose

This document provides an update to the planned scope and timing of the statutory audit of Leicester City Council ('the Authority') as reported in our Audit Plan dated 25 March 2020, for those charged with governance.

The current environment

In addition to the audit risks communicated to those charged with governance in our Audit Plan dated 25 March 2020, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

Impact on our audit and VfM work

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020, however we will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Authority's financial statements and VfM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2021/22.

Changes to our audit approach

To date we have:

- Identified a new significant financial statement risk, as described overleaf
- Reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19 at this time but we will keep matters under review.

Changes to our VfM approach

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.

Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

Significant risk identified – COVID-19 pandemic

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Covid-19</p>	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation’s ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic • Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • Evaluate management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment • Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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Informing the audit risk assessment for Leicester City Council 2019/20

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Appendix D

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Authority's external auditors and the Authority's Audit and Risk Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Risk Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit and Risk Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit and Risk Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Risk Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Risk Committee and supports the Audit and Risk Committee in fulfilling its responsibilities in relation to the financial reporting process.

4 Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit and Risk Committee's oversight of General Enquiries of Management; Fraud; Laws and Regulations; Going Concern; Related Parties; and Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from the Authority's management. The Audit and Risk Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2019/20?	There is no significant issues that will have an impact on the financial statements.
2. Have you considered the appropriateness of the accounting policies adopted by the City Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	The Council has completed the annual review of their accounting policies to ensure appropriateness. There are no events or transactions that may cause us to change or adopt new accounting policies.
3. Is there any use of financial instruments, including derivatives?	The Council has no new types of financial instruments in addition to those in the accounts in 2018/19.
4. Are you aware of any significant transactions outside the normal course of business?	There is no significant transactions outside the normal course of business.

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General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	There are currently no circumstances that would lead to impairment of non-current assets.
6. Are you aware of any guarantee contracts?	There is a potential for a guarantee contract to be agreed prior to the end of the financial year, further detail of this will be provided during the audit.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	We are not aware of any loss contingencies.
8. Other than in house solicitors, can you provide details of those solicitors utilised by the City Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council has used various solicitors during the year and will provide the detail to the auditors during the audit.
9. Have any of the City Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	This information will be provided as part of the audit working papers.

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Fraud

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Risk Committee and management. Management, with the oversight of the Audit and Risk Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Risk Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management ~~to~~ override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Risk Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Risk Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Risk Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions herein together with responses from the Authority's management.

Fraud risk assessment

Question	Management response
<p>1. Has the Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How does the Authority's risk management processes link to financial reporting?</p>	<p>Through independent challenge of the figures within the accounts and gaining assurance over controls from internal audit.</p> <p>If the Council identifies any concerns over internal controls then processes are reviewed and new controls are implemented. The Council has not identified any concerns over financial controls over the current year. We try to learn lessons from others experiences.</p> <p>When the Council identifies risks a review will be undertaken to identify any potential financial impact.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Procurement exercises/contracts, Right to Buy of council properties, small business rate relief and subletting council properties.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Authority as a whole or within specific departments since 1 April 2019?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>The Council has a counter fraud team who are responsible for investigating instances of fraud.</p> <p>The team report to Audit and Risk Committee periodically, to provide an update on any instances of fraud and actions taken.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Authority where fraud is more likely to occur?</p>	<p>The Council is at particular risk of fraud in the usual higher risk areas e.g repairs and maintenance, procurement and contract management.</p> <p>The Council has the relevant controls in place to try and prevent fraud. This is further supported by the reports of internal audit.</p>



Fraud risk assessment

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Question	Management response
<p>5. What processes does the Authority have in place to identify and respond to risks of fraud?</p>	<p>The Council has a clear governance framework summarised below;</p> <ul style="list-style-type: none"> • Mayor, Executive & Council • Decision Making • Risk Management • Scrutiny & Review • Corporate Management Team <p>Further to the Council has various codes and rules, including Financial Procedure Rules, Codes of Conducts, Anti-Fraud, Bribery & Corruption Policy.</p> <p>Further to this the Council participates in the National Fraud Initiative.</p> <p>There are ongoing discussions with colleagues at Leicestershire County Council to explore the possibility of assessing each other's organisation using the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.</p>
<p>6. How would you assess the overall control environment for the Authority, including:</p> <ul style="list-style-type: none"> • the process for reviewing the effectiveness the system of internal control; • internal controls, including segregation of duties; • exist and work effectively? <p>If not where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The Council outsources its internal audit function to Leicestershire County Council to ensure regular review of it's control environment. The outcomes of audit reports are regularly reported, to Senior management and the Audit and Risk Committee.</p>



Fraud risk assessment

Question	Management response
7. Are there any areas where there is potential for misreporting?	None that the Council are aware of.
8. How does the Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported?	The Council uses various options to communicate with employees including; <ul style="list-style-type: none"> • Staff intranet, established internal communication channels • Organisational development team, delivering staff training • Information assurance team to support data policies The Council encourages staff to report their concerns regarding fraud through the following policies; <ul style="list-style-type: none"> • Anti-fraud, Bribery & Corruption Policy • Whistleblowing Policy
9. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	Director of Finance Treasury Manager Risks associated by the above posts are managed through having appropriate controls in place, to reduce the potential for fraud or corruption. LCC undertake ID checks on applicants and also fully participate in the NFI project. This provides further assurance as this allows the payroll file to be cross matched against the directorships of companies with whom the council do business. Work is ongoing to centralise the conflict of interest file and this will be checked against all new procurement exercises.
10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? How do you mitigate the risks associated with fraud related to related party relationships and transactions?	The Council is unaware of any related party relationships that could give rise to instances of fraud. The Council maintains information on any related parties to ensure any risks can be mitigated and appropriate controls are in place.

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Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit and Risk Committee? How does the Audit and Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?</p>	<p>Two reports are submitted to the Audit and Risk Committee annually to report on fraud issues with an additional report on the National Fraud Initiative each year. Along with this internal audit also report to committee on outcomes from internal audits.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No</p>

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Law and regulations

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Risk Committee, is responsible for ensuring that the Authority's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Risk Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>The Council employs legal professionals to ensure it remains compliant with all relevant laws and regulations.</p> <p>Legal implications are included on all relevant decision-making reports, scrutiny reports and a number of internal briefing reports. On a case-by-case basis lawyers are embedded into the operational decision-making structures within client areas (child protection, adults safeguarding, HR etc)</p> <p>A Quarterly Governance Panel comprising the Chief Operating Officer and the two Statutory Officers has been set up to provide an additional layer of scrutiny to what are regarded as the Council's high-risk activities/schemes.</p>
<p>53 2. How is the Audit and Risk Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Legal implications are included on all reports taken to Committee, including to the Audit and Risk Committee.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2019 with an on-going impact on the 2019/2020 financial statements?</p>	<p>There have been no known instances of significant non-compliance with law and regulation.</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No</p>
<p>5. What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?</p>	<p>All legal work is undertaken on a single specialist case management software system. In individual client areas (e.g. debt recovery, care proceedings, employment law etc) regular client liaison meetings occur or data is shared. Elevation mechanisms within Legal Services ensure that high profile cases are referenced with senior management. Our insurance arrangements are closely managed to ensure that insurable claims are efficiently handled. All Judicial Review claims are brought to the attention of the City Barrister.</p>

Impact of laws and regulations

Question	Management response
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

Going Concern

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.

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Going concern considerations

Question	Management response
<p>1. Has the management team carried out an assessment of the going concern basis for preparing the financial statements for both the Authority? What was the outcome of that assessment?</p>	<p>The Council does not formally complete a report on Going Concern. However the Council completes an Annual Budget report each year that goes to the Overview Select Committee (and other scrutiny committees) for scrutiny and then to Full Council for approval. This includes medium term forecasts and risks to those forecasts, as well as future action required to remain a going concern.</p>
<p>2. Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Authority's Business Plan and the financial information provided to the Authority throughout the year?</p>	<p>The financial assumptions in the budget report are consistent with the financial information reported throughout the year. Nonetheless, the information also has to respond to changes.</p>
<p>56 3. Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?</p>	<p>Any changes in statutory or policy changes with a financial impact are reflected and reported in the financial forecasts of the Council.</p>
<p>4. Have there been any significant issues raised with the Audit and Risk Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).</p>	<p>No</p>
<p>5. Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?</p>	<p>No. Cash balances are buoyant.</p>

Going concern considerations

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Question	Management response
<p>6. Does the Authority have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Authority's objectives? If not, what action is being taken to obtain those skills?</p>	Yes
<p>7. Does the Authority have procedures in place to assess their ability to continue as a going concern?</p>	The Council annually completes the Budget Setting process, and through this a forecast is done of the financial position. In the report assumptions and areas of risk are highlighted. The financial position is routinely monitored during the year, as is income collection.
<p>8. Is management aware of the existence of events or conditions that may cast doubt on the Authority's ability to continue as a going concern?</p>	Like all authorities, the Council has been severely affected by funding cuts. We have always managed to balance budgets, avoiding crisis cuts, and 20/21 is no exception. The medium term looks difficult, but we have a track record of managing cuts if more are required.
<p>9. Are arrangements in place to report the going concern assessment to the Audit and Risk Committee? How has the Audit and Risk Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing financial statements?</p>	A Going Concern is not formally reported to Committee. But all elected members are on Full Council and vote on the budget report which highlight the Councils financial position.



Related Parties

Matters in relation to Related Parties

Local Authorities are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include: entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Authority (i.e. subsidiaries);

- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the authority;
- key management personnel, and close members of the family of key management personnel; and

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58 post-employment benefit plans (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
1. What controls does the Authority have in place to identify, account for and disclose related party transactions and relationships ?	Members & Directors are asked to complete an annual declaration. The Council also takes part in the National Fraud Initiative.
2. Who have the Council identified as related parties?	Currently no further related parties have been identified other than these included in the 2018/19 accounts. The full process to review will happen during February and March.

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Accounting estimates

Matters in relation to Related Accounting estimates

Local Authorities apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Authority identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Authority is using as part of its accounts preparation; these are detailed in appendix 1 to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

We would ask the Audit and Risk Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates

Question	Management response
1. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	No
2. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
3. How is the Audit and Risk Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The material estimates are reported in the Statement of Accounts. Further to this briefing & training sessions are completed with the Audit and Risk Committee to ensure they understand the arrangements used for completion including estimates. The Committee is encouraged to ask questions to gain assurance that officers are able to provide robust answers.

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
62 Property plant & equipment Valuations	<p>Non-dwelling property valuations are planned at the beginning of each financial year by Estates & Building Services. The Valuer is asked to provide estimated property values as at the end of the financial year using forecast valuation indices. Programme of planned valuations maintained by Estates & Building Services to ensure that all land and buildings are regularly revalued. Forward indices published by the Building Cost Information Service are used to forecast property values at the Balance Sheet date.</p>	<p>The Valuer reviews valuations at the Balance Sheet date to ascertain appropriateness of estimated valuations and therefore any material under- or overstatement.</p>	<p>RICS valuers are appointed to undertake the annual valuations</p>	<p>Actual indices will not vary greatly from forecast indices.</p>	<p>No</p>



Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
63 Estimated remaining useful lives of PPE	Assets are depreciated over their useful lives, with remaining useful life being updated as and when assets are revalued.	Any changes in useful life's are reviewed by Finance to ensure any material movements are understood.	RICS valuers are appointed to undertake the annual valuations and update their useful life.	It is assumed that the remaining useful life of assets reflect the level of repairs and maintenance that will be made. All depreciable assets are depreciated assuming no residual value.	No
Bad Debt Provision	A bad debt provision is calculated based on the age & total of outstanding debt at the balance sheet date. Standard percentages and knowledge of individual circumstances are used.	Reviewed to ensure significant movements are understood and are prudent.	No	No policy or legal change affects the collection of this debt.	No



Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Insurance claims	This is estimated based on the claims received and which are expected to be settled.	The Insurance, claims database is used, providing the estimate. Actuaries have been used during 2019 to review the reasonableness of the estimates.	Insurance Company & Actuaries	The status of the Claim has been maintained.	No
Business rates	Business Rates appeals- Judgement is applied based on data from the Valuation Office Agency regarding outstanding appeals and the likelihood of success. The amount of the reduction and the backdating of the appeal have been based upon averages of historic settled appeals data and any other known information.	Different averages are calculated for the different types of appeals and property types.	Revenues Manager	The calculation is based on a range of sources including professional advice. If the volume and outcome of appeals differs significantly from the assumptions then this will impact on the level of provision	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
65 Liabilities under PFI Schemes	<p>Total payments due under existing PFI schemes are split between payments for services, reimbursement of capital expenditure, interest and lifecycle costs. The split being derived from detailed cash flow models provided at the commencement of each scheme. PFI liabilities are reduced by payments made during the year.</p> <p>Financial model detailing cash flows of schemes provided by KPMG.</p>	<p>Changes to outstanding liabilities are measured against the financial model and split between current and non-current accordingly.</p>	<p>No</p>	<p>It is assumed that the PFI schemes will progress as planned with specifications remaining unchanged.</p> <p>PFI unitary payments are being made as per the financial model.</p>	<p>No</p>



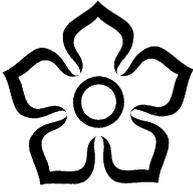
Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension Fund (LGPS) Actuarial gains/losses	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	Checks to the reasonableness of assumptions in the actuaries report are made	Yes (actuary for LGPS administered by Leicestershire County Council)	The effects of the net pension liability of changes in individual assumptions can change the liability significantly. Eg an 0.5% decrease in the Real Discount rate would mean a 10% increase to the employers liability	No.

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Leicester
City Council

WARDS AFFECTED: ALL

Audit and Risk Committee

17th June 2020

**Regulation of Investigatory Powers Act 2000
Bi-Annual Performance Report June 2019 - December 2019**

Report of the City Barrister and Head of Standards

1. Purpose of the Report

The report advises on the performance of The Council in authorising Regulatory Investigation Powers Act (RIPA) applications, from 1st June 2019 to 31st December 2019.

2. Summary

2.1 The Council applied for 0 Directed Surveillance Authorisation and 0 Communications Data Authorisations in the period above.

3. Recommendations

The Committee is recommended to:

3.1 Receive the Report and note its contents.

3.2 Make any recommendations or comments it sees fit either to the Executive or to the City Barrister and Head of Standards.

4 Report

4.1 The Council has applied for 0 Directed Surveillance Authorisation and 0 Communications Data Authorisations in the second half of 2019.

4.2 The Council has completed and submitted its annual return to the Investigatory Powers Commissioner's Office showing a nil return for Directed Surveillance Authorisations in 2019.

5. Financial, Legal Implications

5.1 Financial Implications

There are no financial implications arising directly from this report, although the Council could incur legal costs should procedures not be correctly followed – Colin Sharpe (Head of Finance) ext. 37 4081.

5.2 Legal Implications

There are no legal implications arising directly from this report, although the Council could incur legal costs should procedures not be correctly followed – Kamal Adatia (City Barrister and Head of Standards) ext. 37 1402.

6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting Information
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Climate Change	No	
Crime and Disorder	No	
Human Rights Act	Yes	HRA Article 8 must be considered for all applications
Elderly/People on Low Income	No	
Risk Management	No	

7. Report Author / Officer to contact:

Lynn Wyeth, Head of Information Governance & Risk, Legal Services
 - Ext 37 1291

25th March 2020

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee

17th June 2020

REVIEW OF WHISTLEBLOWING POLICY

REPORT OF THE CITY BARRISTER AND HEAD OF STANDARDS

1. PURPOSE OF REPORT

This report invites the Committee to review the Whistleblowing Policy

2. RECOMMENDATIONS

That the Committee note the policy and suggest any changes

3. REPORT

The Whistleblowing policy

Whistleblowing refers to circumstances in which a member of staff is permitted to raise legitimate allegations about certain types of conduct of other members of staff, and to receive a concomitant level of legal protection against damage or detriment. The purpose of the legal protection is both to:

- i. Expressly afford that employee (the whistleblower) a level of protection whilst they remain employees

and also to;

- ii. Give that employee a remedy in the Employment Tribunal if they make a claim against their employer as a result of suffering detriment from whistleblowing.

In these respects the term is narrowly defined in law and hence it attaches to a fixed set of 'qualifying disclosures' only. The Whistleblowing policy is not a comprehensive statement of aspiration as to what conduct the local authority expects of its staff. Neither does the Whistleblowing policy attempt to set out a

route for investigating and dealing with such disclosures outside of other established routes.

The Council's proposed whistleblowing policy is attached as **Appendix A**.

4. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

i. Financial implications

None

ii. Legal Implications

The legal implications are addressed throughout the report and detailed legal advice has been obtained in respect of each of the attached policies

OTHER IMPLICATIONS	YES/ NO	Paragraph/References within the Report
Equal Opportunities Policy	Yes	
Sustainable Environmental and	No	
Crime and Disorder	Yes	
Human Rights Act	Yes	
Elderly/People on Low Income	No	
Corporate Parenting	No	

5. BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972

6. CONSULTATIONS

7. REPORT AUTHOR

Kamal Adatia, City Barrister and Head of Standards

Appendix V1 - Whistleblowing Policy

1 Policy Statement

1.1 Leicester City Council is committed to conducting its business with honesty and integrity and expects all staff to maintain high standards of conduct. All organisations, however, face the risk of things going wrong from time to time, or of unknowingly harbouring illegal or unethical conduct. A culture of openness and accountability is essential in order to prevent such situations occurring or to address them when they do occur.

1.2 The aims of this policy are:

- (a) To explain what constitutes a whistleblowing complaint
- (b) To explain how to raise a whistleblowing complaint and how it will be dealt with.
- (c) To encourage staff to report suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate and that their confidentiality will be respected.
- (d) To explain what protection is afforded to a legitimate whistle blower and to reassure staff that they should be able to raise genuine concerns without fear of reprisals, even if they turn out to be mistaken.

2 Scope

2.1 This policy applies to all employees of Leicester City Council and to consultants and casual/ agency workers engaged by the council (collectively referred to as staff in this policy) except those employed/engaged by schools. A dedicated policy will apply to schools.

3 What is Whistleblowing?

3.1 A qualifying whistleblowing disclosure is one made in the public interest by a member of staff who has a reasonable belief any of the following activities are either occurring, have taken place or are likely to:

- (a) criminal offence;

- (b) miscarriage of justice;
- (c) danger to health or safety;
- (d) damage to the environment;
- (e) failure to comply with any legal obligation;
- (f) the deliberate concealment of any of the above matters.

3.2 A **whistleblower** is a person who raises a genuine concern relating to any of the above.

4 Whistleblowing is NOT

4.1 This policy should not be used for the following:

- (a) Raising concerns that relate to your own personal circumstances such as the way you have been treated at work. Such concerns should be raised in the first instance informally with your line manager who will attempt to resolve them for you. If no resolution is possible refer to the [Grievance Procedure](#) for next steps.
- (b) Raising concerns as a member of the public. [The Corporate Complaints Policy](#) can be used for this purpose.
- I Raising concerns about Councillors. The [Complaints about councillors](#) form can be used for this purpose.

4.2 If you are uncertain whether something is within the scope of this policy you should seek advice from your manager or Human Resources.

5 Raising a whistleblowing concern

5.1 We hope you will be able to raise concerns with your line manager. You may tell them in person or put the matter in writing if you prefer. They may be able to agree a way of resolving your concern quickly and effectively. Where you do not feel you can do this then you should raise your concern with a manager above your immediate manager. In all cases the manager will email their HR Team Manager so that it can be recorded as a "whistleblowing concern."

5.2 Where the matter is more serious, or you feel that your line manager has not addressed your concern, or you have a compelling reason why you cannot raise it with them or their manager, you should raise your concern directly with the Monitoring Officer. The Monitoring Officer will consider issues such as whether (i) the allegation can properly be dealt with by another manager and/or (ii) your identity does/does not need protecting and will discuss their view with you. It is, in most cases, likely that the Monitoring Officer, in dealing with your concern, will liaise with your line manager (or someone in their management chain) regarding its progression. If you are in any doubt you can seek advice from [Protect](#) the independent whistleblowing charity, who offer a confidential helpline.

6 Anonymity

6.1 Anonymous disclosures are not encouraged. Proper investigation may be more difficult, or impossible, if further information cannot be obtained from a whistleblower. It is also more difficult to establish whether allegations are credible. If a whistleblower is concerned about their identity being revealed this should be raised when the disclosure is made and appropriate measures, such as protecting their identity, can be taken where appropriate.

7 External Disclosures

7.1 The aim of this policy is to provide an internal mechanism for reporting, investigating and remedying any wrongdoing in the workplace. In most cases you should not find it necessary to alert anyone externally.

7.2 The law recognises that, in some circumstances, it may be appropriate for you to report your concerns to an external body such as a regulator. We strongly encourage you to seek independent whistleblowing advice from [Protect](#) before reporting a concern externally.

8 Investigation and Outcome

8.1 Once you have raised a concern, an initial assessment will be undertaken to determine what, if any, steps should be taken and to consider whether your concern falls within the scope of this policy. You may be required to attend meetings in order to provide further information.

- 8.2 Following the initial assessment an investigation may be undertaken. It may be appropriate for a line manager or another Council officer to undertake the investigation. Questions of potential conflict of interest will be considered in determining the appropriateness or otherwise of any particular officer carrying out an investigation. Where a potential or actual conflict of interests exists for a particular officer, they should not carry out the investigation. In exceptional circumstances or where specific expertise is required, an external investigator may be appointed.
- 8.3 It may be appropriate to instigate a further procedure following the conclusion of any investigation, such as the disciplinary procedure. Any such action falls outside the scope of this policy.
- 8.4 If it is concluded that a whistleblower has made false allegations maliciously, in bad faith (i.e. not merely mistakenly) or with a view to personal gain, the whistleblower will be subject to disciplinary action.

