



Leicester  
City Council

Minutes of the Meeting of the  
GOVERNANCE AND AUDIT COMMITTEE

Held: THURSDAY, 5 DECEMBER 2024 at 5:30 pm

P R E S E N T :

Councillor Kaur Saini (Chair)  
Councillor Clarke (Vice-Chair)

Councillor Chauhan  
Councillor Ted Cassidy

Councillor Joel  
Councillor Kitterick  
Councillor Rae Bhatia

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**1. APOLOGIES FOR ABSENCE**

Councillor Kaur Saini, as Chair, welcomed those present and led on introductions.

Councillor Chauhan was noted to be in attendance as substitute for Councillor Adatia.

**2. DECLARATIONS OF INTEREST**

There were no Declarations of Interest.

**3. MINUTES OF THE PREVIOUS MEETING**

The Chair informed that the minutes of the meeting held on 18<sup>th</sup> of September 2024 will come to the next meeting.

**4. RISK MANAGEMENT UPDATE**

The Director of Corporate Services submitted a report to the Governance and Audit Committee which presents the Risk Management Update.

Sonal Devani, Risk Management Manager presented the report which provided an update on the Strategic and Operational Risk Registers and the following points were raised:

- Sonal Devani referred to Appendix 1a, which provided a summary of the strategic risks, and Appendix 1b provided an example of a completed risk control action plan.
- Attention was also drawn to page 8 of the agenda pack, paragraph 4.4 where the scores of three risks had changed, two risks deleted, and no new risks were added to the Operational Risk Register.

Members of the Committee discussed the report, and the following points were raised:

- Members requested larger fonts for the appendices in future for greater accessibility and including a concise executive summary highlighting important changes for clarity.
- It was noted that the report appeared theoretical and lacked transparency. While the document was extensive, it provided limited substantive insight. Members observed that three risks had been amended through dropdown selections, but these changes were not deemed material. Additionally, it was noted that the report lacked emphasis on the organisation's outward-looking approach.
- Members raised concerns regarding insurers' increasing focus on climate change as a threat multiplier. Emphasis was placed on the need to deepen the understanding of how climate change exacerbates risks and impacts service delivery in the city particularly the extreme heat events contributing to excess deaths and straining local services. It was highlighted that climate change is not the sole risk but recognising it as a threat multiplier could introduce greater rigour in risk assessment and management.
- The Director of Finance clarified a question relating to page 17 on Corporate Governance, that an internal board comprising senior officers, oversees governance concerns and decision-making processes.
- Members requested clarification on the skills-related content on page 4. The matter will be referred to the Director for Housing for further explanation.
- The Risk Management Manager agreed to take back queries for the Director of Housing, regarding the skills-related content on page 4 for further explanation and on page 9 regarding the increasing housing and public health waiting lists.

#### RESOLVED

The Governance and Audit Committee noted and made comments on the Strategic Risk Register (SRR) and Operational Risk Register (ORR) (as at 30th September 2024).

## 5. PROCUREMENT ANNUAL REPORT

The Director of Finance submits a report to the Governance and Audit Committee which presents the Procurement Annual Report.

The Head of Procurement, Andrew Button, presented the report and highlighted:

- Significant upcoming regulatory changes, particularly the introduction of the new healthcare provider, which represents a substantial shift in national legislation. Initially scheduled for implementation in October, the rollout has been delayed due to the upcoming election and is now expected on 24 February 2025. This regulation consolidates several legislative frameworks and places a stronger emphasis on transparency in procurement processes. A separate briefing on these changes will be provided in due course.
- An increase in the number of procurement waivers. Additional due diligence measures have been implemented to enhance scrutiny, including the introduction of extra governance mechanisms. Since November, the Strategic Board has been tasked with reviewing and approving business needs linked to waivers to ensure appropriate oversight. Internal Audit is also investigating the increasing use of waivers as a recognised risk.

