

Leicester
City Council

MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE

DATE: WEDNESDAY, 29 JANUARY 2025

TIME: 5:30 pm

PLACE: Meeting Room G.01, Ground Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ

Members of the Committee

Councillor Kaur Saini (Chair)

Councillor Adam Clarke (Chair)

Councillors: Adatia, Cassidy, Joel, Kitterick and Rae Bhatia.

Independent member: Mr Bipun Bhakri

One unallocated Labour Group place.

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

For Monitoring Officer

Officer contacts:

If you have any queries about any of the above or the business to be discussed, please contact:

Sharif Chowdhury Senior Governance Services Officer. Alternatively, email

committees@leicester.gov.uk or call in at City Hall.

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

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- ✓ where filming, to (via the Chair of the meeting) ensure that those present are aware that they may be filmed and respect any requests to not be filmed.

Further information

If you have any queries about any of the above or the business to be discussed, please contact:

Sharif Chowdhury, Senior Governance Officer. Alternatively, email sharif.chowdhury@leicester.gov.uk, or call in at City Hall.

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

PUBLIC SESSION

AGENDA

FIRE / EMERGENCY EVACUATION

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1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

3. MINUTES OF THE PREVIOUS MEETING

Item 3

(Pages 1 - 14)

The minutes of the meeting held on 18th of September 2024 are attached and Members will be asked to confirm them as a correct record.

The minutes of the meeting held on 5th of December 2024 are attached and Members will be asked to confirm them as a correct record.

4. EXTERNAL AUDIT ANNUAL REPORT 2023/24

Item 4

(Pages 15 - 56)

The External Auditors, Grant Thornton, and Head of Finance submits a report to the Governance and Audit Committee which presents the External Audit Annual Report 2023-24.

The Committee is recommended to note the report.

5. INTERNAL AUDIT - WORK PROGRAMME CONSULTATION

Item 5

(Pages 57 - 73)

The Head of Internal Audit submits a report to the Governance and Audit Committee which presents the Internal Audit – Work Programme Consultation.

The Committee is recommended to note the report.

6. GOVERNANCE AND AUDIT WORKPLAN 2024/25

Item 6

(Pages 75 - 75)

The current workplan for the Committee is attached. The Committee is asked to consider this and make comments and/or amendments as it considers necessary.

7. ACTION TRACKER

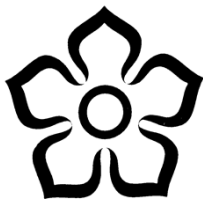
Item 7

(Pages 77 - 77)

The Committee is recommended to note progress on actions agreed at the

previous meeting and not reported elsewhere on the agenda (if any).

8. ANY OTHER URGENT BUSINESS



Leicester
City Council

Item 3

Minutes of the Meeting of the
GOVERNANCE AND AUDIT COMMITTEE

Held: WEDNESDAY, 18 SEPTEMBER 2024 at 5:30 pm

P R E S E N T:

Councillor Kaur Saini – Chair
Councillor Clarke – Vice Chair

Councillor Joel
Councillor Osman
Councillor Modhwadia

Councillor Cassidy
Councillor Kitterick

* * * * *

1. APOLOGIES FOR ABSENCE

Councillor Saini, as Chair welcomed those present to the meeting.

Councillor Modhwadia and Councillor Osman were noted to be in attendance as substitutes for Councillor Adatia and Councillor Rae Bhatia.

There were no apologies of absence.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES FROM THE PREVIOUS MEETING

The minutes of the meeting held on the 10th of July were recorded as a true and accurate record.

The minutes of the meeting held on the 7th of August were recorded as a true and accurate record.

Councillor Kitterick highlighted the need to include an action log to keep track of which actions have been completed or outstanding.

4. THIRD PARTY RELATIONSHIPS AND GOVERNANCE UPDATE

The Monitoring Officer submitted a report to the Governance and Audit

Committee which presents the Third-Party Relationships and Governance Update report.

- The Head of Law updated on the progress on proposed actions, paying particular attention to Actions 3, 5 and 6 which highlighted the internal governance arrangements going forward. The Head of Law focussed on two sections of the appendix, which includes the first of organisations who hold a decision-making role, and a second list which involved advisory and non-decision-making roles. The Governance structure was set out in the final column of the appendix.
- Action 5, found under paragraph 4.11, set out the arrangements and considerations for ensuring appropriate indemnity cover for directors and trustees. Action 6 explained the process to approving new organisations, or joining existing organisations holding a formal governance role, including becoming trustees or directors.