9 Protection and Support for Whistleblowers

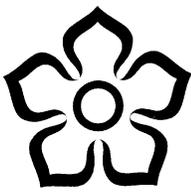
- 9.1 It is understandable that whistleblowers are sometimes worried about possible repercussions. The Council aims to encourage openness and will support staff who raise genuine concerns under this policy, even if they turn out to be mistaken.
- 9.2 Staff must not suffer any detrimental treatment as a result of raising a concern. Detrimental treatment includes dismissal, disciplinary action, or other unfavourable treatment connected with raising a concern. If you believe that you have suffered any such treatment, you should inform your line manager or HR immediately who will assess what steps, if any, should be taken. If, for any reason, you do not believe it is appropriate to raise this with your line manager, you should inform the next line of management. Where matters have been disclosed in confidence and anonymously, then you can speak with the Monitoring Officer. If you feel you have suffered a detriment you may raise this under the grievance procedure.

10 Responsibility for the success of this policy

- 10.1 The Monitoring Officer has overall responsibility for this policy and will review it as appropriate.

Contacts	Method
Monitoring Officer	Email: Monitoring-officer@leicester.gov.uk
Protect	Call: 020 3117 2520 or via online form

March 2020



Leicester
City Council

WARDS AFFECTED
All

Appendix G

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS Audit and Risk Committee

17th June 2020

Risk Management and Business Continuity Strategy and Policies 2020

Report of the Director of Delivery, Communications and Political Governance

1. Purpose of Report

- 1.1. To present to the Audit and Risk Committee (A&RC) the Risk Management and Business Continuity Policy Statement and Strategies (Appendix 1 and 2), which provide an effective framework for the Leicester City Council (LCC) to manage and respond to key risks facing its services to help achieve the delivery of its Business Plan.
- 1.2. The documents have been significantly reviewed this year leading to some minor changes in the structure and general format.

2. Recommendations (or OPTIONS)

- 2.1. A&RC is recommended to consider and approve, on behalf of council, the updated:
 - Corporate Risk Management Policy Statement and Strategy at Appendix 1. This sets out the council's attitude to risk, the approach to be adopted to manage the challenges and opportunities facing officers; and
 - Corporate Business Continuity Management Policy Statement and Strategy at Appendix 2. This sets out the council's attitude, perception and approach towards implementing business continuity practices.

3. Report

Risk Management Strategy and Policy 2020

- 3.1 The council's original Risk Management Policy and Strategy was approved by Cabinet in 2009, with subsequent updates approved each year (since 2012 by the Executive). The Risk Management Strategy sets how the council tackles the risks it faces. It plays a vital part in the overall governance framework of the council and is

particularly important in the current environment given the need to deliver our services in an effective and efficient way.

- 3.2 To date, improvements have been made in strengthening risk management arrangements within the council's diverse business units. A review of the Risk Policy and Strategy has taken place which reflects any developments made in the industry and to support internal procedures/processes. The revised strategy will continue to help embed risk management throughout the council (**see paragraph 4.1 for further detail**). Overall, the amendments were minor, therefore not having a major impact on LCC's embedded risk management process. Also, proposals were made at Corporate Management Team in December 2019 and those agreed were:
- To include the 4T's column in the corporate risk assessment/register template which means the risk owner must decide whether to treat, terminate, tolerate or transfer the risk identified after the controls have been determined and the risk has been scored which helps with the prioritisation of risks;
 - Risk update reports presented to CMT 4 monthly (Jan, May and Sept) rather than quarterly
 - Working with HR to further embed risk management, particularly at management level.
- 3.3 Effective risk management is essential for organisations and their partners to achieve strategic objectives and improve outcomes for local people. Good risk management looks at, and manages, both positive and negative aspects of risk. This process allows the council to methodically address risks stemming from its activities with the aim of achieving sustained benefit within each activity and across the portfolio of all its activities. The council's risk management process should (and if the policy is complied with, does) allow 'positive risk taking'.
- 3.4 Every project/programme should have a risk assessment/log. Risk, Emergency and Business Resilience (REBR) provides risk management training (Appendix 4 of the strategy provides details and dates). This training became mandatory for staff expected to complete a risk assessment. REBR is continuing to work with business areas and a training programme has been established for 2020 approved by CMT in November 2019.
- 3.5 The LCC Risk Management Policy and Strategy formulated by the Manager, Risk Management was considered against good practice guidance, including ISO31000 and working practice observed by Zurich in 2018 in both the public and private sectors. The Policy Statement clearly sets out the council's risk management objectives identifying that risk presents both threats and opportunities to the Organisation. The Strategy articulates an appropriate framework for the delivery of risk management identifying key features including roles and responsibilities, risk reporting requirements, risk appetite, risk assessment methodology and competency requirements. Fundamental to the success of risk management is the integration of risk processes into "business as usual" activities and the development of a risk aware culture. To this extent, it is important that REBR continues to engage with and support Business Functions to ensure ongoing development of robust and relevant risk information which will support decision making and resource allocation at all

organisational levels. It is also emphasised that reviewing, monitoring and reporting of risks via risk registers is an ongoing exercise.

Business Continuity Policy and Strategy 2020

3.6 The council has established robust business continuity practices which are reviewed and maintained continuously throughout the year by service areas. Progress continues to be made to improve and strengthen business continuity management arrangements, particularly addressing the continuous change the organisation experiences.

3.7 REBR is currently targeting the following key business continuity activities:-

- Continuing development of Business Continuity Management (BCM) at the council to better align with current accepted best practice standards (ISO22301) and requirements of the Civil Contingencies Act (2004) – including a revised pro-forma plan issued for staff and schools to use;
- Ensuring that up to date, tested plans exist for all areas. Primary focus remains on critical activities, followed by review of the remainder of the council's activities, those deemed 'non-critical' which will continue to be reviewed and dealt with by divisions;
- Challenging the definition and interpretation of critical;
- Managing the number of services deemed to be critical. Business Impact Analysis is being undertaken from January 2020 to aid this. This will involve Directors/ Heads of Service nominating/identifying a Business Continuity Lead for each of their service areas to work with REBR to identify priority processes, resource requirements as well as the impacts of not delivering key activities. This process will identify those services which are critical. Leicester City Council currently have 40 Business Critical Areas and it is anticipated to reduce these to ensure that resources can be correctly prioritised in the event of an incident. A pilot had been carried out with the Director of Delivery, Communications and Political Governance to commence this process with this division currently having 2 critical services. REBR have now rolled this out to other divisions starting off with Adult Social Care and Care and Commissioning;
- Continued delivery of a specific business continuity training programme for senior managers, management and their staff;
- Review, maintain and update the Business Continuity Plan (BCP) template periodically and ensure its implementation council wide; and
- Assisting schools (maintained and academies) with developing and testing of their BCPs.

The revised Business Continuity Policy and Strategy will assist on the delivery of the above mentioned points.

4. Key Deliverables

4.1 The **key deliverables** in both Policies and Strategies include:

4.1.1 Risk:

- Ensuring the Risk Management Framework at the council continues to reflect the organisational structure, and that risks affecting the delivery of the council's priorities and its objectives are properly identified, assessed, managed, monitored and reported;
- Continuance of the process whereby Divisional Directors and their Heads of Service have individual risk registers feeding through to the council's Operational Risk Register, which is reviewed by CMT, led by the Chief Operating Officer, supported by the Manager, Risk Management, REBR;
- Improving divisional engagement with risk management processes to further embed a culture within the council where risk is anticipated and managed proactively and is part of the daily process. It is not a quarterly 'form filling' exercise but should be seen to 'add value'. A risk assessment should be completed and/or updated for each project or contract being let and for all the council's significant activities, as a minimum;
- Increasing recognition of the benefits that can be achieved, operationally and strategically, with effective and embedded risk management;
- Continuing to support the operational service areas in the development and improvement of their individual risk registers by identifying training needs, providing support and guidance and delivering training to them;
- Directors and managers continuing to identify staff requiring risk management training through the appraisal and job specification process. As highlighted above, this is a key deliverable for directors and their teams to better protect the council. Bespoke sessions are also available upon request. Business areas 'own' and should manage their risks; and
- Emphasising that REBR is perceived across the council as 'Risk Consultants' who will assist managers in scoping and managing their risk exposure to enable the implementation of innovative schemes. This team do not manage the council's risks as this remains the responsibility of service areas.

4.1.2 Business Continuity allows to:

- Achieve **Resilience** - Proactively improves resilience when faced with the disruption to the council's ability to achieve its key objectives;
- Protect **Reputation** - Helps protect and enhance the council's reputation as well as reducing the risk of financial loss;

- Achieve **Business improvement** - Gives a clear understanding of the entire organisation which can identify opportunities for improvement;
- Achieve **Compliance** - Demonstrates that applicable laws and regulations are being observed;
- **Deliver Cost Savings** - Creates opportunities to reduce the cost of business continuity management and may reduce insurance premiums. Poorly managed incidents also leave the council and its officers exposed to insurance claims;
- **Deliver services** - Provides a rehearsed method of restoring the council's ability to supply critical services to an agreed level and timeframe following a disruption;
- **Manage Disruption** - Delivers a proven capability for managing disruptions which helps to retain confidence in the council.

BCM is a cross-functional, organisation-wide activity; consequently, the arrangements in this strategy apply to:

- All services within the council;
- Every staff member;
- All resources and business processes;
- Suppliers, service partners and outsourced services;
- Other relevant stakeholders.

4.1.3 The BCM programme needs to be managed in a continuous cycle of improvement if it is to be effective. Therefore, formal and regular exercise, maintenance, audit and self-assessment of the BCM **culture** are essential. This would be more achievable and effective if the appropriate staff within each division attend the BCM awareness training session delivered by REBR. This is formalised at CMT and remains a key activity within 2020.

4.1.4 The revised Business Continuity Policy and Strategy will assist on the delivery of the above mentioned points and in paragraph 3.7

5.

5.1 **Financial Implications**

'The revised Risk Management Policy Statement and Strategy is intended to promote an effective approach to risk across the council. It should minimise the costs of insurance premia, successful claims and responding to incidents. Rigorous BCP arrangements are essential to ensure the council can be confident of recovering effectively from a major incident and with as little additional or abortive expense as possible'.

Colin Sharpe, Deputy Director of Finance, Ext. 37 4081

5.2 Legal Implications

‘Rigorous Risk Management and BCM arrangements are essential to ensure the council can be confident of ensuring it has proper cover for its legal liabilities’.

Kamal Adatia, City Barrister, 37 1401

5.3 Equality Implications

‘Effective risk management is essential for organisations and their partners to achieve strategic objectives and improve outcomes for local people and therefore is likely to be beneficial to people from across all protected characteristics. However, in some circumstances, effective risk management will be particularly relevant to those with a particular protected characteristic (for example, safeguarding risks and risks which could result in service disruption). Therefore, a robust risk strategy and policy statement which is embedded effectively will minimise the likelihood of ineffective risk management resulting in a disproportionate impact on those with particular protected characteristic/s. The strategy identifies other potential risks which are relevant to equalities, such as legislative requirements (ensuring that the council meets its statutory duties) and the risks posed by demographic changes. The strategy promotes that the management of such risks should be embedded into the day to day business and culture of the council. This would support the continued delivery of positive equalities outcomes for the citizens of Leicester.

A robust approach to business continuity planning will limit the impact of incidents and plays a key role in maintaining service delivery, therefore there will be a positive impact across all protected characteristics. If business continuity planning is not effective there is a greater risk where a service has been identified as critical. If those critical services were unable to maintain service delivery, there may be a disproportionate impact on those with particular protected characteristic/s, such as age and disability. The recommendation, to approve the 2020 Corporate Business Continuity Management Policy Statement and Strategy will support a robust approach and minimise the impact of incidents which could have a disproportionate impact on certain protected groups. The report also outlines a review of business-critical areas. The correct prioritisation in the event of an incident, will ensure that those areas of greater risk, including risks around equalities and human rights will be prioritised provided this is a consideration in any changes that are made.’

Hannah Watkins, Equalities Manager, 37 5811

6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph/References Within Supporting information
Risk Management	Yes	All of the paper.
Legal	Yes	
Climate Change	No	
Equal Opportunities	Yes	
Policy	Yes	All of the paper.
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

7. Report Authors

7.1. Sonal Devani, Manager, Risk Management, Risk, Emergency and Business Resilience Team, Ext 37 1635.

2nd March 2020



Risk Management

Policy Statement and Strategy 2020

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Enterprise Risk Management

Policy Statement and Strategy 2020

Risk Management Policy Statement

Leicester City Council's (LCC) approach to the management of enterprise risk

Risk management involves managing the council's threats and opportunities. By doing so effectively, the Council is in a stronger position to deliver its objectives. Risk is a feature of all business activity and is an attribute of the more creative of its strategic developments. The council accepts the need to take proportionate risk to achieve its strategic objectives, but these should be identified and managed appropriately. However, residual risks may still be high even after controls are identified and implemented. Such risks may relate to activities/projects where the organisation has statutory responsibilities to deliver such services, and in such instances, it is important that risks are being managed effectively and efficiently and the impact is minimised as far as is reasonably practicable should the threat/event occur. By evaluating our plan for potential problems and developing strategies to address them, we are able to improve our chances of a successful, if not perfect delivery of the project/initiative assessed. The risk process will also ensure that high priority risks are cost effectively managed and provide decision makers at all levels with the information required to make informed decisions.

The key objectives of Risk Management at LCC are to:

1. Identify, manage and act on opportunities and threats to enable the council to achieve its objectives and integrate risk management into the culture and day to day working of the council.
2. Ensure compliance with governance requirements and that risk management (identification of, and plans to manage, risk) is an integral part of the Council's governance including the decisions taken by the Executive and the Corporate Management Team (CMT).
3. Make the Executive, CMT and Audit and Risk Committee aware of the potential risks.
4. Ensure the organisation's risk profile and exposure is communicated top down, bottom up and across the organisation and coordinate action plans designed to change or reduce the risk profile.
5. Embed, actively support and promote risk management. Raise awareness of the need for risk management to those involved in developing the council's policies and delivering services and ensure it is understood that risk management is a cross service planning activity.
6. Ensure that a systemic and consistent approach to risk management is adopted throughout the organisation and as part of divisional planning, performance management and models of operation.
7. Supporting a culture of well-measured risk taking throughout the council's business.
8. Manage risk in accordance with best practice and comply with statutory and regulatory requirements, for example Fraud Act, Anti Bribery and Care Acts.

The above objectives will be achieved by:-

1. Ensuring CMT, Directors and other relevant stakeholders obtain assurance that the council is managing and mitigating risks that could affect the achievement of the organisation's objectives.
2. Establishing reporting mechanisms to submit Strategic and Operational Risk Registers to CMT, City Mayor and Executive, Audit and Risk Committee and relevant stakeholders.
3. Ensuring the operations and initiatives that are high risk to the council are reported and monitored through the appropriate director to aid informed decision making.
4. Providing learning opportunities on risk management process across the council by scheduling a rolling training programme year on year.
5. Keeping abreast of best practice throughout the industry and through the continual review and improvement of the council's processes for the identification, management and communication of risk to ensure best practice is being communicated and implemented.
6. Good practice tools to support management of risks applied consistently throughout the council in addition to reviews of our risk management practices.
7. Ensuring accountabilities, roles and responsibilities for managing risk are clearly defined, communicated and understood by establishing clear processes, responsibilities and reporting lines for risk.
8. Anticipating and responding to changes in the external environment including changing political, economic, social, technological, environmental and legislative requirements.
9. Demonstrating the benefits of effective risk management through: -
 - Cohesive leadership and improved management controls;
 - Improved resource management – people, time, and assets;
 - Improved efficiency and effectiveness in service and project delivery;
 - Minimising the impact following an incident, damage limitation and cost containment;
 - Better protection of employees, residents and others from harm;
 - Reduction in incidents, accidents and losses leading to lower insurance premiums and improved reputation for the council.
10. Recognise that it is not possible, nor desirable, to eliminate risk entirely, and so have a comprehensive business continuity and insurance programme that protects the council from significant financial loss following damage or loss of its assets therefore minimising the impact from an event.

Andy Keeling
Chief Operating Officer

Sir Peter Soulsby
City Mayor

October 2019

Risk Management Strategy

INTRODUCTION

1. The Risk Management Strategy seeks to promote identification, assessment, response, monitoring, communication and reporting of risks that may adversely impact the achievement of the council's aims and objectives. This strategy builds on, and replaces, the 2019 Risk Management Strategy. Through the continued development and implementation of the strategy, the maturity of the council's risk management will be reflected in a more enabled and proactive culture of embracing innovative opportunities and managing risks. This strategy helps to embed risk management throughout the organisation and ensures officers/staff understand their roles within the process.

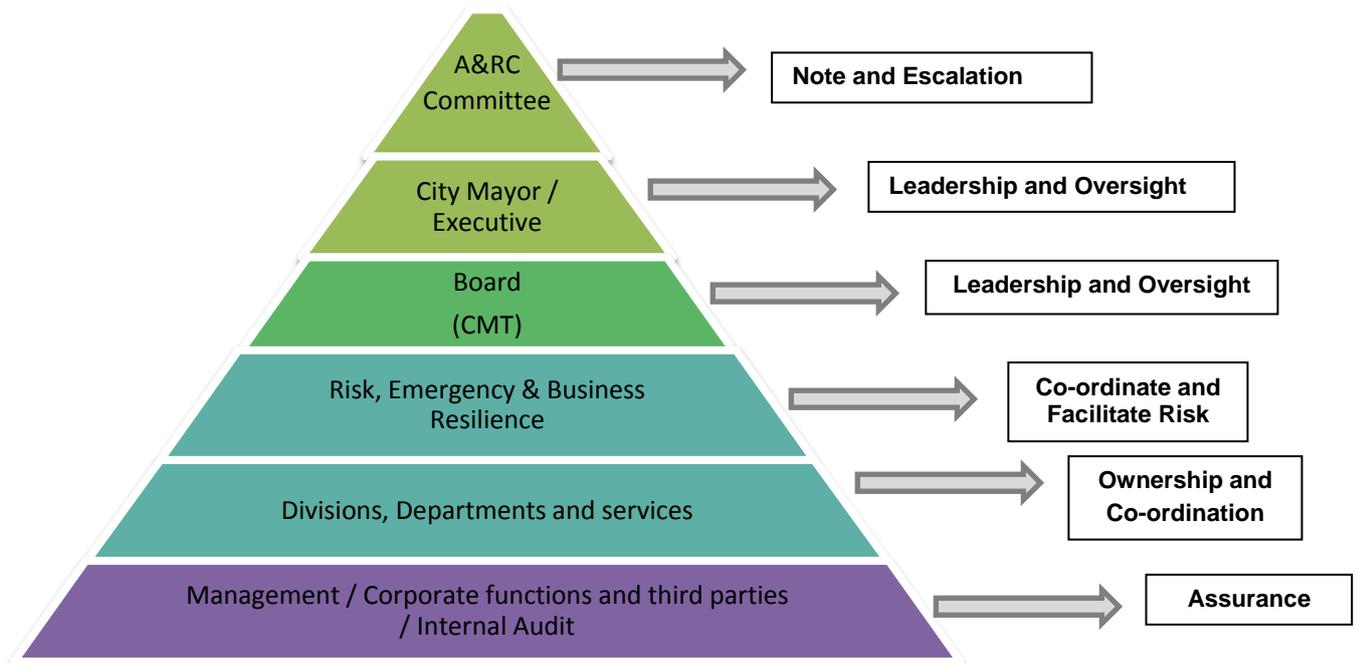
AIMS AND OBJECTIVES

2. The aims and objectives of Leicester City Council's (LCC's) Risk Management Strategy are:-
 - To assist LCC in setting strategy, achieving objectives and making informed decisions
 - To provide the Executive, Members and senior officers with regular risk management reports that give a comprehensive picture of the council's risk profile, risk ranking exposure;
 - To provide and assist the council and its partners to adopt a "fit for purpose" methodology towards identification, evaluation, control and communication of risks and to help ensure those risks are reduced to an acceptable level – the 'risk appetite';
 - To ensure that transparent and robust systems are in place to track and report upon existing and emerging risks which potentially could have a detrimental impact on the council or influence the achievement of objectives;
 - To help further integrate risk management into the culture and day to day working of the council and ensure a cross divisional/operational approach is applied;
 - To provide reliable information on which to base the annual strategic and operational risk and governance assurance statements;
 - To consider the limitations of available information in the process of identifying and assessing risk;
 - To encourage well measured risk taking where it leads to improving performance and sustainable improvements in service delivery;
 - To ensure a consistent approach in the identification, assessment and management of risk ('the risk management cycle) throughout the organisation; and
 - To acknowledge that even with good risk management and our best endeavours, things can go wrong and that we learn from this to prevent it happening again. Risk Management is continually improved though learning and experience.
3. Given the diversity of services offered by the Council, there are a wide range of potential risks that could arise, it is therefore essential that responsibility for identifying and taking action to address those risks is clear. Commitment and involvement of staff at every level is essential to effectively carry out enterprise risk management. Although different staff/managers will have specific duties to assist in this process, it is important that they are aware of and understand their role. Staff involvement may consider views and comments from other divisional teams who may have experience of managing similar risks.