In response to Member questions it was noted that:

- Future procurement activities would be governed by transitional arrangements under existing contracts and that the new healthcare legislation will specifically impact future contracts. It was clarified that any waiver authority on large contracts is not currently influencing contract outcomes or council savings. However, forthcoming guidance will focus on demonstrating best value for money, especially in response to evolving technologies.
- Concerns were raised about the rising values of contracts, particularly in children's care home placements, with contracts reportedly doubling over 1-2 years. Members inquired about safeguards for large contracts and the procedures in place to manage them effectively. The Director of Finance noted that although the financials are the role of the Scrutiny Committees, Governance and Audit and Internal Audit are involved with the processes.
- Members raised that waivers within the City Development and Neighbourhoods division had doubled, with many attributed to urgent needs. In response to a question whether this was down to poor departmental planning, the Procurement Manager clarified that while some waivers are unavoidable due to urgent housing needs, rigorous checks and balances are in place. A multi-step review process precedes final approval, including Strategic Board oversight, to mitigate risks and prevent misuse.
- Members further inquired about fraud prevention measures and how waiver requests are scrutinised. It was confirmed that documentation requirements and internal audit reviews are integral to the approval process, the Director responsible for waivers must provide comprehensive documentation, which is further reviewed by Internal

Audit.

- The Committee requested clarification on how procurement costs are managed in scenarios such as natural disasters. The Head of Procurement acknowledged that legislative changes set to take effect in February would address such considerations. In response to a proposal to develop a flowchart outlining the waiver approval process, it was noted that Internal Audit is currently developing a new process aligned with the upcoming procurement legislation to provide greater assurance to auditors and stakeholders.
- Concerns were raised about the potential anti-competitive impact of frequent waivers, potentially deterring new suppliers from engaging with the Council. The Procurement Manager confirmed that preference is given to competitive procurement for contracts exceeding £30,000. Long-term expenditure patterns are assessed to ensure proper procurement processes are followed. It was also noted that the new Procurement Act aims to simplify access for small and medium-sized enterprises (SMEs) and improve transparency.
- Members discussed the need for clearer guidance for councillors on appropriate procurement routes. The Procurement Manager agreed to provide updated guidance in the new year once the implementation dates for the new regulations are confirmed. This will include information on the central digital platform for enhanced visibility of procurement pipelines and upcoming projects.

## RESOLVED

The Committee noted the contents of the report and made comments to the Director of Finance

## 6. COUNTER FRAUD MID-YEAR UPDATE

The Director of Finance submitted a report to the Governance and Audit Committee with presents the Counter Fraud Mid-Year Update.

The Corporate Investigation Manager, Stuart Limb, presented the report and provided insight into the work areas undertaken, highlighting:

- the anti-fraud network mentioned in section 4.6. This network has proven beneficial through email alerts and shared intelligence on fraud risks across the country. Any arising risks are promptly addressed.
- Looking ahead, section 4.8 outlines plans for a comprehensive review scheduled for January next year. Section 4.9 details the savings chart related to fraud prevention efforts.

In response to the presentation, members raised the following points:

- A query was raised regarding the prioritisation of listed fraud risks. It was explained that these are known areas of concern, with certain aspects such as discount schemes unlikely to change soon particularly the 'Right to Buy' scheme, where once a property is sold, it is no longer part of the council's housing stock. It was suggested that summarising broader

fraud issues across various council departments could be beneficial.

- Further inquiries were made about the operations of the anti-fraud network, comparing its functions to those of financial institutions. Clarification was provided that under existing legislation, the council is permitted to request specific information, subject to proper authorisation. This includes applying legal frameworks and using risk profiling to detect and prevent fraudulent activity.
- Concerns were raised about requests made concerning requests on council staff members, particularly regarding access to multiple systems by several users. It was explained that if a staff member leaves the council, managers must formally request access through the Information Technology team, with authorisation granted by the Director of Finance. This access may be related to ongoing investigations or non-fraud activities, including accessing email accounts. However, data remains the property of the council, and formal procedures are followed for access.
- An update was provided on previous requests regarding council tax abatement, specifically related to individuals residing in student halls. Single Person Discount (SPD) investigations were noted, with 11 cases forming part of wider investigations. It was agreed that compliance work on Single Person Discount (SPD) fraud and misuse of student halls accommodation would be pursued as an action point.
- The issue of the Empty Homes Bonus was discussed, focusing on data collection from SPD reviews and its role in identifying discount misuse. It was suggested that visiting properties and passing information to the council tax team could return more accurate data.
- The Corporate Investigations Manager responded to a query regarding school places, it was confirmed that annual collaboration with the school admissions team has helped identify and prevent misuse of school placements. This work aims to prevent financial fraud and is reflected in the calculated savings figure. Discussions are ongoing with the Director of Finance regarding how savings figures are reported, particularly concerning whether they represent actual savings or notional values based on identified cases.