In response to members questions it was noted that:

- Members highlighted the transparency of the report, specifically a need for a comprehensive list of officers involved with third-party organisations and their relationships, details of large loans provided to the organisations, identification of council representatives on boards and clear funding streams to safeguard the Council's interests.
- The Head of Law responded to a query regarding training, as the last training was delivered on the topic of 'Formal Duties of a Director or Trustee under the Companies Act & Charities Act in October 2022', mentioning that training will continue being delivered periodically to avoid becoming outdated and cover the legal requirements.

ACTION POINT – To include an additional column to the appendix which includes a high-level summary of any relationships and commentary for each organisation to enhance clarity and transparency.

AGREED:

That the report be noted.

5. INTERNAL AUDIT PLAN 2024/25

The Head of Internal Audit submitted a report to the Governance and Audit Committee which presents the Internal Audit Plan 2024/25.

The Head of Internal Audit presented the Internal Plan for 2024/25 noting a few key areas:

- Highlighted the process of identifying all the key areas of audit, prioritising key listed functional areas to ensure the Council has the best opportunity to address risks effectively, as outlined in page 7 of the report.
- Informed that there will be revisions to the internal audit charter,

including the role and scope of internal audit, the relationship with Risk, Audit and Transformation, aligning with the Public Sector Internal Audit Standards and other professional standards.

- It was noted that that the charter may need to consider the new Global Internal Audit Standards expected to take effect in April 2025, which will require updates to the Council’s audit practices.
- Other future developments included the new Public Sector Audit Standards anticipated in Autumn 2024, which may further necessitate changes to the audit charter and programme.

AGREED:

To approve the 2024/25 internal audit work programme.

To approve the draft internal audit charter.

6. LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN AND HOUSING OMBUDSMAN COMPLAINTS & CORPORATE COMPLAINTS 2023/24

The Director of Corporate Services submitted a report to the Governance and Audit Committee which presents the Local Government & Social Care Ombudsman and Housing Ombudsman Complaints & Corporate Complaints 2023/24.

The Director of Corporate Services presented the report which provided the background on definitions of complains, how housing processes differentiates with other services, the process for housing complaints and the proposals to align with Local Government and Social Care Ombudsman recommendations going forward.

The Director of Corporate Services provided information on the numbers of complaints received, the systems and process used internally within the council to capture key data and how complaints were categorised, managed and tracked.

Members discussed the reports and the following areas were highlighted:

- Members queried whether the council tracked the number of interactions and the reasons for accepting or rejecting complaints. The Director responded that the current system lacked this capability to provide the level of detail, while some narrative information was available, it required manual analysis to establish patterns. The Director noted the need for system enhancements to capture improved data to inform decision-making.
- The Director of Corporate Services acknowledged a query regarding the subjectivity of the complaints process due to reliance on the visible information, explaining that the process should ideally be more objective, further improvements to the system fields and additional guidance to staff would enhance consistency.
- Members observed that the report lacked key statistical analysis, noting that the case management system could not identify whether cases were justified or upheld. Members stressed the importance of

addressing this to drive service improvements and requested that it be prioritised for the next report in a year's time. The Director agreed, acknowledging the limitations and confirmed that thematic and qualitative analysis would be a key focus for future reports.

- Members noted the absence of information on the severity of complaints and highlighted the potential vulnerability of the council if significant issues were not identified. The Director responded that while challenges existed, only a small proportion of the 20,000 recorded interactions resulted in formal complaints. It was added that minimal compensation had been required.

AGREED:

The report was noted.

7. FINANCE UPDATE, INCLUDING 2023/24 EXTERNAL AUDIT PROGRESS

The External Auditors, Grant Thornton, and Head of Finance submitted a report to the Governance and Audit Committee which presents the Finance update, including 2023/24 External progress.