ASSURANCE AND REPORTING STRUCTURE OF RISKS AT LEICESTER CITY COUNCIL

As part of the risk management and assurance process, we would like to create an environment of a 'no surprises' system and the 'tone from the top' is an essential criteria in fulfilling this. To do this, LCC's risk and assurance systems need to be working well. LCC is open to consider all potential delivery options with well measured risk-taking, being aware of the impact of its key decisions.

All staff and associated stakeholders have responsibility for managing risk, some more than others. Please see **Appendix 1** for full roles and responsibilities.



Within this structure, each party has the following key roles:

- The **Audit and Risk Committee (A&RC)** is responsible for noting the effectiveness of the council's risk management arrangements, challenging risk information and escalating issues to the Board/Executive;
- **City Mayor and Executive** has a leadership and oversight role particularly in challenging CMT and senior managers in relation to the identified risks and mitigating actions and holding them to account for effective risk management. The City Mayor and Executive are also responsible for approving risk policies and strategy and receiving 4-monthly risk management reports to review;
- **The Corporate Management Team (CMT)** has the risk oversight role and ultimate accountability. CMT must ensure the risk related control environment is effective; is responsible for approving and reviewing risk policies and strategies; setting the level of risk the council is prepared to accept – it's '**risk appetite**'; receiving 4-monthly risk management reports to review and for approving and agreeing the training programme;
- **Risk, Emergency and Business Resilience (REBR)** develops and coordinates implementation of the Risk Management Strategy and provides a facilitators role, supporting and guiding all other service areas on how to manage their risks. REBR also

coordinate, populate and maintain the council's risk registers, producing 4-monthly reports comprising of these risk registers to submit to CMT, City Mayor and Executive and the A&RC;

- **Departments and services** are the '**risk-takers**' and are responsible for identifying, assessing, measuring, monitoring and reporting significant risks associated with their functions or activities and for managing risks within their departments;
- As part of the council's **combined model, management, third parties and Internal Audit** give assurance on the management of risks and the operation/performance of controls.

RISK DEFINITION AND APPETITE

4. At LCC we use the definition of risk taken from the **International Risk Management Standard 'ISO31000 – Risk Management Principles and Guidelines standard and BS65000 – Guidance on Organisational Resilience'**:

“Risk is the effect of uncertainty on objectives”

5. It is assumed by many staff, during risk discussions, that all risks must be eliminated. However, this is not the case. Risk is a part of everyday life and taking risks and acting on opportunities may be a route to success, if managed properly. Risk Appetite is defined as “the amount of risk that the council is prepared to take to achieve its objectives”. **Appendix 2** demonstrates the council's risk appetite. **The council is prepared to tolerate risks that fall below the risk appetite line (the prominent black line)**. For risks that are scored above the line, the council should consider their occurrence (repetitiveness), impact and design controls for implementation if that risk materialises. An example of this would be total loss of a building by fire. This is a typical 'high impact' but 'low likelihood' risk that cannot realistically be managed day to day, beyond normal management responsibilities, but if it occurs, would be dealt with by the invocation of an effective business continuity plan and appropriate insurance cover which are both significant mitigants for that risk.
6. Risk appetite needs to be considered at all levels of the organisation – from strategic decision makers to operational deliverers. The council's risk appetite is the amount of risk that it is prepared to take in order to achieve its objectives. Defining the council's risk appetite provides the strategic guidance necessary for decision-making and is determined by individual circumstances. In general terms, the council's approach to providing services is to be innovative and to seek continuous improvement within a framework of robust corporate governance. This framework includes risk management that identifies and assesses risks appertaining to decisions being considered or proposed.
7. As such, risk appetite should be considered for every proposal and risk rather than an overarching concept for the entire council. There will be areas where a higher level of risk will be taken in supporting innovation in service delivery. Certain areas will maintain a lower than cautious appetite - for example, in matters of compliance with law and public confidence in the council or safeguarding adults and children. Risk appetite can therefore be varied for specific risks, provided this is approved by appropriate officers and/or members. However, in all circumstances:
 - The council would wish to manage its financial affairs such that no action will be taken which would jeopardise its ability to continue as a going concern; and
 - The council would wish to secure the legal integrity of its actions always.

Despite this, at times the council may be forced to take risks beyond its appetite to comply with central government directives or to satisfy public expectations of improved services. The challenge process will determine the decisions made - whether to proceed with such proposals and after careful assessment of the identified risks and an analysis of the risks

compared to the benefits – i.e. cost benefit analysis. A cost benefit analysis also helps decide the commitment to risk management resources and it is important to keep in mind that not all costs benefit is confined to financial measurement and the cost of not taking action should also be considered.

8. LCC's approach is to be **risk aware** rather than **risk averse**, to manage and mitigate the risk. As set out in its Risk Management Policy Statement, it is acknowledged that risk is a feature of all business activity and is a particular attribute of the more creative of its strategic developments. Directors and members are not opposed to risk. They are committed to taking risk with full awareness of the potential implications of those risks and in the knowledge that a robust plan is to be implemented to manage/mitigate them. The council's risk management process allows this '**positive risk taking**' to be evidenced.
9. '**Positive risk taking**' is a process of weighing up the potential benefits and impacts of exercising a choice of action over another course of action. This entails identifying the potential risks and developing plans and controls that reflect the positive potentials and stated priorities of the council. It then involves using available resources and support to achieve desired outcomes, and to **minimise any potential 'harmful' impacts**. It is certainly not negligent ignorance of potential risks but, usually, a carefully thought out strategy for managing a specific risk or set of circumstances.
10. The risk management process ensures that key strategic and operational risks are well controlled, minimising the likelihood of an occurrence and its impact should the risk occur. It is recognised that there are costs involved in being too risk averse and avoiding risk, both in terms of bureaucracy and opportunity costs.
11. The council seeks to identify, assess and respond to all strategic risks that may affect the achievement of key business objectives and plan outcomes. Once a risk has been identified and rated, the council will adopt a risk response based on the nature of the risk. The council's risk responses include treat, tolerate, terminate or transfer – refer to paragraph 24 for the detail. Integrating risk transfer strategies requires decisions at the highest levels as the risk appetite will determine the extent to which it is prepared to retain the risk, as opposed to sharing risk by outsourcing or insurance.
12. However, having an effective risk management framework does not mean that mistakes and losses will not occur. Effective risk management means that high risks are highlighted, allowing appropriate action to be taken to minimise the risk of potential loss. The principle is simple, but this relies upon several individuals acting in unity, applying the same methodology to reach a sound conclusion and understand that risk management is a cross service planning activity. However, it is recognised that risk management and the analysis is based on judgement and is not infallible or an exact science and for a more accurate analysis, the appropriate people should be involved. Incidents will still happen, but the council will be in a better position to recover from these incidents with effective risk controls/business continuity management processes in place. LCC is a "learning organisation" and the council will seek to learn from adverse risk events.

RISK FINANCING

13. Risk Financing is the process which determines the optimal balance between retaining and transferring risk within an organisation. It also addresses the financial management of retained risk and may best be defined as money consumed in losses, funded either from internal reserves (such as the Insurance Fund) or from the purchase of 'external' insurance (such as the catastrophe cover provided by the council's external insurers). Simply put, it is how an organisation will pay for loss events in the most effective and least costly way possible. Risk financing involves the identification of risks, determining how to finance the risk, and monitoring the effectiveness of the financing technique chosen. Commercial insurance policies and self-insurance are options for risk transfer schemes though the effectiveness of each depends on the size of the organisation, the organisation's financial situation, the risks that the organisation faces, and the organisation's overall objectives. Risk financing seeks to choose the option that is the least costly, but that also ensures that the organisation has the financial resources available to continue its objectives after a loss event

occurs. The council currently takes cover with external insurers for the following categories of insurable risk:

- Casualty (Employers Liability and Public Liability)
- Property
- Motor
- Fidelity Guarantee
- Engineering
- Professional Negligence
- Official Indemnity
- Personal Accident

14. LCC's strategy for risk financing is to maintain an insurance fund and only externally insure for catastrophe cover. The council's strategy is to review the balance between external/internal cover on an annual basis in the light of market conditions and claims experience. This balance will be influenced by the effectiveness of the risk management process embedded at the council and this process is managed by REBR on behalf of the Director of Delivery, Communications and Political Governance.

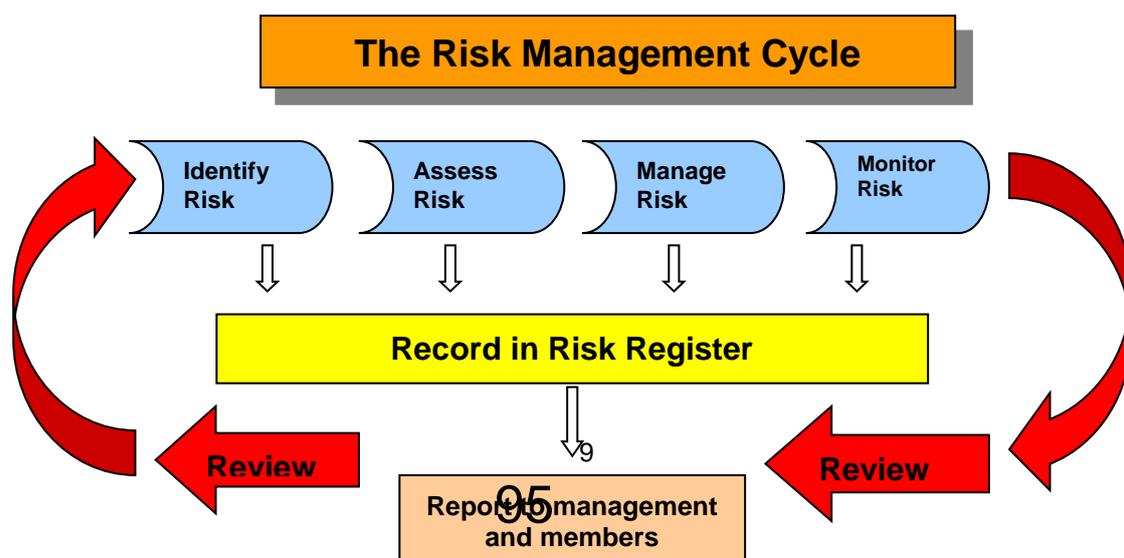
RISK MANAGEMENT PROCESS

15. The council's strategic objectives and individual divisional operational objectives are the starting point for the management of risk. Managers should not think about risk in isolation but consider events that might affect the council's achievement of its objectives. Strategic risks are linked to strategic objectives and operational risks linked to divisional service delivery objectives, therefore, day to day activities need, as a minimum, to be identified and monitored. This is best done by the effective implementation of the risk management process with the use of risk assessments/risk registers (Appendix 3).

16. Risk management is to be driven top down, bottom up and across, to ensure risks are appropriately considered. To achieve this, managers should encourage participation with their staff/peers in the process, through regular discussions/reviews. **The risk management process seeks to work with and support the business and not add a layer of bureaucracy or create masses of paperwork.**

17. The process below should be implemented by managers and staff at all levels to identify, assess, control, monitor and report their risks. Risk management is intended to help managers and staff achieve their objectives safely and is not intended to hinder or restrict them. The aim is not to become risk averse. The process ensures that a consistent risk management methodology is in place and implemented across all the diverse activities of the council.

18. There are five key steps in the risk management process. These stages are covered in greater detail in the **Risk Management Toolkit** – a step-by-step guide to risk management at LCC - which is available to all members, managers and staff via the REBR pages on SharePoint.



19. The risk management process is explained in detail in the **'Identifying and Assessing Operational Risk'** training course, which is now mandatory for staff completing a risk assessment (see **Appendix 4** for the 2020 training schedule) and teaches staff to: -
- **Identify risk** - management identify risks through brainstorming discussions as a group, or discussion with their staff. REBR are available to support this process either by attending or facilitating risk 'workshops' or delivering risk identification and mitigation training to managers and their business teams in advance of their own sessions;
 - **Assess/Analyse/Evaluate** - management assess the likelihood of risks occurring and the impact on the council/their objectives using the council's approved risk assessment form and the 5x5 scoring methodology. Once the risks are scored, this will determine whether the risks are high, medium or low which will help in the prioritisation of risks for urgent attention (see appendix 2);
 - **Manage** - management determine the best way to manage their risks e.g. terminate, treat, transfer, tolerate or take the opportunity (see paragraph 24 below);
 - **Record risks** – using corporate risk assessment template to record risks (see appendix 3);
 - **Monitor** – management should monitor their risks and the effectiveness of their identified management controls; are controls implemented and need for further controls;
 - **Review** - management ensure identified risks are regularly reviewed and if controls have been implemented, whether further controls are necessary or required. This will normally be managed by means of a risk register (see paragraphs 27 – 35 below for more detail).

IDENTIFYING THE RISKS

20. At LCC in order to identify risks, we need to focus on the aims and objectives of the organisation and of any project and activity. Every activity the council engages in contributes to achieving an objective and so risks that may affect the successful completion of that activity must be taken seriously. Risk is simply defined as **'the effect of uncertainty on objectives'** – ISO31000 Risk Management Standard. As mentioned in paragraph 19, the training session covers in detail how to identify risks. Please refer to **Appendix 3** for the risk assessment template to log risks and its evaluation. **Appendix 5** indicates the different categories of risk which staff use as a prompt to identify risks that are external facing. However, it is not an exhaustive list and officers are reminded that risks may not be present in all categories when they are completing their risk assessment. Other means of identifying risks include previously completed risk assessments, brainstorming exercises involving the relevant stakeholders, complaints received, claims, incident and accident reports. This is discussed in more detail in the training sessions. Also, staff may need to consider carrying out a dynamic risk assessment as and when required, for e.g. in the case of inclement weather, the original risk assessment may not have considered how to operate on a wet day as it was not anticipated.
21. The Manager, Risk Manager will continue to work collaboratively with ALARM, the professional body for Risk Management, as part of the Regional Committee for the Midlands Region, along with other councils and partners to undertake horizon scanning to identify new and emerging risks that affect the council. This may help to identify new collective trends and emerging risks.

ASSESS/ANALYSE AND EVALUATE RISKS

22. The primary function of “scoring” risks is to facilitate their prioritisation and assessment against risk appetite. This step involves determining the likelihood of the risk occurring and its impact should it occur. Please see **Appendix 2** for further detail of the scoring mechanism and the definitions utilised at this council to calculate the level of the risk: - **Impact x Likelihood = Risk score.**
23. This helps to prioritise the risks (risk ranking) which require urgent action using a red, amber, green scoring mechanism (RAG status). The table below indicates how risks that are high, medium and low should be managed.

LEVEL OF RISK	OVERALL RATING	HOW THE RISK SHOULD BE TACKLED/ MANAGED
High Risk	15-25	IMMEDIATE MANAGEMENT ACTION
Medium Risk	9-12	Plan for CHANGE
Low Risk	1-8	Continue to MANAGE

MANAGE THE RISKS

24. Once risks have been identified and assessed by management (**a risk rating score has been derived**), managers should then determine how those risks will be dealt with – a process commonly known as the four T’s. The risk rating score will also enable risks to be prioritised and influence the use of one or more of the four T’s –

- Terminate
- Treat
- Tolerate
- Transfer

Please see below charts for possible actions after assessing and analysis of risks:

Transfer
Transfer risk to another party, outsource, insurance

Terminate
Stop the activity or do it differently using alternative systems

4 T’s

Likelihood	Impact	4 T's	Actions to take
High	High	Terminate	Requires immediate action/avoid or consider alternative ways
High	Low	Treat	Consider steps to take to manage risks – reduce the likelihood and/or better manage the consequence
Low	High	Transfer	Contingency plan/Insurance cover to bear financial losses/transfer risk to third party/outsource
Low	Low	Tolerate Bear losses out of normal operating costs following an informed decision to retain risk, monitor situation	Decision to retain risk, bear losses, instituting a contingency plan, effective or acceptable Treat Implement procedures and controls to reduce the frequency or the severity; formulate a contingency plan to reduce service interruption

High

Low

Low

High

Likelihood

25. Taking the opportunity is an enhancement to this process. This option is not an alternative to the above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk. **There are two considerations here:**

- Consider whether at the same time as mitigating a threat, an opportunity arises to exploit positive impact. For example, if a large sum of capital funding is to be put at risk in a major project, are the relevant controls good enough to justify increasing the sum at stake to gain even greater advantage?
- Consider also, whether circumstances arise which, whilst not generating threats, offer positive opportunities. For example, a drop in the cost of goods or services frees up resource which may be able to be redeployed for projects that enhance the economy of Leicester.

26. Secondary Risk - It's important to note here that it's common for efforts to reduce risk to have risks of their own. These are known as secondary risks. For example, if a project is outsourced/subcontracted a number of secondary risks will be assumed such as the risk that the outsourcing company/subcontractor will fail to deliver.

MONITORING AND REVIEWING THE RISKS

27. After evaluating the measures already in existence to mitigate and control risk, there may still be some remaining exposure to risk (residual risk). It is important to stress that such exposure is not necessarily detrimental to the council and ensures that the council is aware of its key business risks; what controls are in place to manage (mitigate) these risks; and,

what the potential impact of any residual risk exposure is. This step in the risk process never really ends as monitoring and review of your risk assessment to ensure it stays valid is an ongoing process. The ultimate aim of risk management/assessment is to implement measures to reduce the risks to an acceptable level. Monitoring and review of circumstances must occur to see whether the measures implemented have reduced risks effectively and whether more should be done. To summarise, are the controls being implemented, are they effective, do further controls need to be considered, therefore, re-scoring of the risk, and do new risks need to be incorporated or any existing ones deleted.

of

Standard Review	
Red risks	1 – 3 months
Amber risks	3 months
Green risks	6 months

28. It is important that those risks that have been identified as requiring action are subject to periodic review, to assess whether the risk of an event or occurrence still remains acceptable and if further controls are needed. Any further action(s) should be determined, noted and implemented. The frequency of reviews should be decided by management, depending on the type and value of the risks identified (see also 29 below). Currently, at LCC, the significant strategic and operational risks are reviewed and reported on a 4-monthly basis to CMT and bi-annually to the A&RC, with strategic risks reported 4-monthly to the City Mayor and Executive, facilitated by the Manager, Risk Management. Below, is a table indicating a **suggested review** of risks dependent on the risk rating whether, high, medium or low.

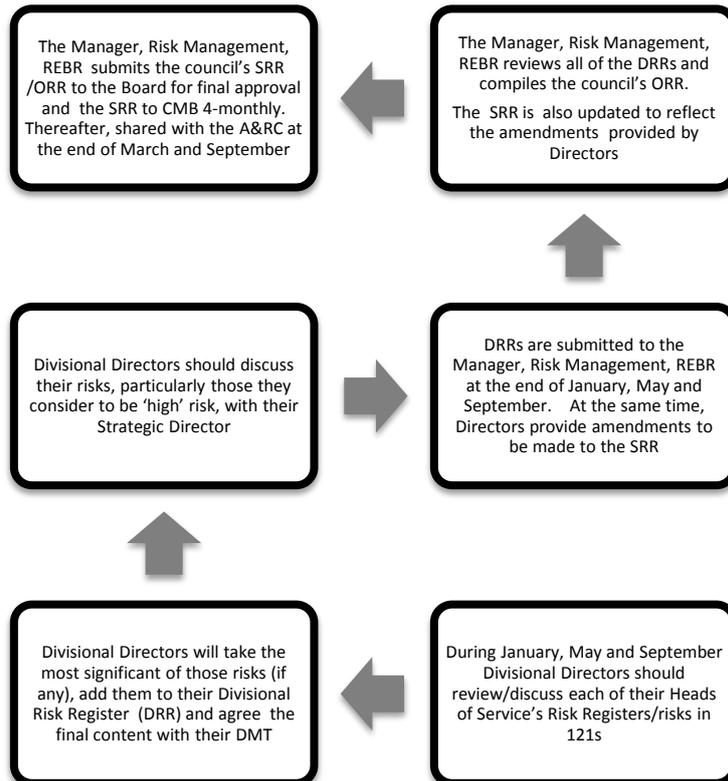
Recommended risk review frequencies as per risk rating:

RISK REPORTING

29. Significant operational risks (scoring 15 and above) should continue to be logged and monitored via the Operational Risk Register (ORR). It is the responsibility of each divisional director to ensure that operational risks are recorded and monitored via a risk register. These registers and the risks identified are aligned to the council's operating structure. REBR has produced a pro-forma risk assessment/register that **must** be used by all business areas (see **Appendix 3**).
30. The most significant risks identified by the divisional directors feed into the council's ORR which is managed by CMT and facilitated by the Manager, Risk Manager, REBR. They are accountable for ensuring that all operational risks are identified against service delivery objectives; that plans are implemented to control these exposures; key risks are included within the individual service plan and that monitoring and communication of risks takes place.
31. The Chief Operating Officer supported by CMT manages and monitors the Strategic Risk Register (SRR) for those risks that may affect achievement of the council's strategic objectives, with REBR facilitating. The most significant of these risks, those that may threaten the council's overall strategic aims, form this register which is reviewed and updated by directors each 4-monthly. Responsibility for these risks rests with named directors. As part of the overall process of escalation, each strategic director should also have risk on their 121

agenda with their divisional directors at least 4-monthly. One of the significant strategic risks is a serious failing of the management of operational risks by their divisional directors.