## RESOLVED

The Committee received and commented on the report.  
Made any recommendations to the Executive and/or the Director of Finance.

## 7. INTERNAL AUDIT UPDATE

The Head of Internal Audit submitted a report to the Governance and Audit Committee which presented the Internal Audit Update:

- The Internal Audit progress report provided an update on audit activities up to 22nd November 2024. It was noted that only one internal audit had been finalised, with another at the draft report stage, expected to be finalised shortly but not in time for this committee meeting. The Internal Audit team is currently managing a high volume of work, with 16 audits

assigned to the current quarter. Further audits outlined in Annex B are scheduled to commence following the completion of the current workload. A full update will be presented at the January meeting, aligning with standard reporting timelines.

- Paragraph 14 of the report details current risks and priorities, reflecting the team's continued adjustment to the council, having recently transitioned from the previous audit provider. While agreed actions from the completed audit have not yet been implemented, they are outlined in Annex D.
- Additional developments are highlighted on page 68, with references to the evolving global internal audit standards set by CIPFA. Anticipated changes will impact the Internal Audit Charter, which will be refreshed to align with the new regime and cyclic arrangements. The committee was advised to remain aware of these significant governance changes and to offer support where necessary.
- Annex A outlines other workstreams for 2024/25, including grant certifications and audits linked to Homes England, among other audit priorities. This framework helps interpret the assurance elements within the audit plan.

In response to the presentation members provided comments:

- A member of the committee commended the report for its clarity and readability.
- Concerns were raised regarding the scope of audits, particularly in relation to transition processes for children leaving care. It was suggested that the audit should consider not only financial costs but also decision-making processes and the continuity of support services.
- Members inquired about the progress of the direct payments audit. It was confirmed that the team is awaiting a response and that internal escalations are in place before escalating issues to the committee. It was clarified that a follow-up on contract management and housing actions is scheduled, with a update expected shortly.
- Further comments were expressed regarding the lack of connectivity in risk auditing, particularly around culture and behaviours within the council. It was questioned what mechanisms are in place to ensure that managers provide assurance to audit processes. It was noted that a risk maturity assessment focusing on risk awareness and culture was scheduled for Quarter 4, with an initial scoping meeting planned.

## RESOLVED

The Governance & Audit Committee noted the progress made in delivering the 2024/25 internal audit work programme, current delivery intentions over the remainder of the year, and developments in the internal audit profession.

## 8. FINANCIAL SUSTAINABILITY

The Director of Finance submits a report to the Governance and Audit Committee which presents the Financial Sustainability Report:

- An update was provided on the council's current financial situation, including the uncertainties faced, actions taken to mitigate costs, and strategies for gaining financial assurance.

During the discussion, questions were raised regarding the financial pressures and the council's response:

- A question was raised concerning sections 4.2.2 and 4.2.8, specifically seeking clarification on the extent to which the actions taken were genuine cost-saving measures versus responses to external pressures. Additionally, there was an query regarding the management level of reserves and how this compares to the identified budget shortfall. It was noted that a report from the Overview and Select Committee (OSC), containing further details on this matter, could be shared to provide additional context if required.
- Concerns were expressed about future funding availability, particularly regarding the government's commitment to Leicester. It was noted that current financial planning is based on national funding figures amounting to £600 million, with no specific additional funding allocated to Leicester. The figures used are derived solely from high-level national estimates.
- Questions were asked regarding the relationship between the actions outlined in sections 4.2.2 and 4.2.8, noting the rapid turnaround of decisions and whether they are likely to result to future savings. The concern was raised that these actions, particularly in the areas of adult social care, might not have been sufficiently evaluated for their long-term impact.
- The Director of Finance clarified that there are challenges in attracting and retaining qualified talent within finance, planning, and legal teams. Efforts are underway to develop internal talent through apprenticeships and retention strategies, mirroring recruitment difficulties faced by external audit teams. These challenges are not attributed to shortcomings within the finance team, but rather reflect wider sector recruitment issues.

#### RESOLVED

That the Committee noted the arrangements to ensure financial sustainability.

#### **9. ANY OTHER URGENT BUSINESS**

There was no other urgent business.