32. REBR facilitates and supports this process and will continue to maintain the SRR/ORR, using the input from each Divisional Risk Register and the updates provided by each director for the SRR. The SRR/ORR will be reported 4-monthly to the CMT, and bi-annually to the A&RC. In addition, the SRR (Strategic Risk Register) is also reported to the City Mayor / Executive 4-monthly. As part of this process, bespoke training needs may be identified and the REBR team will provide training and support upon request.
33. The process for reviewing and reporting operational and strategic risks at LCC is set out as below:



Key:

- DRR** – Divisional Risk Registers – compiled using most significant operational risks from Heads of Service risk registers.
- ORR** – Operational Risk Registers – produced by REBR using the significant risks from the DRRs submitted by Divisional Directors
- SRR** – Strategic Risk Registers – compiled by REBR using significant risks submitted by Directors and are those risks that may affect achievement of the council's strategic aims.

34. All risks identified, both operational and strategic, will need to be tracked and monitored by regular 4-monthly reviews of the risk registers at 121's with management. This will ensure that any changes in risks requiring action are identified; there is an effective audit trail; and the necessary information for ongoing monitoring and reporting exists.
35. It is recommended to save a new copy of the updated risk register rather than overwriting the existing one so that an audit trail of reviewing risk registers can be evidenced.

PARTNERSHIP RISK

36. It is recognised that partnership working is a key area where associated risk needs to be identified and controlled. Best practice states that local authorities must meet two key responsibilities for each partnership they have. They must: -
- Provide assurance that the risks associated with working in partnership with another organisation have been identified and prioritised and are appropriately managed (partnership risks);
 - Ensure that the individual partnership members have effective risk management procedures in place (individual partner risks).

RISK MANAGEMENT TRAINING

37. An annual programme of training (covering risk and business continuity planning) is available to all staff, managers and members. However, directors and managers should identify staff who require this training through the staff appraisal process (existing staff) and through the jobs specification process (new staff) and appropriate training will be provided by REBR. CMT have made the 'Identifying and Assessing Operational Risk' training mandatory for staff who have to carry out a risk assessment. (See **Appendix 4** for the 2020 training schedule)

INSURANCE LIMITS

38. Guidance is available on SharePoint on what to consider when determining insurance levels if procuring for services by a contractor or third party. The limits requested are based on the risks the activity will impose and the impacts. The consequences, impact and cost of risk columns of the risk assessment template will help to determine the insurance levels required. The insurances requested are usually Public Liability, Employers Liability and Professional Indemnity (though the latter is not always a pre-requisite).

REVIEW OF RISK MANAGEMENT POLICY AND STRATEGY

39. This Risk Management Policy Statement and Strategy is intended to assist in the development/integration of risk management from now until December 2020 when the next review is due of this policy and strategy.
40. All such documents and processes will remain subject to periodic review and with the next planned review to occur in Quarter 4 2020, this allows any changes in process to be aligned to the council's financial year end.

RISK MANAGEMENT AT LEICESTER CITY COUNCIL

41. A robust risk management process should be applied to all our activities during the next 12 months and beyond. To achieve this, priority exposures should be identified, addressed, and incorporated into appropriate risk management strategies and risk improvements into organisation's service delivery. A robust risk process will allow identification of emerging risks and horizon scanning. This should be in line with the council's priorities. This helps to determine how risks affects such priorities, whether to consider changes in council's operations and to enable us to make well-informed decisions. Risk must be considered as an integral part of divisional planning, performance management, financial planning and strategic policy-making processes. The cultural perception of risk management must continue changing from a 'have-to-do' to a 'need-to-do'. However, this does not need to become a bureaucratic and paper intensive exercise and judgment by the appropriate person should be exercised.
42. The Manager, Risk Management, REBR will continue to maintain a central copy of the SRR/ORR as well as the DRR's. Internal Audit will continue to utilise these registers to assist

them in developing the audit plan and producing a programme of audits, which will test how well risk is managed within specific areas of the business – subject to resource being available. The council's Risk Strategy and Policy will help directors to report appropriately upon their risk and their risk registers, together with other information gathered by Internal Audit through consultations, will be used to formulate the audit work programme which, in turn, allows assurance to be given to both the CMT (officers) and the Audit and Risk Committee (members) that risk is being properly identified and managed at LCC.

43. Consideration should be given as to whether the management of risk should be included in job descriptions for all operational service area managers with responsibility and accountability for risks and be included in every director/manager's objectives and performance appraisal discussion.
44. Directors and managers should also ensure that all stakeholders (employees, volunteers, contractors and partners) are aware of their responsibilities for risk management and of the lines of escalation for risk related issues. Operational performance linked to risks helps to achieve objectives more effectively and efficiently.

CONCLUSION

45. A certain amount of risk is inevitable to achieve objectives, improve performance and take opportunities with measured risk-taking, hence the existence of this Policy and Strategy to help the organisation manage those risks and deliver high quality public services and better value for money. The aim of risk management is to 'embrace risk' and acknowledge opportunities can arise from taking risks and not to miss those opportunities.

Appendix 1 - LEADERSHIP, ROLES AND RESPONSIBILITIES

All Councillors	<ul style="list-style-type: none"> To consider and challenge risk management implications as part of their decision-making process.
City Mayor/ Executive	<ul style="list-style-type: none"> Approve the council's Risk Management Strategy and Policy Statement annually. Consider risk management implications when making decisions and determine the risk appetite for the council. Agree the council's actions in managing its significant risks. Receive regular reports on risk management activities and a 4-monthly review of the strategic risk register. Approve an annual statement on the effectiveness of the council's risk controls as part of the statement of accounts. Consider the effectiveness of the implementation of the risk management strategy and policy.
Audit and Risk Committee	<ul style="list-style-type: none"> Receive and note the council's Risk Management Strategy and Policy Statement annually. Receive and note the Strategic and Operational Risk Registers update reports.
Strategic Directors	<ul style="list-style-type: none"> Responsibility for leading and managing the identification of significant strategic risks. Ensure that there is a robust framework in place to identify, monitor and manage the council's strategic risks and opportunities. Ensuring that the measures to mitigate these risks are identified, managed and completed within agreed, time-scales, ensuring that they bring about a successful outcome. Lead in the promoting of a risk management culture within the council and with partners and stakeholders. Approve and maintain the requirements for all CMT reports, business cases and major projects to include a risk assessment (where appropriate). Ensure risk is considered as an integral part of service planning; performance management; financial planning; and, the strategic policy-making process. Consider risk management implications when making Strategic decisions. Management and 4-monthly review of the strategic risk register. Review and progress actions and capture emerging risks. Recommend the level of risk appetite for all strategic risks to Executive. Note, through 4-monthly review, the operational risk register. Ensure that the measures to mitigate these operational risks are identified, managed and completed within agreed timescales, ensuring that they bring about a successful outcome. Ensure that appropriate advice and training is available for all councillors and staff. Ensure that resources needed to deliver effective risk management are in place.
Corporate Management Team (CMT)	<ul style="list-style-type: none"> Responsibility for leading and managing the identification of significant operational risks from all operational areas. Ensuring that the measures to mitigate these risks are identified, managed and completed within agreed timescales, ensuring that they bring about a successful outcome. Lead in promoting a risk management culture within the council and within their departments. Approve and endorse the Risk Management Strategy and Policy Approve regular Risk Registers Report and understand status To respond appropriately and in a timely manner to exceptions in reports to ensure accountability and risk management processes aren't compromised.

Divisional Directors	<ul style="list-style-type: none"> • Submit Divisional Operational Risk Register (DORR) showing significant Divisional operational risks to Risk Management for consideration of inclusion in the council's Operational Risk Register. • Escalating risks/issues to the relevant Strategic Directors, where appropriate. • Ensure there is a clear process for risks being managed by their Heads of Service (and where appropriate, their managers and/or supervisors) to be reviewed, at least quarterly, allowing their DORR to be seen as complete. • Embeddedness of risk management within the service areas they are responsible for and promoting a risk management culture. • Ensure compliance with corporate risk management standards. • Ensure that all stakeholders (employees, volunteers, contractors and partners) are made aware of their responsibilities for risk management and are aware of the lines of escalation of risk related issues. • Identify and nominate appropriate staff for risk management training.
Manager, Risk Management	<ul style="list-style-type: none"> • To develop and coordinate the implementation of the Risk Management and Business Continuity Policy and Strategy. • Provide facilitation, training and support to promote an embedded, proactive risk management culture throughout the council. • Assist the Strategic and Divisional directors in identifying, mitigating and controlling the council's risks. • Coordinate, populate and maintain the strategic and operational risk registers of the council's most significant risks which are submitted to CMT and Audit & Risk Committee 4-monthly. • Review risks identified in reports to Strategic Directors and the Executive. • Ensure that risk management records and procedures are properly maintained, decisions are recorded and an audit trail exists. • Ensure an annual programme of risk management training and awareness is established and maintained to promote good risk management. • To assess emerging risks and key risks facing the council. Horizon scanning. • Advise management of key risk issues • Review External and Internal Audit recommendations to ensure these are picked up and dealt with by the business.
Internal Audit	<ul style="list-style-type: none"> • Have knowledge of Risk Management Policy and Strategy. • Support the risk management process. • Focus internal audit work on significant risks – risk-based auditing. • Provide the Risk team / Divisions / Departments with updates on risks identified from audits where necessary.
All Employees	<ul style="list-style-type: none"> • To have an understanding of risk and their role in managing risks in their daily activities, including the identification and reporting of risks and opportunities. • Support and undertake risk management activities as required. • Attend relevant training courses focussing on risk and risk management.
Stakeholders	<ul style="list-style-type: none"> • Directors and managers should also ensure that all stakeholders (employees, volunteers, contractors and partners) are made aware of their responsibilities for risk management and are aware of the lines of escalation for risk related issues. Risk management is most successful when it is explicitly linked to operational performance

Appendix 2 – RISK APPETITE AND RISK SCORING MATRIX

Key to Table:

The numbers in the boxes indicate the overall **risk score**, simply put:

'Impact score' x (multiplied) by the 'Likelihood score'.

The score is then colour coded to reflect a 'RAG' (red, amber green) status. The solid black line indicates what directors consider is the council's **'risk appetite'** (see paragraphs 4-11 above) where they are comfortable with risks that sit below and to the left of that line.

LIKELIHOOD (A)	Almost Certain 5	5	10	15	20	25
	Probable/Likely 4	4	8	12	16	20
	Possible 3	3	6	9	12	15
	Unlikely 2	2	4	6	8	10
	Very unlikely/ Rare 1	1	2	3	4	5
		Insignificant/ Negligible 1	Minor 2	Moderate 3	Major 4	Critical/ Catastrophic 5
IMPACT (B)						

Likelihood	Impact	Overall rating could be between	How the risk should be tackled / managed	Possible Action to take
High	High	15-25	Immediate Action	Treat / Terminate – needs immediate action
High	Low	9-12	Plan for change	Tolerate / Treat – consider steps to take to manage risks. (It may be acceptable to tolerate at lower end of the scale depending on risk appetite)
Low	High	9-12	Plan for change	Tolerate / Transfer – contingency plan / insurance cover (it may be acceptable to tolerate at lower end of the scale depending on the risk appetite). Contingent measures can reduce the impact upon occurrence
Low	Low	1-8	Continue to manage / tolerate	Tolerate – keep under review as the higher end of the risk score may escalate

	IMPACT	SCORE	BENCHMARK EFFECTS
CRITERIA	CRITICAL/ CATASTROPHIC	5	Multiple deaths of employees or those in the council's care Inability to function effectively, council-wide Will lead to resignation of Chief Operating Officer and/or City Mayor Corporate manslaughter charges Service delivery has to be taken over by Central Government Front page news story in national press Financial loss over £10m
	MAJOR	4	Suspicious death in council's care Major disruption to council's critical services for more than 48hrs (e.g. major ICT failure) Noticeable impact in achieving strategic objectives Will lead to resignation of Strategic Director and/ or Executive Member Adverse coverage in national press/front page news locally Financial loss £5m - £10m
	MODERATE	3	Serious Injury to employees or those in the council's care Disruption to one critical council service for more than 48hrs Will lead to resignation of Divisional Director/ Project Director Adverse coverage in local press Financial loss £1m - £5m
	MINOR	2	Minor Injury to employees or those in the council's care Manageable disruption to internal services Disciplinary action against employee Financial loss £100k to £1m
	INSIGNIFICANT/ NEGLIGIBLE	1	Day-to-day operational problems Financial loss less than £100k

LIKELIHOOD	SCORE	EXPECTED FREQUENCY
ALMOST CERTAIN	5	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently and is probable in the current year.
PROBABLE/LIKELY	4	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue. Will possibly happen in the current year and be likely in the longer term.
POSSIBLE	3	LITTLE LIKELIHOOD of event occurring. Not likely in the current year, but reasonably likely in the medium/long term.
UNLIKELY	2	Event NOT EXPECTED. Do not expect it to happen/recur. Extremely unlikely to happen in the current year, but possible in the longer term.
VERY UNLIKELY/RARE	1	EXCEPTIONAL event. This will probably never happen/recur. A barely feasible event.

Appendix 3 – RISK ASSESSMENT / REGISTER TEMPLATE

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Risk Assessment/Register										Date completed: xx/xx/2019				
Completed by (Risk Register Owner): Name (person who is responsible for all the risks in this register)														
Business Objective	Risk What is the problem/hazard? What is it that will prevent you from meeting your objectives?	Consequence /effect: what would <u>actually</u> happen as a result? How much of a problem would it be? To whom and why?	Existing actions/controls What are you doing to manage this now?	Risk Score with existing measures (See Scoring Table)			Response Strategy / Action What action / response strategy is most appropriate for the risk identified?	Further management actions/controls required. What would you like to do in addition to your existing controls?	Target Score with further management actions/controls required (See Scoring Table)			Cost (of Impact; of current controls; of further controls)	Risk Responder (Officer responsible for managing risk and controls)	Risk Review Date
				Impact	Likelihood	Risk Rating (I x L)			Impact	Likelihood	Risk Rating (I x L)			
What is it you need to achieve? Think about what your objective is/what you have to deliver.	What is the actual risk to your objective? This should be a statement that provides a brief, unambiguous and workable description that enables the risk to be clearly understood, analysed and controlled.	If the risk happens, what will actually be the impact? What will go wrong?	What have you already got in place to either reduce the likelihood of this risk occurring, or to reduce the impact on your area/budget if it does happen? These will be factors that are exerting material influence over the risk's likelihood and impact.	Score as per the scoring guide for both impact and likelihood. Multiply the two together to get the overall risk score. These scores should take into account the existing controls.			Select from the 4T's Tolerate, Treat, Transfer, Terminate	What further action do you feel necessary? Enter here, regardless of whether you have the resource to make these happen.	Score, as per the scoring guide, for both impact and likelihood taking into account the proposed new controls. Multiply the two together to get the overall risk score.			Impact cost - what will it cost you/the Council if this happens? Controls Cost - how much are the current controls costing you and how much will the future controls cost you?	Who is owner of this risk on a day to day basis. This may not be the owner of the risk register nor the person who identified the risk.	When will the future controls be in pace or when will this risk be reviewed

Appendix 4 – 2020 TRAINING SCHEDULE

[Risk, Emergency & Business Resilience Training Programme 2020](#)

Below are details of the Risk, Emergency and Business Resilience Training Programme for 2020. If you wish to attend these sessions, **please book via the following link:**

<https://leicestercitycouncil.sharepoint.com/sites/sec003/SitePages/Current-learning-offer.aspx>

Prior to booking, please discuss with and seek your manager's approval. Most of the sessions are limited to between 15 and 20 attendees, so bookings will be on a 'first come, first served' basis.

All the sessions will take place in City Hall and will start promptly at 9.30am. Sessions tend to run for no more than two hours but can finish 12 noon.

Identifying and Assessing Operational Risks

30 January
27 February
2 April
13 May
17 June
9 July
17 September
20 October
26 November.

(Training delivered by Sonal Devani and Nusrat Idrus)

Since October 2014 this session has been mandatory for all staff who complete an operational risk assessment or risk register. Anyone completing a risk assessment that has not been on this training recently may be exposing the council to a potential uninsured loss. If in doubt – ask!

This course covers the process of Operational Risk Identification and Assessment and will touch upon identification of mitigating controls. The session includes an outline of the council's Risk Management Strategy and Policy and the role you play in implementing the strategy and policy. The session is for anyone who manages operational risk (manage staff; manage buildings; manage contact with service users or the general public) in their day to day role – all tiers of staff from Directors down – and those that let council contracts. The course will lead you through the agreed risk reporting process at Leicester City Council and allow you to identify your role within that process. The practical exercise should help staff complete the council's risk assessment form.

Business Continuity Management

28 January
4 March
21 May
30 June
24 September
18 November.

(Training delivered by Sonal Devani and Nusrat Idrus)

This course provides an understanding of Business Continuity Management within the organisation. It explains the difference between managing business continuity and merely writing your plan. This understanding will allow you to manage unexpected incidents and get back to delivery of your 'business as usual' service in the event of an unforeseen circumstance. This session is aimed at anyone who has a responsibility for a building, staff; and for delivery of a service, therefore, needs to have a business continuity plan or would be part of a recovery team needed to restore an affected

service after an incident. The session also outlines the council's Business Continuity Strategy and Policy and will explain how that might affect you and your work. A step-by-step guide is provided to completing the council's BCP pro-forma. This session should be attended by all Heads of Service and their senior management to ensure that, in the event of a serious, unexpected incident, they understand the processes that will help to ensure the council can continue to operate with minimal impact.

[Emergency Centre Volunteer Training](#)

26 February
26 March
23 April
23 June
10 September
19 November.

(Training delivered by Martin Halse, Ramila Patel and Neil Hamilton-Brown)

The half day training session gives you an understanding of how an Emergency Centre is setup and the roles and responsibilities of staff and various organisations. **'What happens to people when there is a fire or flood in the city?'** Frequently, the council is the first port of call for those caught up in the incident. One of the essential ways the council can help during an emergency is to open an emergency centre to assist those affected, such as happened during the recent major incident at Hinckley Road explosion.

[Personal/Bespoke Sessions](#)

We accept that, due to staff constraints and timing of leave, it may not be possible for all of your staff with a need to attend these training courses to attend one of the dates above. We continue to offer all of our training to specific groups of staff at times and locations to suit you. All of our training can be condensed to fit whatever time you have available. We can also focus on your own service area's needs and objectives when delivering this training to a bespoke group of staff. Please be aware that we are a small team and it may be that such a session may take weeks rather than days to be arranged.

If you would like to discuss a bespoke session, please contact:

For Risk and Business Continuity:

Sonal Devani: (sonal.devani@leicester.gov.uk), 454 (37) 1635,

Nusrat Idrus (Nusrat.idrus@leicester.gov.uk), 454 (37) 1623

For Emergency Management:

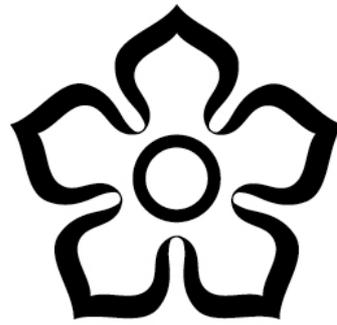
Neil Hamilton-Brown (Neil.Hamilton-Brown@leicester.gov.uk), 454 (37) 1341,

We would like to assist you in any way we can and are happy to meet you to assist you to identify training needs of your staff, whilst at the same time protecting the council's most valuable asset – you and your staff.

Sonal Devani
Manager, Risk Management
Risk, Emergency and Business Resilience

Appendix 5 – CATEGORIES OF RISK

Sources of risk	Risk examples
External	
Infrastructure	Functioning of transport, communications and infrastructure. Impact of storms, floods, pollution.
Political, Legislative and Regulatory	Effects of the change in Central Government policies, UK or EU legislation, local and National changes in manifestos. Exposure to regulators (auditors/inspectors). Regulations – change and compliance.
Social Factors	Effects of changes in demographic profiles (age, race, social makeup etc.) affecting delivery of objectives. Crime statistics and trends. Numbers of children/vulnerable adults 'at risk'. Key Public Health issues.
Leadership	Reputation, authority, democratic changes, trust and branding. Intellectual capital. Culture. Board composition.
Policy and Strategy	Clarity of policies, communication. Policy Planning and monitoring and managing performance.
Technological	Capacity to deal with (ICT) changes and innovation, product reliability, developments, systems integration etc. Current or proposed technology partners.
Competition and Markets	Cost and quality affecting delivery of service or ability to deliver value for money. Competition for service users. Success or failure in securing funding.
Stakeholder related factors	Satisfaction of LCC taxpayers, Central Government, GOEM and other stakeholders. Customer/service user demand.
Environmental	Environmental impact from council, stakeholder activities (e.g. pollution – air and water, energy efficiency, recycling, emissions, contaminated land etc.). Traffic problems and congestion. Impact of activity on climate and climate change.
Operational (Internal influences)	
Finance	Associated with accounting and reporting, internal financial delegation and control, e.g. schools finance, managing revenue and capital resources, neighbourhood renewal funding taxation and pensions. Liquidity and cashflow. Interest rates. Credit lines and availability. Accounting controls.
Human Resources	Recruiting and retaining appropriate staff and applying and developing skills in accordance with corporate objectives, employment policies, health and safety.
Supply Chain - Contracts and Partnership	Supply Chain management. Contracts. Failure of contractors to deliver services or products to the agreed cost and specification. Procurement, contract and life cycle management, legacy. Partnership arrangements, roles and responsibilities.
Tangible Assets and Equipment	Safety and maintenance of buildings and physical assets i.e. properties; plant and equipment; ICT equipment and control. Public access.
Environmental	Pollution, noise, licensing, energy efficiency of day-to-day activities. Natural events, often weather related.
Project and Processes	Compliance, assurance, project management, performance management, revenue and benefits systems, parking systems etc. Research and development.
Professional Judgement and Activities	Risks inherent in professional work, designing buildings, teaching vulnerable children, assessing needs (children and adults).
Safeguarding	Protection of vulnerable adults/children
Corporate Governance Issues	
Integrity	Fraud and corruption, accountability, transparency, legality of transactions and transactions and limit of authority.
Leadership	Reputation, authority, democratic changes, trust and branding.
Information Governance & Data Security/Information for decision making	Data protection, data reliability and data processing. Control of data and information. E-government and service delivery. IT Systems.
Risk Management and Insurance	Incident reporting and investigation, risk analysis or measurement, evaluation and monitoring. Taking advantage of opportunities.



Leicester
City Council

Business Continuity Management Policy Statement and Strategy 2020

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Business Continuity Management

Policy Statement and Strategy 2020

Business Continuity Management Policy Statement

Disruptive unexpected events occur. It might be an external event such as severe weather, utility failure, terrorist attack or pandemic flu, or an internal incident such as ICT failure, loss of a major supplier or loss of a key building. Such events are usually low likelihood, but high impact and need to be planned for. The council is committed to ensuring robust and effective Business Continuity Management (BCM) as a key mechanism to restore and deliver continuity of key services in the event of a disruption or emergency, hence the creation of this Policy for BCM at Leicester City Council (LCC) and which ensures the council fulfils our duties under the Civil Contingencies Act 2004.

By planning *now* rather than waiting for it to happen, we can get back to normal business in the quickest possible time. This is essential for those who rely on council services and it helps our community retain confidence in the council. Planning ahead means firefighting is kept to a minimum, staff feel able to handle such situations and there is reduced reputational damage and reduced potential for financial loss.

In a disruptive situation, it will not be possible to run **all** council services as normal. Whilst all services are important, priority for recovery will be given to those that are the most essential, referred to as the business-critical activities – those that the Board has agreed must be back up and running within 24 hours, and where resources will be directed first. It is unrealistic to expect the entire service, critical or not, to be recovered immediately. In this case, the essential parts of the service are to be restored followed by the non-essential elements when possible – reasonable and practicable action is taken. All services whether deemed critical or not, should have Business Continuity Plans (BCPs) in place which align with ISO22301.

All services and all staff have responsibilities for ensuring the council continues to operate through any crisis. The BCM Strategy and Policy sets the framework for our BCM approach the key elements of which include:

- Business Continuity Planning will be aligned with the International Standard for Business Continuity, ISO22301.
- A Corporate Business Continuity Plan (CBCP) which is revised and maintained annually. Each senior manager will contribute to an annual review of the CBCP with the assistance of the Manager, Risk Management;
- Business critical services are agreed by the Corporate Management Team;
- Clear roles and responsibilities defined within both the corporate and service business continuity plans and which staff are fully aware of;
- Managers have responsibility for ensuring an effective BCP is in place for their service area which meets the expected standard and which is regularly reviewed
- Training provided to staff on BCM;
- The council will implement a programme of BCP testing exercises and learning is reflected in plans.

Andy Keeling
Chief Operating Officer

Sir Peter Soulsby
City Mayor

Business Continuity Management Strategy

1. DEFINITION

Business Continuity Management (BCM) can be defined as:

'A holistic management process that identifies potential threats to an organisation and the impacts to business operations that those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities.'

ISO 22301 Societal security – Business continuity Management systems - Requirements

BCM is about the council preparing for a disaster, incident or event that could affect the delivery of services. The aim being that at all times key elements of a service are maintained at an emergency level and brought back up to an acceptable level as soon as possible. Although the immediate response to a disruption is a key component, business continuity is also concerned with maintenance and recovery of business functions following such a disruption.

BCM is not simply about writing a plan, or even a set of plans. It is a comprehensive management process that systematically analyses the organisation, determines criticality of services, identifies threats, and builds capabilities to respond to them. It should become our 'culture - the way we do things'.

2. SCOPE

BCM is a cross-functional, organisation-wide activity; consequently, the arrangements in this strategy apply to all parts of the council.

Business Continuity should also apply to outsourced contracts and services as well as suppliers, service partners and other relevant stakeholders. This is covered in more detail in section 13. The aim is to ensure that business continuity standards are in place so that the service provider is able to deliver acceptable standards of service following a disruption to the organisation or the supplying company.

3. REQUIREMENTS AND STANDARDS

In addition to making sound business sense for any organisation, the Civil Contingencies Act 2004 places a statutory duty upon the council, and as a Category 1 responder, Leicester City Council (LCC) is to:

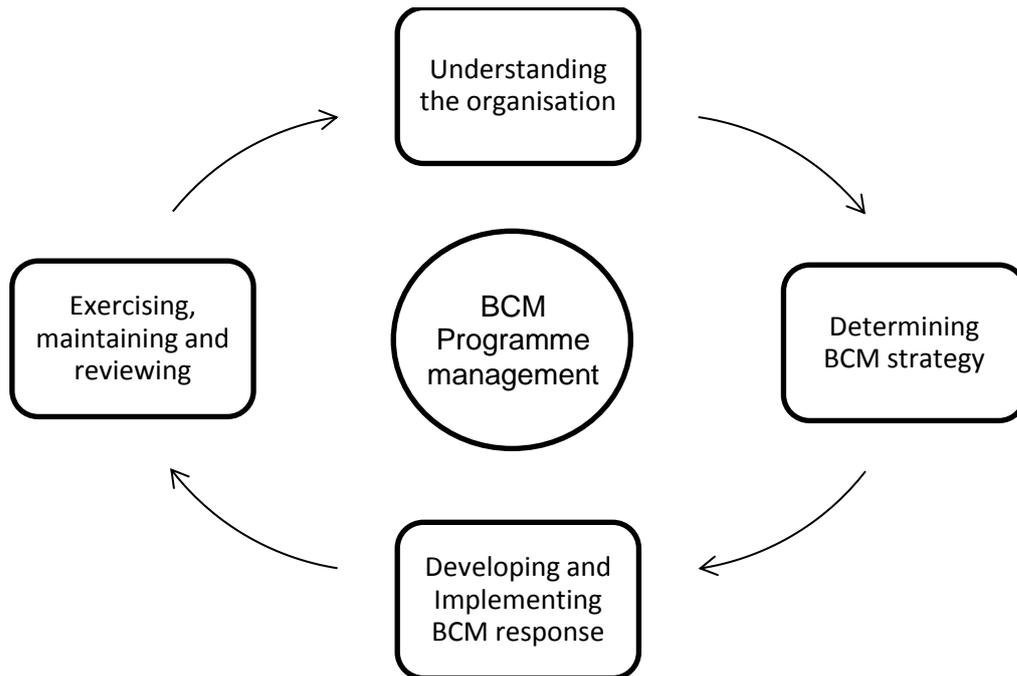
- Maintain plans to ensure that it can continue to exercise its functions in the event of an emergency so far as is reasonably practicable;
- Assess both internal and external risks – achieved through compliant risk assessment in line with the Risk Management Strategy and Policy;
- Have a clear procedure for invoking BCP's;
- Exercise plans and arrange training to those who implement them;
- Review plans and keep them up to date;
- Ensure arrangements to warn, inform and advise the public relating to an emergency are in place;
- Co-operate with other Category 1 responders during and after incident and
- To advise and assist local businesses and organisations with their BCM arrangements.

BCM arrangements are effective only if specifically built for the organisation. The council's programme is aligned with the principles of ISO22301, the International Standard, and to BS11200 Crisis Management Guidance and Good Practice, a recent standard for Crisis Management which is reinforced by reference to the Business Continuity Institute's Good Practice Guidelines.

4. METHODOLOGY

The ultimate aim is to embed BCM within the council's culture. Training and education is an ongoing task but awareness and capability is also a product of the structures put in place and the way we manage our programme.

Embedding BCM in the organisation's culture



BCM programme management involves:

- Assigning responsibilities for implementing and maintaining the BCM programme within the council;
- Implementing business continuity in the council – including the design, build and implementation of the programme;
- The ongoing management of business continuity – including regular review and updates of business continuity arrangements and plans.

Key stages in a BCM programme are:

1. Understanding the organisation:

This stage involves the use of business impact analysis and risk assessments to identify critical deliverables, evaluate priorities and assess risks to service delivery (see below). This step involves intelligent, in-depth information-gathering.

- **Business Impact Analysis (BIA)** – identifying the critical processes and functions and assessing the impacts on the council if these were disrupted or lost. BIA is the crucial first stage in implementing BCM, and helps measure the impact of disruptions on the organisation;
- **Risk assessment** – once those critical processes and functions have been identified, a risk assessment can be conducted to identify the potential threats to these processes.

2. Determining an appropriate Business Continuity Strategy:

Making decisions based on analysis of data gathered. Setting recovery time objectives for services and determining resources required. The identification of alternative strategies to mitigate loss, and assessment of their potential effectiveness in maintaining the council's ability to deliver critical service functions.

The council's approach to determining BCM Strategies will involve:

- Implementing appropriate measures to reduce the likelihood of incidents occurring and/or reduce the potential effects of those incidents;
- Taking account of mitigation measures in place;

City Mayor /	<ul style="list-style-type: none"> • Approve the council's Business Continuity Strategy and Policy
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- Identifying key staff who would be involved in a BCM response to an incident and accessibility to critical BCPs;
- Considering services that have not been identified as critical.

3. Developing and implementing a BCM response:

BCPs are created to address the strategic, tactical and operational requirements of the organisation. It is crucial to evidence the response structure to an incident in the BCPs (see section 7 for more detail).

The Corporate Business Continuity Plan (CBCP) and service areas BCP pulls together the organisation's strategic response to a disruption and enables resumption of business units according to agreed corporate priorities and provides strategies for use by response teams. The BCP ensures that the following actions are considered:

- The immediate response to the incident;
- The interim solutions or maintaining an emergency level of service;
- Reinstating full services.

4. Exercising, maintaining and reviewing:

- **Testing and Exercise** – Testing plans helps to ensure they are in step with organisational changes and can be audited against defined standards. **An exercise programme will enable the organisation to:**
 - Demonstrate the extent to which strategies and plans are complete, current and accurate; and
 - Identify opportunities for improvement
- **Maintenance of BCPs** – Ensures that the organisation's BCM arrangements and plans are fit for purpose, kept up to date, quality assured and support an effective response.
- **Review and Lessons Learnt** - Assesses suitability and adequacy and effectiveness of the BCM programme and identifies opportunities for improvements. It is imperative that a debrief is held after an incident with the involvement of relevant parties, be it internal or external for example, it should include those who are involved in the planning of how to deal with an incident affecting that service area and in the recovery from the incident. Lessons learnt should be taken on board and relevant actions taken by the assignee and reflected in their service area BCPs, as well as relevant procedures and guidance.

Executive	Statement annually.
Audit and Risk Committee	<ul style="list-style-type: none"> Ensure that the Business Continuity Strategy is produced, approved by the Executive and updated regularly; Monitor effectiveness of Business Continuity Management (BCM) arrangements via reports from the Manager, Risk Management Note the BC Policy & Strategy
Chief Operating Officer / BCM Champion	<ul style="list-style-type: none"> During an incident, lead the Council's 'Strategic' (Gold) Incident response.
Strategic and Operational Directors	<ul style="list-style-type: none"> Ensure the BCM policy, strategy and development plan is enforced and resourced appropriately; Participate as required in management teams within the Corporate Business Continuity Plan (CBCP); Ensure appropriate levels of staff sit on the 'Strategic' (Gold) and 'Tactical' (Silver) Recovery teams within the CBCP; Ensure each of their Service Areas has an effective and current BCP in place which is reviewed each year; Annually self-certify that effective plans exist for all their services, that these plans remain current and 'fit for purpose'; and that any testing of those plans has been carried out (with the assistance and support of Risk, Emergency & Business Resilience (REBR), if required); Identify staff for training and also keep themselves updated on BCM practice; Embed BCM culture into the ethos of operational management
Corporate Management Team	<ul style="list-style-type: none"> Approve the BC Strategy and Policy annually and ensure implementation
Manager, Risk Management / Business Continuity & Risk Officer	<ul style="list-style-type: none"> Overall responsibility for co-ordinating the BCM programme; During an incident, co-ordinate the council's BCM incident response(s), supporting the COO as 'Strategic' lead; Following an incident, facilitate the 'lessons learned' session(s); Produce the Corporate BCM framework and key strategies; Make available best practice tools (e.g. templates); Identify training needs and arrange delivery; Support and advise service areas; Facilitate the self cert process; Facilitate testing and exercising of the council's BCPs when requested by Directors/their teams; Quality control – review BCM arrangements for services; Lead on the council's statutory duty to promote BCM in the community.
All Heads of Service / Managers	<ul style="list-style-type: none"> Lead Business Continuity arrangements within their area; Attend training commensurate with their role; Identify staff from their teams that have a role to play in any recovery for suitable training; Prepare a recovery plan covering all service delivery functions (priority for critical functions), update at least annually; and, Implement the agreed arrangements in the event of a disruption.
All Staff	<ul style="list-style-type: none"> Familiarisation with business continuity arrangements within their area; Attend training commensurate with their role; Engage with testing and exercising; Respond positively during a crisis.

**5. R
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The table below details the roles and responsibilities of those involved in BCM, its planning, implementation and invocation of plans.

**6. IN
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The CBCP is a high-level strategic response plan

which is accessible to all 'on call senior officers'. This plan will not allow recovery of individual services but guides them to allow for the recovery of affected services, with the use of the service area's own plans. The CBCP may be invoked by any member of the council's Corporate Incident Response Team (CIRT) as defined within the plan itself. Effectively, the CBCP covers the Council's 'Strategic' (Gold) and 'Tactical' (Silver) level responses with individual service area plans covering the 'Operational' (Bronze) level.

The CBCP is triggered by serious situations such as:

- Serious danger to lives and/or the welfare of council staff, Members, visitors or service users;
- Major disruption of council services or interruption of any of its business-critical activities (as listed in the CBCP);
- Serious loss or damage to key assets;
- Serious impact on the council's financial status or political stability; or
- Emergency situations in Leicester, or the wider Local Resilience Forum area (Leicester, Leicestershire and Rutland).

7. CORPORATE INCIDENT RESPONSE TEAM

The council has put in place a 3-tier incident management structure: - the Strategic (Gold) and Tactical (Silver) teams have control of the situation and are authorised to take all decisions necessary. The Strategic (Gold) Team have overall control by overseeing, directing and authorising the work of the Tactical (Silver) Team who are managing the response and deciding, and monitoring, the actions for the Operational (Bronze) team(s) to implement.

The CBCP sets out this process in more detail. The following teams are subject to change as the BCM Programme develops, but currently are as follows:

Incident Response Team:

- Comprises principally of those Directors and Senior Heads of Service who have responsibility for a defined Business Critical Activity;
- Manages and directs the council's response to a serious incident affecting council services or assets;
- Comprises of the Strategic (Gold) and Tactical (Silver) teams;
 - **Strategic (Gold) Team** will act as a 'check and challenge' function and leads on communications (internal and external), workforce-related matters and directs non critical services;
 - **Tactical (Silver) Team** will manage the Operational (Bronze) Recovery teams and keeps the Strategic (Gold) team informed of developments.

Recovery Teams:

- Comprises principally of Heads of Service and their senior managers;
- Collective responsibility for resumption of critical services within their divisions by means of their own individual BCPs;
- Will be directed by and report back to the CBCP 'Tactical' (Silver) team.

The above establishes the command, control and communication system helping to ensure the organisation has clearly documented and well understood mechanisms for responding to an incident regardless of its cause.

8. MAINTENANCE OF THE CBCP

Ensuring that the plan reflects ongoing changes within the business is crucial. This involves revising the document and amending to reflect updates, testing the updated plan, informing and updating the on call team/authorised personnel. The Manager, Risk Management/Business Continuity & Risk Officer are responsible for this maintenance task and annually they ensure that the CBCP undergoes a formal/complete review which may lead to major revisions and to confirm the incorporation of changes required via the on-call team/directors.

9. BUSINESS CRITICAL SERVICES BCPs

Annually, the Business Continuity & Risk Officer/Manager, Risk Management circulate a reminder to business-critical services plan owners requesting a thorough update of the plan for submission to REBR. The Business Continuity & Risk Officer facilitates this process. Although, changes should be made to their BCP's as and when new staff join or leave, to reflect office moves, procedures changing, a thorough review is expected annually, usually by the financial year end.

Each department is responsible for keeping its contact lists up to date and issuing off site documentation to new members of staff in their service areas BCPs'. These revisions will need to then be distributed to all authorised personnel, who exchange their old plans for the newly revised plans.

10. LOCATING BCPS

The CBCP and BCPs from business-critical services are held securely on the LCC pages hosted on Resilience Direct (a secure Government IT platform within which LCC have a restricted area) as well as the restricted pages on REBR's site on SharePoint.

BCPs should be saved electronically and onto a memory stick (ensuring that the memory stick is an encrypted one). Holding paper copies is acceptable as this mitigates the risk of total loss of ICT, however, also being cautious of such a method as the plan will contain confidential information. Ensure staff within teams are aware who have access to their service area BCP. This will ensure smoother and faster recovery following an incident.

11. BUSINESS CONTINUITY SELF CERTIFICATION

Annually, all Directors will self-certify that BCPs are in place for all their services where the Manager, Risk Manager will facilitate the process and report to Corporate Management Team.

12. MANAGING BUSINESS CONTINUITY INCIDENTS AND INCIDENT MANAGEMENT SYSTEM

REBR support and advise service areas during a business continuity incident to help them manage a response to an incident. After an incident has concluded, REBR can assist with conducting the debrief and lessons learnt session, involving all the relevant parties to assist service areas collect feedback to draw up a list of lessons learned and if necessary, amend BCPs appropriately to reflect any changes.

On-call officers are regularly briefed by REBR on how to deal with internal and external incidents and its response. In addition, they are also briefed on guidance, plans and processes available to them to aid in the response of an incident.

REBR have access to an Incident Management System (IMS) to log incidents. This cloud web-based system is accessible anywhere as long as there is internet access and all logs are timed, dated and by whom. All key LCC responders are/will be given access to log entries during an incident. This is to be used for all major and minor incidents and will help towards conducting the debrief and lessons learnt session.

13. BUSINESS CONTINUITY AND PROCUREMENT

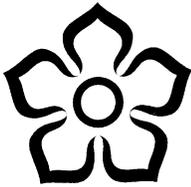
Contracts for goods and/or services deemed critical to business continuity should include a requirement for each nominated supplier to give an assurance and evidence that robust BCP arrangements are in place covering the goods and/or services provided. When procuring critical goods and/or services, the need for further business continuity requirements in the specification and/or evaluation criteria must be considered.

14. BCM IN THE COMMUNITY

The council will participate in appropriate practitioner groups and work with partner agencies and schools to promote BCM in the community and will advise and assist local organisations with their BCM arrangements.

15. MULTI-AGENCY BUSINESS CONTINUITY GROUP

The Manager, Risk Management will continue to chair this group which involves partner agencies such as emergency services, utilities, voluntary organisations. These meetings highlight how partner agencies respond to an incident and its business continuity implications.



Leicester
City Council

WARDS AFFECTED
All

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee

17th June 2020

Annual review of the Council's Local Code of Corporate Governance

Report of the Director of Finance and the City Barrister & Head of Standards

1. Purpose of Report

- 1.1. To present to the Audit & Risk Committee for approval updates to the assurance and corporate governance processes at the City Council and to approve the Local Code of Corporate Governance.

2. Recommendations

- 2.1. The Committee is recommended to:
 - a) Approve the **Local Code of Corporate Governance** (Appendix 1)

3. Summary

- 3.1. In the interests of good governance and compliance with law and regulation, the Council has in place a Local Code of Corporate Governance and a formally constituted Audit & Risk Committee. The Committee has prescribed terms of reference that form part of the Council's constitution and are designed to enable the Committee to discharge its functions both as 'those charged with governance' generally and as 'the Board' under the Public Sector Internal Audit Standards.
- 3.2. There are clear linkages between these components in making up the Council's overall system of corporate governance. In order that they remain relevant and fit for purpose, each of these documents is subject to regular review.
- 3.3. Reporting on actual compliance (i.e. what we have achieved as an organisation in this regard) will be reported in due course through the Annual Governance Statement.

3.4. Local Code of Corporate Governance

- 3.4.1. A central component of the Council's system of governance is its Local Code of Corporate Governance. This reflects the main components set out in the CIPFA and SOLACE guidance *Delivering Good Governance in Local Government: Framework*. The Local Code is a public statement of the arrangements the Council has in place to ensure it conducts its business in a way that upholds the highest standards.
- 3.4.2. The Local Code of Corporate Governance is therefore an important part of the Council's public accountability. It is important it remains fit for purpose, as each year the Council conducts a review of compliance with the Code. The results of this feed into the annual review of the effectiveness of the Council's system of internal control, thereby contributing to the Annual Governance Statement.
- 3.4.3. The Code has been refreshed for 2020/21 to ensure it sets out the Council's objectives and reflects the controls currently in place. Along with setting out how the annual review will be completed.
- 3.4.4. The Local Code of Corporate Governance is given at **Appendix 1**.

3.5. Audit & Risk Committee Terms of Reference

- 3.5.1. As previously reported, it is proposed to review the Terms of Reference. It is intended this will be completed during 2020/21.

4. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

4.1. Financial Implications

Adequate and effective systems of corporate governance and assurance and an effective Audit & Risk Committee are all central components in the processes intended to help ensure that the Council operates efficiently, cost effectively and with integrity. Such arrangements will support the processes of audit and internal control that will help the Council as it faces financially challenging times.

Amy Oliver, Chief Accountant, x37 5667

4.2. Legal Implications

Part 2 of the Accounts and Audit (England) Regulations 2015 obliges the Council to ensure that the financial management of the Council is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk. The Council must conduct a review at least once in a year of the effectiveness of its system of internal control and following the review, must approve an annual governance statement.

Kamal Adatia, City Barrister & Head of Standards, x37 1401

5. Other Implications

Other Implications	Yes/No	Paragraph or references within the report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Climate Change	No	
Crime and Disorder	Yes	This report is concerned with effective systems of governance and control, which are an important safeguard against the risks of theft, fraud and corruption.
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	
Risk Management	Yes	The whole report concerns the governance and assurance processes, a main purpose of which is to give assurance to Directors, the Council and this Committee that risks are being managed appropriately by the business.

6. Report Author

Amy Oliver, Chief Accountant x37 5667

Local Code of Corporate Governance 2020/21

INTRODUCTION

The Council's Code of Corporate Governance is based on the CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework 2016"

The International Framework defines Governance as arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The framework goes on to state to deliver good governance in the public sector both governing bodies and individuals working for them must aim to achieve their entity's objectives while acting in the public interest at all times.

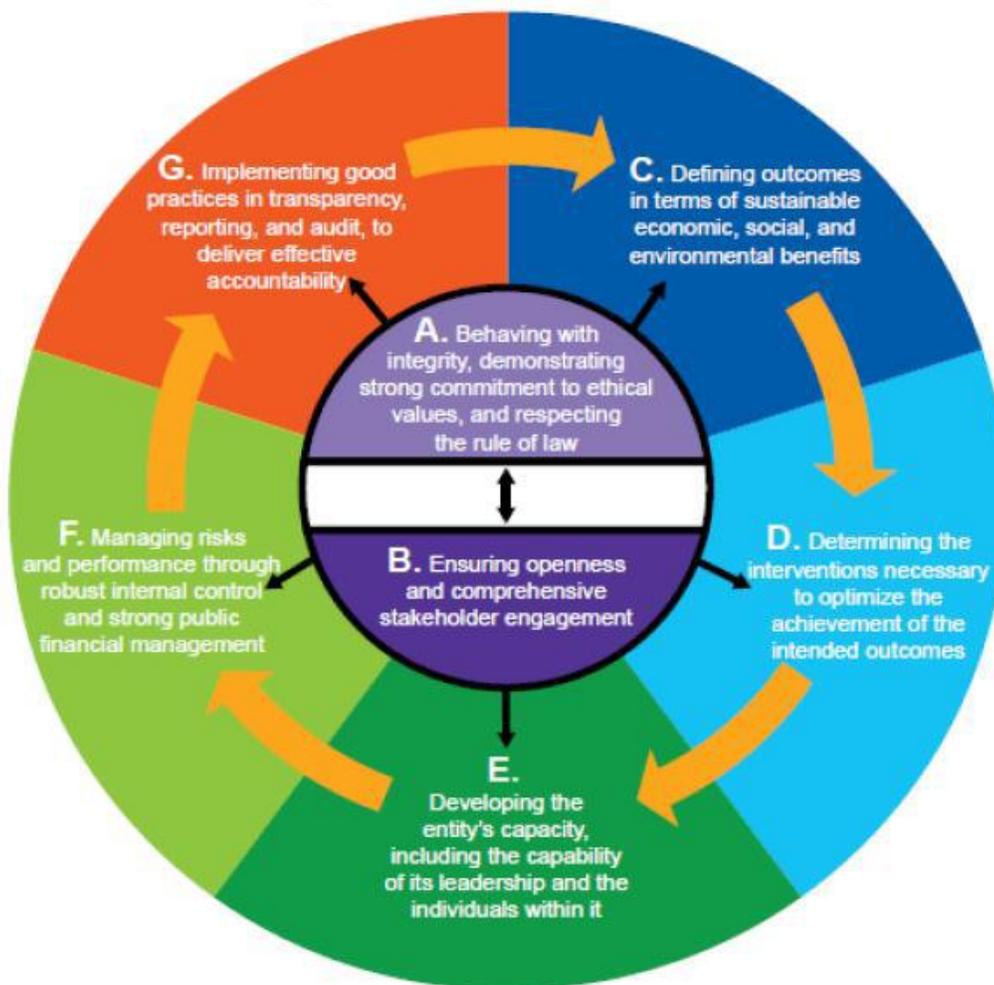
Leicester City Council is committed to the principles of good corporate governance as identified in the CIPFA/SOLACE guidance. Its commitment is confirmed through the adoption of its Local Code of Corporate Governance and its publication of the Annual Governance Statement.

This document sets out Leicester City Council's *Local Code of Corporate Governance for 2020/21* and the processes for monitoring its effectiveness. The Code provides the framework for the Council to achieve its aims and objectives.

CORE PRINCIPLES

The Council’s Code of Corporate Governance is based on the seven core principles. The illustration below shows the principles of good governance in the public sector and how they relate to each other.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



HOW THE COUNCIL ENSURES GOOD GOVERNANCE

The following details how the Council ensures good governance and complies with the CIPFA/SOLACE “Delivering Good Governance Framework” (2016)

Principle	Examples of the Council’s commitment to achieving good governance in practice is demonstrated below
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">126</p> <p>Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</p>	<p>We have the following codes and rules which are followed:</p>
	<ul style="list-style-type: none"> • Constitution
	<ul style="list-style-type: none"> • Financial Procedure Rules
	<ul style="list-style-type: none"> • Code of Conduct for Members
	<ul style="list-style-type: none"> • Code of Conduct for Employees
	<ul style="list-style-type: none"> • Anti-fraud, Bribery & Corruption Policy
	<ul style="list-style-type: none"> • Whistleblowing Policy
	<ul style="list-style-type: none"> • Information Governance & Risk Policy

Principle	Examples of the Council’s commitment to achieving good governance in practice is demonstrated below
<p>Ensuring openness and comprehensive stakeholder engagement.</p>	<p>We show openness and engagement through the following:</p>
	<ul style="list-style-type: none"> • Open Council & committee meetings with published minutes
	<ul style="list-style-type: none"> • Published Executive Decisions
	<ul style="list-style-type: none"> • Scrutiny of Executive projects through commissions
	<ul style="list-style-type: none"> • Call in periods for Executive decisions
	<ul style="list-style-type: none"> • Public engagement through consultation, representations and petitions
	<ul style="list-style-type: none"> • Use of social media engagement on key projects and partnership working
	<ul style="list-style-type: none"> • Publication of Freedom of Information Act responses and transparency data
<p>Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<p>The City Mayor has set out a strategic vision in terms of a number of key pledges which relate to:</p>
	<ul style="list-style-type: none"> • A Fair City
	<ul style="list-style-type: none"> • Homes for All
	<ul style="list-style-type: none"> • Connecting Leicester
	<ul style="list-style-type: none"> • Sustainable Leicester
	<ul style="list-style-type: none"> • Health and Care
	<ul style="list-style-type: none"> • Lifelong Learning
	<ul style="list-style-type: none"> • A City to Enjoy • A Safe and Inclusive City

Principle	Examples of the Council's commitment to achieving good governance in practice is demonstrated below
Determining the interventions necessary to optimise the achievement of the intended outcomes	The key pledges are supported by the following key plans:
	<ul style="list-style-type: none"> • Economic Action Plan
	<ul style="list-style-type: none"> • Local Transport Plan (and sub plans)
	<ul style="list-style-type: none"> • Joint Health & Wellbeing Plan
	<ul style="list-style-type: none"> • Tourism Action Plan
	<ul style="list-style-type: none"> • St George's Cultural Quarter Action Plan
	<ul style="list-style-type: none"> • Sustainability Action Plan
	<ul style="list-style-type: none"> • Children's Improvement Plan
	<ul style="list-style-type: none"> • Heritage Action Plan
	<ul style="list-style-type: none"> • Homelessness Strategy
	<ul style="list-style-type: none"> • Air Quality Action Plan
	<ul style="list-style-type: none"> • Flood Risk Management Strategy
	<ul style="list-style-type: none"> • Departmental performance targets
	<ul style="list-style-type: none"> • Budget Strategy
	<ul style="list-style-type: none"> • Corporate Risk Management Strategy
<ul style="list-style-type: none"> • Local Plan 	

- Biodiversity Action Plan

Principle	Examples of the Council's commitment to achieving good governance in practice is demonstrated below
Developing the entity's capacity, including the capability of its leadership and the individuals within it	The Council is supported by:
	<ul style="list-style-type: none"> • Democratic services including Member and Civic Support Services, who also support member development
	<ul style="list-style-type: none"> • An Organisational Development Team, who ensure effective development of employees
	<ul style="list-style-type: none"> • A communications functions which includes PR, Media and Digital Media Teams
	<ul style="list-style-type: none"> • A staff intranet and established internal communication channels, which provide guidance to staff
	<ul style="list-style-type: none"> • Partnership working on key priorities
	<ul style="list-style-type: none"> • An Information Assurance Team to support our data policies
	<ul style="list-style-type: none"> • Specialist teams offering professional advice, for example Legal, Procurement, IT and Finance
Managing risks and performance through robust internal control and strong public financial management	We review processes and delivery throughout the year supported by:
	<ul style="list-style-type: none"> • Internal Audit
	<ul style="list-style-type: none"> • External Audit
	<ul style="list-style-type: none"> • Information Governance
	<ul style="list-style-type: none"> • Audit and Risk Committee
	<ul style="list-style-type: none"> • Regular reporting of Capital and Revenue spend during a year
	<ul style="list-style-type: none"> • Annual review of the Local Code of Corporate Governance
	<ul style="list-style-type: none"> • Annual review of the Assurance Framework

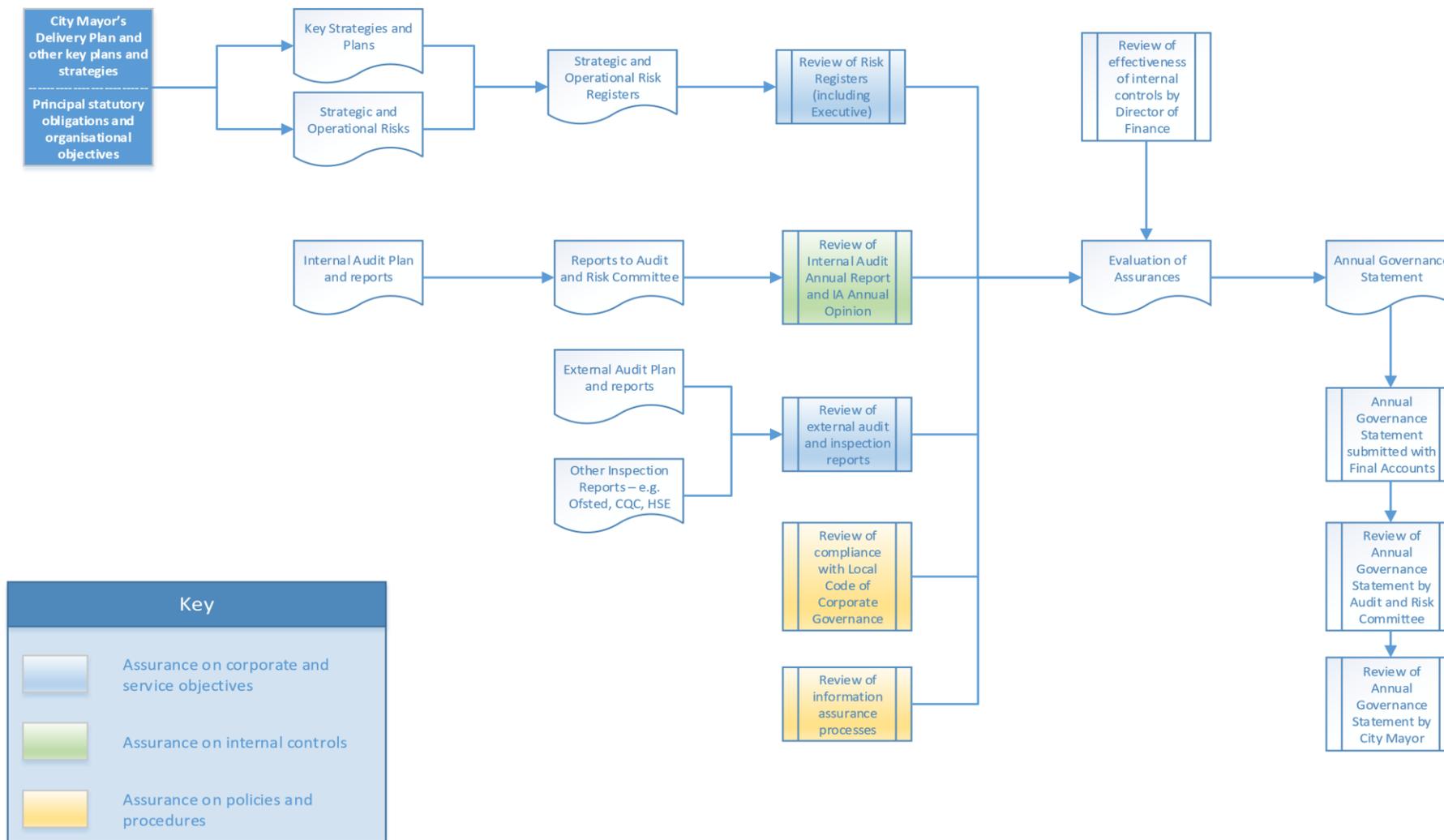
Principle	Examples of the Council's commitment to achieving good governance in practice is demonstrated below
Implementing good practices in transparency, reporting, and audit to deliver effective accountability	How the Council demonstrates good practice and ensures accountability:
	<ul style="list-style-type: none"> • External Audit
	<ul style="list-style-type: none"> • Annual Financial Statements
	<ul style="list-style-type: none"> • Annual Governance Statement
	<ul style="list-style-type: none"> • Open Council & committee meetings with published minutes
	<ul style="list-style-type: none"> • Compliance with CIPFA codes of Practices
	<ul style="list-style-type: none"> • Scrutiny Committees

Additional information on many of the areas detailed above can be found on the Council's website;

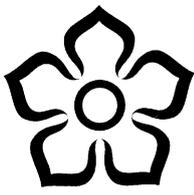
<https://www.leicester.gov.uk>

ANNUAL REVIEW OF GOOD GOVERNANCE

The Council is annually required to assess how effective its governance arrangements are and report this through the Annual Governance Statement. The assessment of the Council's effectiveness is completed by following the framework below;



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Leicester
City Council

WARDS AFFECTED – ALL

Appendix I

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee

17th June 2020

Member Scrutiny & Involvement During the Covid-19 Pandemic

REPORT OF THE DIRECTOR OF DELIVERY COMMUNICATIONS AND POLITICAL GOVERNANCE

1. PURPOSE OF REPORT

- 1.1 To update the committee on the scrutiny and member involvement during the Covid-19 pandemic.

2. SUMMARY

- 2.1 This report provides Audit & Risk Committee a summary of how scrutiny and member involvement has been maintained during the COVID-19 pandemic.
- 2.2 This report is not focusing on what the Council has done to support the city during the COVID-19 pandemic, although some high-level background is provided.

3. RECOMMENDATIONS

- 3.1 That the Committee note the report and comment.

4. BACKGROUND

- 4.1 The outbreak of the Coronavirus was declared in December 2019, with the UK government introducing social distancing in March and the country going into “lockdown”.
- 4.2 Early on in this process the Council activated its business continuity plans. This has meant services such as waste collection and key enforcement activity to protect the safety of our residents and businesses has been maintained. During this time many of our services have also been able to continue operating through home-working, which has been supported by the significant work of the ICT division. Although some services have

necessarily closed in accordance with Government regulations, such as leisure centres, libraries and De Montfort Hall.

- 4.3 Some services have seen additional pressures placed on them during this period to continue supporting local residents and businesses. Examples include Adult Social Care, Housing and Homelessness, Revenues and Customer Support and Public Health
- 4.4 In addition to this, the Government announced a series of financial packages for the Council, residents and businesses. The largest in financial terms is the Small Business Grant and Retail, Hospitality and Leisure Grant scheme, followed more recently by the Local Discretionary Business Grant scheme. The Council expects to have allocated over £70m to eligible businesses, charities and sole traders by the time the schemes close.
- 4.5 Full details on the Council's response to the COVID-19 pandemic can be found the report to Overview Select Committee on 21st May 2020, link below.

<http://www.cabinet.leicester.gov.uk:8071/documents/s111432/Leicester%20City%20Councils%20Coronavirus%20Response.pdf>

5. COMMITTEE MEETINGS & INFORMAL BRIEFINGS

- 5.1 In March, the Council made the decision to cancel committee meetings in the light of social distancing and isolation requirements.
- 5.2 Following this decision, the Government introduced regulations to enable virtual meetings to take place, being formally enacted on the 4th April 2020. Therefore, it was not possible to hold formal committee meetings until this point.
- 5.3 Adapting to these regulations and ensuring both staff and members were familiar and able to use the ICT systems for virtual meetings required quite a lot of preparation, including addressing wide ranging ICT requirements. Significant testing was also required to ensure we were ready to hold formal, public meetings virtually.
- 5.4 The first virtual meeting was held by Licensing on the 24th April, followed by Planning on the 13th May 2020.
- 5.5 Since then OSC had a virtual meeting on the 21st May focusing on Covid-19. Other Scrutiny Commissions and Committees are now progressing as demonstrated by this meeting.
- 5.6 Whilst formal meetings have not been possible, the Executive and officers have worked hard to engage with all members throughout this process and examples are provided below:

- 15th April 2020 - Briefing for OSC members and Labour Group officers
 - 21st April 2020 – Briefing for Leicester East members
 - 22nd April 2020 – Briefing for Leicester South members
 - 23rd April 2020 – Briefing for Leicester West members
 - 13th May 2020 – All member briefing
- 5.7 For all briefings, members were invited to raise questions in advance to enable responses to be provided during the briefing or afterwards if appropriate. Further to this, notes from each briefing were circulated to all members.
- 5.8 Members have received regular updates via email at least weekly from the Director of Delivery, Communications and Political Governance. In addition, the City Mayor has emailed about a number of specific issues. All such emails encouraged members to raise questions/issues with either the City Mayor, Executive or officers as appropriate, and to feedback aspects they wanted to know more about or have clarified.
- 5.9 Member and Civic Support Team have contacted members by phone to check on any issues or concerns. Members have also been receiving the all staff emails and press releases.
- 5.10 Although formal meetings were unable to happen for a short period this report demonstrates how scrutiny and member involvement has continued throughout this unprecedented period for the Council.

6. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

i. Financial implications

None arising directly from this update report.

ii. Legal Implications

No direct legal implications arising from this update report.

OTHER IMPLICATIONS	YES/ NO	Paragraph/References within the Report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	

7. BACKGROUND PAPERS

Leicester City Council's Coronavirus Response – OSC 21st May 2020.

8. CONSULTATIONS

None

9. REPORT AUTHOR

Amy Oliver, Chief Accountant



Leicester City Council Audit & Risk Committee
17 June 2020

**Report of Leicestershire County Council's Head of Internal
Audit & Assurance Service**

Internal Audit Charter (March 2020)

Purpose of report

1. To seek the Audit & Risk Committee's (the Committee's) approval of a new Internal Audit Charter following the regular annual review and updates.
2. To explain how the impact of the coronavirus might affect parts of the Charter.

Recommendations

3. The Committee is recommended to approve the Internal Audit Charter (Appendix) and agree that it accurately reflects the terms of reference of the internal audit function provided by Leicestershire County Council Internal Audit Service (LCCIAS).

Background

4. In January 2017, the Council's internal audit function was delegated to Leicestershire County Council.
5. LCCIAS conforms to all relevant standards and legislation, particularly the Public Sector Internal Audit Standards (PSIAS).
6. The PSIAS mandate that the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter (the Charter) by each public body. The Head of Internal Audit Service (HoIAS) must periodically review the Charter and present it to senior management and the board (the Committee) for approval.

7. The Charter establishes LCCIAS' position within the City Council, including the nature of the HoIAS' functional reporting relationship with the Statutory Officers, senior management and the Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the Committee.
8. Providing a formal, written Charter is important to managing the provision of internal audit activity by LCCIAS. The Charter provides a recognised statement for review and acceptance by senior management and for approval, as documented in formal minutes, by the Committee. It also facilitates a periodic assessment by the HoIAS of the adequacy of the internal audit activity's purpose, authority, and responsibility, which establishes the role of LCCIAS and whether it continues to be adequate to enable it to accomplish its objectives. If a question should arise, the Charter provides a formal, written protocol agreed with the Officers and the Committee about the City Council's internal audit activity.
9. The Charter was last approved by the Committee in March 2018. Whilst there haven't been specific revisions to the PSIAS, the practical guidance to conforming to the Standards and guidance on the role of the HoIAS were both revised in April 2019. Additionally, the membership of the Committee has significantly changed including a new Chair and Vice Chair, so it was thought that good governance would be demonstrated if the Committee approved the 2020 version.

How the impact of the coronavirus might affect parts of the Charter

10. The HoIAS has reviewed the Charter to assess how it may have been affected by the coronavirus. The Charter is based on a set of principles which should overall remain and be applicable. However, there are perhaps two areas that may require closer monitoring until there is at least more stability and a 'new normal' state beds in: -
 - a. Section 5 – 'Definitions'. The proportion of assurance activity to consulting activity. Traditionally, assurance activity (*An objective examination of evidence for providing an independent assessment on governance, risk management and control processes*) has formed the bulk of the internal audit plan. However, over the next 9 months it's likely that managers are developing new services, alternative methods of delivery etc. In which case there could be a shift to more consulting activity (*provision of include advice, commentary on management's intended control design and framework and potential implications of changes to systems, processes and policies*). This could affect the HoIAS opinion. Also, the Charter records that should consulting become 'significant' then this Committee should approve the direction.

- b. Section 6 – ‘Authority’. The sub section ‘Access’ provides authority for internal audit’s right of access to all records, assets, personnel and premises. The principle is still applicable, but the logistics will need to be developed to ensure the integrity of the audit process is retained

11. The HoIAS will further advise the Committee at a future date how these two potential variations from the Charter are being managed.

Resource Implications

12. The Council pays for LCCIAS to provide its internal audit activity

Equal Opportunities Implications

13. There are **no specific** equal opportunities implications contained within the annual summary of work undertaken.

Legal Implications

14. There are no direct additional legal implications arising from this report. These implications will rest within (and be reported by) the business areas that have day-to-day responsibility for managing their risk.

Background Papers

The Constitution of Leicester City Council
Leicester City Council Internal Audit Charter (March 2018)
The Public Sector Internal Audit Standards (revised April 2017)
CIPFA Local Government Application Note (revised April 2019)
CIPFA Role of the Head of Internal Audit *revised 2019)

Circulation under Sensitive Issues Procedure

None

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Appendix

Internal Audit Charter (March 2020)

Leicester City Council: Internal Audit Charter (March 2020) :

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Contents

1. Introduction

- The Public Sector Internal Audit Standards (the PSIAS), provide a consolidated approach to the function of internal auditing across the whole of the public sector enabling continuity, sound corporate governance and transparency. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA) standards, and additional requirements and interpretations for the UK public sector. The PSIAS were further revised from 1st April 2017. A Local Government Application Note (LGAN) developed by CIPFA (revised April 2019) provides practical guidance on how to apply the PSIAS.
- The objectives of the PSIAS are to:
 - a. define the nature of internal auditing within the UK public sector
 - b. set basic principles for carrying out internal audit in the UK public sector
 - c. establish a framework for providing internal audit services which add value to the organisation, leading to improved organisational processes and operations
 - d. establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- The PSIAS mandate that the purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter (the Charter), consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The chief audit executive (the term is explained at 5.10 below) must periodically review the Charter and present it to senior management and the board for approval. Responsibility for, and ownership of, the Charter remains with the organisation and final approval of the Charter resides with the Board (the term is explained in 5.12 and 5.13 below).

2. The Mission of Internal Audit

- *To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*

3. Purpose

- Leicester City Council has delegated provision of its internal audit function to Leicestershire County Council. The County Council's Internal Audit Service (LCCIAS) has adopted the Definition of Internal Auditing from the PSIAS.

The definition explains the purpose of the internal audit activity: -

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.

It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

- The LGAN further explains that Leicester City Council’s management, ‘...is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements (known as the control environment). The internal audit function plays a vital part in advising the organisation that these arrangements are in place and operating properly. The annual internal audit opinion, which informs the governance statement, both emphasises and reflects the importance of this aspect of internal audit work. The organisation’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives’.

4. Core Principles for the Professional Practice of Internal Auditing

- The Core Principles, taken as whole, articulate internal audit effectiveness.
- For an internal audit function to be considered effective, all principles should be present and operating effectively. The County Council’s Head of Internal Audit and Assurance Service providing the role of the City Council’s Head of Internal Audit Service (HoIAS) is responsible for ensuring individual internal auditors, as well as the internal audit activity, demonstrate achievement of the Core Principles.
- The Core Principles are: -
 - a. Demonstrates integrity.
 - b. Demonstrates competence and due professional care.
 - c. Is objective and free from undue influence (independent).
 - d. Aligns with the strategies, objectives, and risks of the organisation.
 - e. Is appropriately positioned and adequately resourced.
 - f. Demonstrates quality and continuous improvement.
 - g. Communicates effectively.
 - h. Provides risk-based assurance.
 - i. Is insightful, proactive, and future-focused.
 - j. Promotes organisational improvement.

5. Definitions

Independence

- The PSIAS define independence as *'the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity requires the head of the activity to have direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional and organisational levels'*.

Objectivity

- The PSIAS define objectivity as *'...an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional and organisational levels'*.

Assurance activity

- This is defined in the PSIAS as *'An objective examination of evidence for providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements'*.
- LCCIAS conducts a wide range of engagements (assignments) designed to evaluate the quality of corporate governance and risk management processes and systems of internal control across all aspects of the City Council's control environment (including where it works in partnership with and leads on behalf of others).
- LCCIAS aims to co-ordinate its assurance activity with other internal and external providers of assurance services to ensure sufficient and proper coverage over the control environment and minimise duplication of efforts.

Consulting activity

- This is defined in the PSIAS as *'Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility'*.
- LCCIAS often acts in a consulting role and provides support for improvement in the City Council's systems, procedures and control processes without

assuming management responsibility. Examples include advice, commentary on management's intended control design and framework and potential implications of changes to systems, processes and policies. The provision of such advice does not prejudice LCCIAS' right to evaluate the established systems and controls at a later date. Other consulting includes counsel, facilitation and training.

- There is a specific public sector requirement that *'Approval must be sought from the board (see 5.12 below) for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.* The HoIAS' determination of 'significant' is 5% of total available planned days.
- The combined results and outcomes of assurance and consulting activities are fundamental to determining the annual internal audit opinion on the overall adequacy and effectiveness of the City Council's control environment.

The Chief Audit Executive

- Although the PSIAS and LGAN have both adopted the original IIA Standards term 'Chief Audit Executive', it is recognised that this only describes a role which at Leicester City Council (the Council) is performed by the County Council's Head of Internal Audit and Assurance Service when undertaking the role of Head of Internal Audit Service (HoIAS). Within this Charter, all references from hereon are to the HoIAS.

The Board and Senior Management

- A public sector requirement of the PSIAS is for the Charter to define the terms 'board' and 'senior management' for the purposes of internal audit activity. The LGAN advises the terms must be interpreted in the context of the governance arrangements within each individual organisation.

The Board

- The PSIAS definition of the Board informs that it, *'...may refer to an audit committee to which the governing body has delegated certain functions'*. The Council has established the Audit & Risk Committee (the Committee) to report to the Council and to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. Other responsibilities of the Committee that align to requirements of PSIAS include monitoring: -
 - a. the adequacy and effectiveness of the Internal Audit Service
 - b. the effectiveness of officer arrangements for ensuring an adequate internal control environment and combating fraud and corruption
 - c. the arrangements for the identification monitoring and management of strategic and operational risk within the Council.

- Consequently, at the Council the Committee will perform the function of the Board. Within this Charter, all references from hereon are to the Committee.

The Senior Management Team

- There is not a specific definition of 'senior management' in either the PSIAS or the LGAN. However, the PSIAS require *'the HoIAS to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals'*, and the LGAN advises that *'an effective internal audit service should understand the whole organisation, its needs and objectives'*. To fully understand and be able to fulfill its responsibilities, the HoIAS and his/her team require unfettered access to Directors and especially the statutory officers i.e. the Chief Financial Officer and Monitoring Officer.
- At the Council, Corporate Management Team (CMT) will perform the functions of the Senior Management Team. Within this Charter, all references from hereon are to the CMT.

6. Authority

Statutory and Professional Requirements for internal audit activity

- Regulation 5(1) of the Accounts and Audit Regulations 2015 (the Regulations), require 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'*.
- Section 151 of the Local Government Act 1972, states that every local authority should *'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'*. CIPFA defines that *'proper administration'* should include *'compliance with the statutory requirements for accounting and internal audit'*. The Council's Constitution (Finance Procedure Rule 7.0) determines that the provision of an adequate and effective system of internal audit is the responsibility of the Council. The Council has delegated this function to the Director of Finance (the Chief Financial Officer - CFO), who shall provide an internal audit service to the City Council in accordance with statutory requirements and professional standards.
- The relationship between the head of the internal audit activity, namely the HoIAS, and the CFO (Director of Finance at the Council) is of particular importance in local government. The CIPFA Statement on the Role of the CFO in Local Government states that the CFO must: -
 - a. *ensure an effective internal audit function is resourced and maintained*
 - b. *ensure that the authority has put in place effective arrangements for internal audit of the control environment and systems of internal control*
 - c. *support the authority's internal audit arrangements*

- d. *ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively*
- At the Council, the Director of Finance: -
 - a. contributes to and agrees the overall annual internal audit plan
 - b. receives periodic updates on progress and performance against the plan and approves major variations before they are reported to the Committee
 - c. commissions (or approves) unplanned audits
 - d. reviews performance against the plan and maintenance of standards

Access

- PSIAS 1000 requires the Charter to, *'establish internal audit's right of access to all records, assets, personnel and premises, including those of partner organisations where appropriate, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities'*.
- The Council's Constitution Finance Procedure Rule 7.2.5 states that for the purposes of carrying out an audit or investigation, internal auditors are authorised to: -
 - a) have access at all times to any City Council premises and property;
 - b) have access to all data, records, documents and correspondence relating to any financial or any other activity of the City Council;
 - c) have access to any assets of the City Council;
 - d) require from any member, employee, agent, partner, contractor or other person engaged in City Council business any necessary information and explanation.
- Whilst not explicit, Rule 7.2.5 is a conduit to seeking agreement to access relevant records (whether electronic or otherwise) held by service providers. They apply to Council services provided under contracts and partnership arrangements of all kinds including joint, shared and pooled arrangements. This right of access shall be incorporated within all relevant contract or service agreement documents involving City Council services provided other than internally. It applies to all internal auditors legitimately engaged on Leicester City Council internal audit business.
- Where services subject to audit are provided to the Council through partnership arrangements, the HoIAS shall decide, in consultation with all parties, the extent to which reliance shall be placed on assurances provided on behalf of partner organisations or their internal auditors. Where appropriate, adequate access rights will be agreed if it is determined that Internal Audit should conduct its own work to derive relevant assurances rather than rely on other parties.
- LCCIAS will safeguard all information obtained in the carrying out of its duties and will only use it for the purposes of an audit or investigation. LCCIAS will make no disclosure of any information held unless this is authorised or there is a legal or professional requirement to do so.

Organisational independence

- The PSIAS require that '*reporting and management arrangements must be put in place that preserves the HoIAS (and LCCIAS) independence and objectivity, in particular with regard to the principle that they must remain independent of the audited activities*'. Provision of the Council's internal audit function has been delegated under formal agreement to Leicestershire County Council, and so there is clear independence.
- PSIAS 1110 on Organisational Independence states that '*the HoIAS must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The HoIAS must confirm to the Committee, at least annually, the organisational independence of the internal audit activity*'. An additional public sector requirement of PSIAS 1110 is that '*The HoIAS must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee*'.
- The HoIAS reports to the Director of Finance. However, the HoIAS has the right to report directly to other Directors, the Chief Operating Officer, the Monitoring Officer, the City Mayor or to Council (through the Audit and Risk Committee or the Executive) if, in his opinion there are matters of concern that could place the Council in a position where the risks it faces are unacceptable. In accordance with PSIAS 1110A.1, there is acknowledgement amongst these parties that the internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.
- In accordance with PSIAS 1112, the HoIAS is not expecting to have to disclose roles and/or responsibilities at the Council that fall outside of internal auditing which would create impairments to his independence or objectivity.

7. Responsibility

This section of the Charter summarises the key responsibilities of the Committee, CMT and the HoIAS and LCCIAS internal auditors

The Committee's responsibilities

- Examples of key duties within the PSIAS which align to the Committee's Terms of Reference (ToR) are as follows: -
 - a. approve the internal audit charter
 - b. approve the risk based internal audit plan
 - c. receive communications from the HoIAS on internal audit performance relative to its plan and other matters
 - d. receive an annual confirmation from the HoIAS with regard to the organisational independence of the internal audit activity

- e. receive the HoIAS' annual report, including the opinion on the control environment, a statement on conformance to the PSIAS and the results of the Quality Assurance and Improvement Programme – QAIP (see 7.5a)
- f. make appropriate enquiries of management and the HoIAS to determine whether there are inappropriate scope or resource limitations.

CMT's responsibilities

- The effectiveness of the internal audit activity relies upon the full co-operation of management. Under this Charter, CMT will co-operate with the HOIAS in the following: -
 - a. providing input to the annual risk based internal audit plan
 - b. agreeing Terms of Engagement within agreed timescales
 - c. sponsoring each audit at Senior Management level
 - d. providing LCCIAS with full support and co-operation including access to relevant records and personnel
 - e. responding to LCCIAS reports within agreed timescales;
 - f. ensuring that recommendations are implemented within agreed timescales;
 - g. providing assurance that management actions have been implemented
 - h. notifying the Director of Finance of any significant changes in the control environment and proposed changes and developments in systems;
 - i. notifying the Director of Finance and the Monitoring Officer of all suspected or detected fraud, corruption or impropriety.

The HoIAS' responsibilities

Code of Ethics

- The HoIAS must ensure that LCCIAS internal auditors conform to the Code of Ethics (the Code), which promotes an ethical and professional culture and comprises both principles that are relevant to the profession and practice of internal auditing, and rules of conduct that describe behaviour norms and guide the ethical conduct expected of internal auditors. The Code does not supersede or replace either individuals' own professional bodies' codes of ethics or those of the Council. A PSIAS public sector requirement is that LCCIAS internal auditors must have regard to the Committee on Standards in Public Life's 'Seven Principles of Public Life'.

International Standards for the Professional Practice of Internal Auditing

- The HoIAS must ensure that there is a robust framework supporting the activity of internal audit and that LCCIAS' internal auditors are trained and guided, and their performance monitored, to ensure they conform to the detailed attribute and performance standards within the PSIAS.

- LCCIAS aims to conform to the full range of the standards. Many of the detailed PSIAS requirements for planning, performing, communicating results and monitoring progress merely reinforce practices and procedures that are already firmly embedded in LCCIAS' approach to internal audit activity and so those details are not repeated in this Charter. Only new requirements, extensions and variations are explained in more detail below: -

Attribute standards

- a. 1300 - The HoIAS must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity.

The QAIP should enable: -

- evaluations of LCCIAS' conformance with the Mission, Definition and Core Principles of Internal Auditing; Code of Ethics and the Standards
- assessment of the efficiency and effectiveness of the internal audit activity
- the identification of opportunities for improvement.

The QAIP must plan for both internal and external assessments and the latter must be conducted at least once every five years by a qualified, independent assessor (the assessor) or assessment team (the team) from outside the organisation.

The HoIAS must discuss with the Committee both the form of external assessments and the qualifications and independence of the assessor or team, including any potential conflict of interest.

There are two additional public sector requirements: -

- the HoIAS must agree the scope of external assessments with an appropriate sponsor, i.e. the County Council's Director of Finance as well as with the assessor or team. The HoIAS must communicate the results of the QAIP to CMT and the Committee
- the results of the QAIP and progress against any improvement plans must be reported in the HoIAS annual report. The HoIAS may state that LCCIAS conforms with the International Standards for the Professional Practice of Internal Auditing only if the results of the QAIP support this statement. When non-conformance with the Mission, Definition and Core Principles of Internal Auditing; Code of Ethics and the Standards impacts the overall scope or operation of the internal audit activity, the HoIAS must disclose the non-conformance and the impact to CMT and the Committee. An additional public sector requirement is that more significant deviations must be considered for inclusion in the governance statement.

Performance standards

- b. 2000 - The HoIAS must effectively manage the internal audit activity to ensure it adds value to the organisation. This sub-set of requirements includes the HoIAS' responsibility to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

There is a requirement for the risk-based plan to incorporate or be linked to a strategic or high-level statement of how the internal audit activity will be delivered and developed in accordance with the Charter and how it links to the Council's objectives and priorities.

There are two additional public sector requirements: -

- the risk-based plan must explain how LCCIAS' resource requirements have been assessed. Where the HoIAS believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the Committee
- the HoIAS must include in the risk-based plan the approach to using other sources of assurance (e.g. the External Auditor or where the Council is in partnership with another organisation) and any work required to place reliance upon those other sources. This is borne out by ref 2050 that the HoIAS should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Reporting to the Committee on performance relative to the plan is well established. However, PSIAS also requires periodically reporting to the Director of Finance, CMT and the Committee on the internal audit activity's purpose, authority and responsibility.

- c. 2100 - The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach. This sub-set formalises some of the work already undertaken by LCCIAS to assess and make appropriate recommendations for improving the governance process, but then requires specific coverage to ensure accomplishment of the following objectives: -
- Promoting appropriate ethics and values within the Council;
 - Ensuring effective organisational performance management and accountability;
 - Communicating risk and control information to appropriate areas of the Council;
 - Coordinating the activities of and communicating information among the Committee, external and internal auditors and management.

For risk management processes, there are requirements to evaluate risk exposures relating to the Council's governance, operations and information systems and the potential for the occurrence of fraud and how the Council manages fraud risk.

- d. 2450 – A specific public sector requirement formalises the HoIAS responsibility to deliver an annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment contained within a report that can be used to inform the governance statement. There is a requirement for the HoIAS annual report to include a statement on conformance with the PSIAS and the results of the QAIP.
- e. 2600 - When the HoIAS concludes that management has accepted a level of risk that may be unacceptable and there is a danger that Council objectives may not be achieved, the matter should be discussed with the Director of Finance and/or CMT. If the HoIAS determines that the matter has not been resolved, the HoIAS must communicate the matter to the Committee.

8. The Scope of Internal Audit Activity

- CMT is responsible for establishing and maintaining appropriate governance, risk management and control arrangements (i.e. the control environment), for not only City Council activities, but also for those provided in conjunction with, and/or on behalf of its partners. LCCIAS' remit extends to the Council's entire control environment.
- However, limitations on internal audit resource requires the HoIAS to understand and take account of the position with respect to the Council's other sources of assurance (internal and external) and plan internal audit work accordingly so that activity can be co-ordinated, ensuring proper coverage and minimising duplication of effort.
- Internal audit activity for the Council (and, where appropriate its partners) includes: -
 - providing assurance services i.e. reviewing, appraising and reporting on: -
 - the soundness, adequacy and application of governance processes, risk management frameworks and internal controls;
 - the extent to which assets and interests are accounted for and safeguarded from losses of all kinds
 - the completeness, reliability and integrity of information, both financial and operational;
 - reviewing compliance and conformance to rules, regulations, laws, codes of practice, guidelines and principles
 - the accuracy and completeness of grant claims
 - The economy, efficiency and effectiveness with which resources are deployed;
 - The extent to which operations are being carried out as planned and objectives and goals are met;

- providing consulting services - the provision of such advice does not prejudice the right of LCCIAS subsequently to review, comment on and make recommendations on the relevant systems or controls in appropriate circumstances;
- undertaking studies, reviews or assignments as directed (or approved) by the Director of Finance or other Directors;

The role of internal audit in the compilation of the annual governance statement

- The HoIAS delivers an annual internal audit opinion and report that can be used by the Council to inform its governance statement. Should there be any non-conformance with the Code of Ethics or the Standards and it impacts the overall scope or operation of the internal audit activity, the HoIAS must disclose the non-conformance and the impact to CMT and the Committee and be considered for inclusion in the governance statement.

The role of internal audit in fraud and corruption

- CMT is responsible for developing and maintaining a control environment that mitigates risk of fraud and corruption
- LCCIAS does not have responsibility for the detection or prevention of fraud and corruption, but it considers those risks when undertaking its activities.
- Where necessary LCCIAS will work with the Council's Corporate Investigations Team to provide an investigations service to support management in fulfilling its responsibilities to prevent, detect and resolve fraud, bribery, corruption and other irregularities.

9. Abbreviations

- | | |
|----------|---|
| • PSIAS | The Public Sector Internal Audit Standards |
| • IIA | The Institute of Internal Auditors |
| • LGAN | Local Government Application Note |
| • CIPFA | The Chartered Institute of Public Finance & Accountancy |
| • LCCIAS | Leicestershire County Council Internal Audit Service |
| • HoIAS | Head of Internal Audit Service |
| • CMT | Corporate Management Team (Senior Management) |
| • CFO | Chief Financial Officer (Director of Finance) |
| • QAIP | Quality assurance and improvement programme |



Leicester City Council Audit & Risk Committee
17 June 2020

Report of Leicestershire County Council's Head of Internal
Audit & Assurance Service

Internal Audit Service – Annual Plan 2020-21

Purpose

1. To provide the Audit & Risk Committee (the Committee) with an indication of internal audit work originally planned to be conducted during 2020-21.
2. To explain how the impact of the coronavirus will affect delivery of the original plan and what changes might be required.

Recommendations

3. The Audit & Risk Committee is recommended to:
 - a. Receive the plan, note its contents and seek clarification on any areas as they wish and then approve the plan.
 - b. Make any recommendations or comments it sees fit either to the HoIAS or Director of Finance

Background

4. Under the Accounts and Audit Regulations (2015), Leicester City Council (the Council) is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.
5. In January 2017, the City Mayor agreed to delegate the Council's internal audit function to Leicestershire County Council. The delegation was formally completed on 23 November 2017 and the management arrangements were transferred.
6. Leicestershire County Council Internal Audit Service (LCCIAS) conforms to all relevant standards and legislation, particularly the Public Sector Internal Audit Standards (PSIAS).

7. Standards require the Head of Internal Audit Service (HoIAS) to form an annual opinion on the overall adequacy and effectiveness of the Council's control environment (its framework of governance, risk management and control). To form an opinion, the scope of internal audit work needs to be wide. The HoIAS prepares a risk based internal audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
8. Within its Terms of Reference, the Committee has a duty to consider, challenge and approve (but not direct) Internal Audit's strategy and plan and monitor performance on an annual basis. The Committee is designated as 'the Board' in the Council's Internal Audit Charter (revised March 2020).

Planning methodology

9. The provision of a risk based internal audit plan (the Plan) consistent with the Council's goals is an essential part of ensuring probity and soundness of the Council's governance framework, risk exposure and internal controls. To develop the scope of audit coverage, the HoIAS has researched and evaluated where risk might occur to the Council using methods including: -
 - a. Consulting on emerging risks, planned changes and potential issues with the statutory and other senior officers.
 - b. Evaluation of wider governance arrangements e.g. the most up to date risk registers, plans and committee reports
 - c. 'Horizon scanning' new and emerging risks from professional and industry sources
 - d. Comparisons against similar councils' audit plans
 - e. Discussion with the External Auditor.
10. The Plan was originally devised to ensure that it delivered against the PSIAS i.e. that the internal audit activity must: -
 - a. assess and make appropriate recommendations to improve the Council's governance processes (including ethical and information technology governance).
 - b. evaluate the effectiveness and contribute to the improvement of risk management processes; and,
 - c. assist the Council in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement
11. Governance is defined in PSIAS as, '*The combination of processes and structures implemented to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives*'.
12. Amongst a wide range of governance themed audits, the HoIAS planned to undertake further themed audits of the governance of maintained schools; climate change; digital transformation; clinical

governance and IT governance, sports partnerships and Leicester & Leicestershire Enterprise Partnership

13. Risk management is defined in PSIAS as, *'A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives'*.
14. The PSIAS advise that when constructing the Plan, the HoIAS should consider the risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. The Council's Corporate Management Team has responsibility for identifying and managing risk and, the design, implementation and operation of robust internal control systems. The HoIAS planned to undertake risk management themed audits in the areas of Brexit impact and that a selected service is consistently applying the Council's risk management procedures.
15. Internal Control is defined in PSIAS as, *'The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organisation is willing to accept'*.
16. Part of the Plan requires annual audits on key elements of the significant financial and IT systems. These audits are often used by the Council's External Auditors to assist their risk appraisal before auditing the financial statements. Other planned audits included Concessionary Travel income, sports services, direct payments and early years payments A wide range of grant certifications fall in this category.
17. A contingency of days was retained for special projects and investigations and an allocation was reserved for the HoIAS' client management and professional responsibilities (attendance at committees, form opinions and reports etc).

The Internal Audit Plan 2020-21

18. The attached Plan for 2020-21 (Appendix) contained a wide scope of audits that would have allowed the HoIAS to form an opinion on the overall adequacy and effectiveness of the Council's control environment. It was mostly based on assurances required by Leicester City Council Directors and their management teams. It was comparable to the risks affecting other local authorities and contained risks highlighted by internal audit and risk management professionals. The HoIAS intends to provide a minimum of 800 days internal audit service.
19. Most of the planned audits were an 'assurance' type, which requires undertaking an objective examination of evidence to reach an independent opinion on what assurance can be given that risk is being

sufficiently mitigated. There are usually four levels of assurance: full; substantial; partial; and little. 'Partial' ratings are normally given when the auditor has reported at least one high importance recommendation. These recommendations are reported in summary to this Committee and will stay within its domain until the HoIAS is satisfied that action has been implemented (usually after a follow up audit has been conducted). Occasionally, the auditor might report several recommendations that individually are not graded high importance but collectively would require a targeted follow up to ensure improvements have been made.

20. When it receives updates on completed audits, the Committee has a duty to review and challenge management's responsiveness to the internal audit findings and recommendations, seeking assurance that appropriate action has been taken where necessary and agreed recommendations have been implemented within a reasonable timescale.
21. LCCIAS also undertakes 'consulting' (advisory type audits). Examples include commentary on the effectiveness of management's intended control design and framework and potential implications of changes to/implementations of new systems, processes and policies.
22. Some resources were required for audits started in 2019-20 that would be finalised in 2020-21.

The impact of the coronavirus on undertaking the internal audit plan

23. At the time it was devised at the end of February 2020, the 2020-21 plan aimed to give the optimum audit coverage within the resources available. During February and into March and beyond, it was very quickly evident that the coronavirus was significantly impacting all City Council operational and corporate services. Some services closed whilst alternative delivery and even new services came to the fore.
24. The world has changed and continues to do so and with that change there are new risks emerging, some that have previously been low are escalating whilst others diminish if services aren't being provided. There is no doubt that as stability returns and managers begin to plan for both interim and long-term recovery to 'new normal' services, the new risk profile of the Council will need to be considered.
25. Some 2020-21 planned audits have already started, and others relate to audits of large-scale projects that will continue. Nevertheless, some audits will now be off less importance. Hence the HoIAS has already begun to review the original plan and RAG rate the audits that were proposed. He will then contact senior management (including the Director of Finance) to gain their views and discuss where amendments to the plan are required.

26. The HoIAS will discuss with the Director of Finance, that until there is more certainty, a short-term plan is agreed perhaps covering six months with a review after three months. This is common across other Councils and their internal audit functions. The HoIAS is constantly monitoring how his peers and the internal audit professions are approaching planning for the remainder of this year.
27. There will also need to be changes to methodology such as remote auditing as default utilising technology, 'flash' reporting (identifying real problems immediately and dealing with them later), more scope to utilising data analytics and remote meetings
28. The HoIAS will discuss and agree any material changes to the original plan with the Director of Finance and members of the Corporate Management Team and these will be reported to the Committee.

Progressing the Audit Plan

29. Responsibility for the evaluation and management of risk and the design and consistent operation of internal controls rests with the Council's management. LCCIAS' role and responsibility is to carry out independent and objective audits and give an opinion on the extent to which risk is being managed and (where appropriate) make recommendations to improve controls.
30. At an agreed appropriate stage of each audit, findings will be discussed with the appropriate risk owner before issuing a draft report. Final reports will be sent to Directors.
31. The HoIAS/Principal Auditor will meet (virtually until otherwise) regularly with the relevant officers to discuss progress and any issues arising. A progress report containing audits completed and summaries of any 'high importance' recommendations will be brought periodically to the Committee.

Resource Implications

32. The Council pays for LCCIAS to provide its internal audit activity

Equal Opportunities Implications

33. There are **no specific** equal opportunities implications contained within the annual summary of work undertaken.

Legal Implications

34. There are no direct additional legal implications arising from this report. These implications will rest within (and be reported by) the business areas that have day-to-day responsibility for managing their risk.

Background Papers

The Constitution of Leicester City Council
Accounts and Audit Regulations (Amendment) 2015
The Public Sector Internal Audit Standards (revised from April 2017)
Leicester City Council Internal Audit Charter (March 2020)

Circulation under Sensitive Issues Procedure

None

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Appendix

Internal Audit Service - Annual Plan 2020-21

Leicester City Council - Internal Audit Plan 2020-21

Key to columns

Timing	Indicative quarter for the audit. These may change in discussion with management. Completion of 2019-20 work is already underway and, in some cases completed.
CE	Indicates which component of the control environment (governance, risk management or internal control) the audit primarily matches. There is quite often overlap.
Plan Category	To enable some analysis of the wide scope of the plan
Audit Name	Self-explanatory
Director	Lead Director/risk owner
RR	Indicates where the HoIAS has tried to map audits against entries in the Council's risk registers either strategic (SRR) or operational (ORR)
Scope	An indicative scope of the audit. This firmed up with management before the audit engagement
Rationale	Professional internal audit or risk management guidance', comes from a combination of the HoIAS monitoring emerging audit/risk advice and from his contacts with other HoIAS in Midlands and National networks.

Timing	CE	Audit Plan Category	Audit Name	Director	RR	Scope	Rationale for inclusion
Q1	Various	Various	Work undertaken to close off 2019-20 Audits	Various		Completion of Audits started in 2019-20:	Completion of previous years audits
Q1-Q4	G	Schools	Management and governance of maintained schools	Alison Greenhill		As part of the schools governance audits, a range of areas were covered in 2019-20 e.g. SEND, School Deficits, Schools Financial Value Standards . Schools finance and governance has been identified to be of a higher risk than previously thought. This audit will continue focus on financial governance around schools, using the suite of school health indicators.	Director Assurances
Q2	G	Contract & Governance	Clinical Governance	Ivan Browne		Advice & assistance required relating to Clinical Audits of services provided internally by Public Health e.g. Oral Health own provided service .	Director Assurances
Q1- Q4	G	Contract & Governance	Taxi Contract	Tracie Rees		The Taxi Contract is in the process of being renewed, with a view to have new systems and processes in place by 1st August 2020. Management would welcome independent assurances that processes are being followed in the implementation stage. This will followed up with audit testing once the systems have bedded in - this work is likely to be in Qtr. 4.	Director Assurances
Q1-Q4	G	Contract & Governance	Estates & Building Services	Matthew Wallace		The Estates and Building Services (EBS) covers a range of services and manages multiple contracts. A number of audits have been covered in in 2019-20 and further audit coverage is expected in 2020-21, once these earlier audits have been concluded . The exact scope has yet to be confirmed.	Director Assurances
Q2/Q3	G	Contract & Governance	Construction contracts	Richard Sword		Management concerns that client responsibilities on major Construction Contracts are not consistently applied by Project Officers. Review will look at the adherence to Construction Design & Management Regulations.	Director Assurances
Q4	G	Contract & Governance	Third Party Operators	Mike Dalzell		Assurances required that 3rd party operators of assets are maintaining Assets in line with the Lease agreement. Academies and investment properties will be potential areas for audit.	Director Assurances
Q1-Q4	G	Contract & Procurement	Contract Audits	Neil Bayliss		Audits covering the Council's corporate procurement and contracts processes. These will seek to identify whether due process has been followed and value for money has been sought. The exact scope to be agreed , but it could include a review of contract arrangements in the following areas: - Highways - Housing - Children Services There will also be a review of the implementation of the new Contract Procedure Rules which are due to be approved in March 2020. This audit is planned for Q4.	Nationwide Issue Head of Service assurance required.
Q3/Q4	G	Governance	Leicester & Leicestershire Enterprise Partnership	Mandip Rai		Review of LLEP company governance arrangements and a walk through of a funding application and approval. This audit was postponed from 2019-20 at the request of the client .	Director Assurances/ Professional internal audit or risk management guidance
Q2	G	Governance & risk management	Climate change and carbon emissions	Matthew Wallace	SRR	Reviewing the stewardship, risk management and assurance arrangements	Nationwide issue and Professional internal audit or risk management guidance
Q2/Q3	G	IT & Governance	Digital Transformation	Miranda Cannon		A wide range of projects cutting across a number of service areas are undertaken under the Digital Transformation Programme. The exact scope of this audit is to be agreed but suggestions include bookings project and Robotic Process Automation (RPA)	Director Assurances / Professional internal audit or risk management guidance
Q2/Q3	G	IT & Information Assurances	GDPR	Kamal Adatia		A follow up will be undertaken of recommendations made in the earlier report issued in 2019-20, relating to the Councils readiness for GDPR.	Director Assurances/ Professional internal audit or risk management guidance
Q2/Q3	G	Partnership arrangements	Sports Services	Ivan Browne		Partnership arrangements that sports services have to ensure that requirements are delivered in line with agreement	Director Assurances
Q3	RM	Risk Management	Brexit	Miranda Cannon	SRR	That the broad range of issues and risks for the Council, its staff, partners, service users and other stakeholders is being considered and planned for. The review will provide assurances on areas of highest impact.	Nationwide issue and Professional internal audit or risk management guidance
Q3/Q4	RM	Risk Management	Risk Management Framework	Miranda Cannon		The objective of the audit is to provide assurance that the risk management policies and procedures are being consistently applied- A specific service will be selected	PSIAS requirement and Professional internal audit or risk management guidance

Timing	CE	Audit Plan Category	Audit Name	Director	RR	Scope	Rationale for inclusion
Q2	IC	IT & Information Assurances	Northgate	Chris Burgin		Recent system developments in the Housing Department have included the Housing System (Northgate Housing), the Customer Portal (Northgate Housing Online) and incoming mobile working system (Totalmobile). The totalmobile work was undertaken in 2019-20. This audit will look at specifically the Northgate system. The exact scope to be confirmed.	Director Assurances
Q3/Q4	IC	IT & Information Assurances	NHS Health Check	Ivan Browne		Assurance over the system procured to extract information from GP systems to ensure accurate payments are made. Delays in implementation of the system has led to this audit being postponed from 2019-20.	Director Assurances New Significant System
Q1-Q4	IC	IT & Information Assurances	Data analytics	Alison Greenhill		Exploration with management where Internal Audit Service can use its analytical tool IDEA to increase efficiency and effectiveness and provide improved assurance and greater audit coverage	Professional internal audit or risk management guidance
Q1-Q4	IC	IT & Information Assurances	IT Audits	Alison Greenhill Ivan Browne		Possible IT audits could include: 1. Key ICT controls 2. Gladstone - Sports Centre IT replacement 3. Automated Call distribution project 4. Unit 4 Phase 2 Other areas and scope to be agreed by the client	Director Assurances/ Professional internal audit or risk management guidance
Q1-Q4	IC	Schools	Schools Financial Audits	Alison Greenhill		This includes a programme of schools audits. Recent audit work has identified schools finance and governance to be of a higher risk than previously thought, so whilst the initial programme will include financial audits of six schools, others could be included during the course of the year (2020/21).	Audit requirement under Council's Statutory Scheme for Financing
Q2/Q3	IC	Significant Financial Systems	Major Financial Systems(MFS) Audit	Alison Greenhill		MFS Audits - possible areas for inclusion : - Debtors Systems - Creditors System - Treasury & Investment Management - Payroll - Interfaces, these will look at the at the material feeds. The exact scope to be confirmed.	Director Assurances/ Professional internal audit or risk management guidance
Q2/Q3	IC	Systems & Governance	Concessionary Travel	Andrew L Smith		Concessionary travel is operated by Leicestershire County Council; Leicester City Council is charged for their share of the costs. In 2019-20 an audit was undertaken to review the arrangements in place for issuing concessionary passes and the processes for ensuring recharges from the County Council are processed correctly and on a timely basis by Leicester City Council. This audit is a continuation of work started in 2019-20, the scope of this audit is to review that adequate controls are in place to ensure bus operators charges made for Concessionary Travel is accurate and timely.	Director Assurances
Q1-Q4	IC	Systems & Governance	Direct Payments	Ruth Lake		Leicester City Council has started a review of Direct Payment process, which will also take account of any feedback received from service users. Management would welcome some Advice & Assistance during this process. This would be followed up with some Audit testing later in the year.	Director Assurances
Q1/Q2	IC	Systems	Disabled Facilities System Review	Ruth Lake Chris Burgin		Assurances required that controls are operating effectively in the service provision, following recent changes. This audit was postponed from 2019-20 at the request of the client.	Director Assurances
Q1/Q2	IC	Systems	B&B Emergency Planning	Chris Burgin		Housing B&B emergency placements is on the increase; management would welcome a review of the process to ensure that the services procured are efficient and cost effective. This audit was postponed from the 2019-20 at the request of the client.	Director Assurances
Q1-Q4	IC	Systems	Sports Services	Ivan Browne		A programme of random spot checks of the sports facilities.	Director Assurances
Q3/Q4	IC	Systems	Early Years	Sue Welford		Review to provide assurances to management that procedures are in place to ensure accurate payments are made to Early Years providers.	Professional internal audit or risk management guidance
Q1/Q2	IC	Systems	Safety Camera	Andrew L Smith		Continuation of work started in 2019-20 relating to Safety Cameras. Income collection was covered during the 2019-20; the scope of this Audit is to review the expenditure for the operation of the Safety Camera scheme.	Director Assurances
Q2/Q3	IC	Systems	Recruitment System	Miranda Cannon		The new recruitment system has been in place for approximately a year. Management would welcome an audit of this. The exact scope to be confirmed.	Director Assurances
Q4	IC	Systems	Section 106 Agreements	Andrew L Smith		The last Internal Audit review of Section 106 Agreement was in 2013-14, this gave a 'Little or no Assurance' that sufficient controls were place to ensure income due under these agreements was adequately controlled. A follow-up was undertaken in 2017-18 to ensure recommendations from the earlier report had been implemented. This area will be revisited to provide assurance that sound processes and procedures are in place.	Professional internal audit or risk management guidance
Q2/Q3	IC	Systems	Domiciliary Care	Tracie Rees		A review of processes and procedures to ensure there are adequate controls for payment to Providers for Domiciliary care - £11.7 m was spent in 2018-19.	Professional internal audit or risk management guidance
Q1	IC	Grant Certifications	Growth Hub	Mandip Rai		Audit in line with grant determination Deadline 25th May 2020	Certification requirement
Q1&Q4	IC	Grant Certifications	SET-UP	Matthew Wallace		SET-UP is an Interreg Europe project to improve energy performance using smart grids. Audit in line with grant guidance. Two claims will be submitted - submission dates and audit requirements to be confirmed.	Certification requirement
Q1-Q4	IC	Grant Certifications	Troubled Families	Caroline Tote		Verification of results from claims with reference to the Financial Framework for the programme. 4 claims were submitted in 2019-20, with the last claim being submitted on the 27th March 2020. The new Financial Framework has not yet been published, but it is expected that similar number of claims will be required in 2020-21. Deadlines to be confirmed	Certification requirement
Q1	IC	Grant Certifications	Adriatic Land 7 Limited Service Charges	Matthew Wallace		The lease agreement between LCC and Adriatic Land 7 requires an audit of the charges within 3 months from the year-end (31/03/2020). Deadline 30th June 2020	Certification requirement

Timing	CE	Audit Plan Category	Audit Name	Director	RR	Scope	Rationale for inclusion
Q2	IC	Grant Certifications	Local Transport Capital Funding	Andrew L Smith		The Government provided capital funding for local transport from a number of different capital funding blocks in 2019-20 (No 31/3693) . Also included is the Pot Hole Action Fund No 31/3221. Certification is required in line with the Grant conditions. Deadline: 30th September 2020	Certification requirement
Q2	IC	Grant Certifications	BSOG	Andrew L Smith		Local Authority Bus Subsidy Ring-Fenced (Revenue) Grant. Certification is required in line with the Grant conditions (2019/20). No: 31/3644 Deadline: 30th September 2020.	Certification requirement
Q1	IC	Grant Certifications	SEEV4	Andrew L Smith		SEEV4 is an Interreg project co-funded by the North Sea Region Programme. Grant claim in line with the European funding guidelines. Final Claim Deadline 22nd May 2020	Certification requirement
Q2/Q3	IC	Grant Certifications	Disabled Facilities Capital Grant	Ruth Lake Chris Burgin		Integration and Better Care Fund: The Disabled Facilities Grant. Certification in line with the Grant Determination (2019-20). No:31/3710 Deadline: 31st October 2020	Certification requirement
Q2	IC	Grant Certifications	Leaseholder Accounts	Alison Greenhill		The annual accountants certificate of compliance relating to LCC's Leaseholder accounts - for those holding a Designated Reserve Fund (DRF). Deadline: 30th Sept 2020 , but IA required to complete by 2nd week of Sept or earlier.	Certification requirement
Q1/Q2	IC	Grant Certifications	Local Transport Revenue Funding (Blue Badge)	Andrew L Smith		Local Transport Revenue Block Funding (Blue Badge) Certification in line with Grant Determination (2019/20): No 31/3936 Deadline 31st July 2020	Certification requirement
Q3	IC	Grant Certifications	School Centred Initial Teacher Training (SCITT)	Sue Welford		This audit is done at the request of the City's lead school for the SCITT process. Grant Certification in line with funding guidance, for year ending 31st July 2020 Deadline 31st December 2020.	Certification requirement
Q2	IC	Grant Certifications	Ultra Low Emissions Vehicle (ULEV) Taxi Infrastructure Grant	Andrew L Smith		Capital grant to provide electric charging posts for taxi operators in the city. Implementation likely to be Sept 20. Certification is required in line with the Grant conditions (31/2970). Deadline: Certification is 30days after the completion of the scheme. Client to inform IA of completion date.	Certification requirement
Q4	IC	Grant Certifications	Basic Needs Grant	Richard Sword		Certification in line with Grant Determination (2019/20): No 31/3721 Deadline February 2021 (exact date to be confirmed)	Certification requirement
Q2	IC	Grant Certifications	National Productivity and Investment Fund	Andrew L Smith		Certification in line with Grant Determination (2019/20): No 31/3689 Deadline: 30th September 2020	Certification Requirement
Q2/Q3	IC	Grant Certifications	Transforming Cities Grant	Andrew L Smith		Tranche 1 of the Transforming Cities fund was received in March 19. Certification is required in line with Grant Determination (2019-20) No: 31/3647 . Deadline: 4 months after the physical completion of the scheme. Client to inform IA of completion date.	Certification Requirement
Q1-Q4	N/A	Follow-up	Follow-up	N/A		Routine follow-up of audit recommendations, particular emphasis on the High Priority Recommendations and where an overall Partial Assurance is given.	Director Assurances
Q1-Q4	ALL		Client responsibilities	N/A		Research risk; provision of advice (including on national reports on changes in governance requirements); liaison with External Auditor; HoIAS professional responsibilities; preparation for and attendance at A&R Committee and any other meetings required	

Appendix L

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Appendix M

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