Members discussed the report and the following points were raised:

- Members referred to paragraph 4.4 and queried whether, in the event of missing the current deadline, the audited accounts could still be finalised by February 2024. The Head of Finance responded that the aim was to submit the audited accounts by November and whilst the accounts should be signed off before the next year, the progress depended on the resolution of queries and the timeliness of responses from the auditors.
- Members raised concerns about the significance of VAT and whether the matter involved accounting principles. The Director of Finance clarified that the correct VAT treatment had been applied, it was confirmed that officers would ensure accurate classifications moving forward and that there were no wider implications.
- Members commended the team on their efforts, noting that completion of the audit turnaround within three months among challenges.

AGREED:

The report was noted.

8. FINANCIAL SUSTAINABILITY

The Monitoring Officer submitted a report to the Governance and Audit Committee which presents the Financial Sustainability report.

The Monitoring Officer presented the legal note and members discussed the report and the following points were raised:

- The Monitoring Officer clarified that the legal note was provided to clarify the committee's role in the financial sustainability framework. It was

explained that the constitutional framework outlines the boundaries of the committee's remit.

- Members noted that external auditors, had identified the risk of bankruptcy and the issuance of section 114 notices as a key concern for authorities nationally. It was acknowledged that the Governance and Audit Committee should utilise tools like dashboards to highlight potential financial challenges, such as entering a "red zone" of financial risk.
- Members emphasized the importance of follow-up actions, noting that if details are presented in reports, the committee is entitled to ask questions about them. A concern was raised about whether reports are thorough enough to allow meaningful follow-ups, particularly in areas where information may be lacking.
- Members discussed the iterative nature of the committee's responsibilities, noting the constitutional boundaries of its functions. It was suggested that the committee should focus on strategic financial oversight rather than delving into granular budgetary details. Members highlighted the importance of receiving regular, dedicated reports on financial sustainability to support informed decision-making.
- Members expressed confusion regarding aspects of the report, stating that certain details, such as risks and their alignment with strategic risk registers were unclear and emphasised that financial sustainability should be joined up with strategic risk management, council controls, and external auditor feedback to ensure transparency and public accountability.
- The Director of Finance confirmed that a more detailed report addressing financial sustainability would be brought to the next committee, which would align with external auditors' feedback and provide a clearer understanding of the risks.

AGREED:

The report was noted.

9. 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 that they contain 'exempt' information as defined by the Local Government (Access to Information) Act 1985, as amended, and consequently that the Sub-Committee makes the following resolution:-

“that the press and public be excluded during consideration of the following reports in accordance with the provisions of Section 100A(4) of the Local

Government Act 1972, as amended, because they involve the likely disclosure of 'exempt' information, as defined in the Paragraphs 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 7 Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

10. CYBER SECURITY INCIDENT REPORT

The Director of Corporate Services submitted a report to the Governance and Audit Committee which presents the Cyber Security Incident Report.

The Director of Corporate Services presented the Cyber Security Incident report which outlined the background behind the incident, the recovery measures implemented, the communication used to all affected, and further changes going forward to ensure enhanced cyber preparedness.

Members discussed the report and provided comments to the Director of Corporate Services.

AGREED:

The report was noted.



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

* * * * *

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 18th 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.

Executive Decision External Audit Report 2023/24 (The Value for Money Report)

Governance and Audit Committee

Date of meeting: 29 January 2024

Lead director/officer: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Karen Linnett
- Author contact details: karen.linnett@leicester.gov.uk
- Report version number: 1

1. Summary

- 1.1 To present the report by Grant Thornton on the External Audit Annual Report 2023/24 (The Value for Money report).

2. Recommended actions/decision

- 2.1 The Governance & Audit Committee is recommended to note the report (attached at Appendix 1) to those charged with Governance and pass any comments to the External Auditor.

3. Scrutiny / stakeholder engagement

- 3.1 The External Auditors are required under the Local Audit and Accountability Act 2014 to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 3.2 The Code of Audit Practice issued by the National Audit Office (NAO) requires the External Auditor to report to those charged with Governance their commentary relating to proper arrangements.

4. Background and options with supporting evidence

- 4.1 The external auditors, Grant Thornton evaluate against specified criteria under the headings below:
- Financial Sustainability
 - Governance
 - Improving economy, efficiency and effectiveness
- 4.2 The report includes notification of use of auditor's powers, there were none used during the reporting period.
- 4.3 The report lays out recommendations and provides updates on previous recommendations.
- 4.4 Further details are outlined in Appendix 1.

5. Financial, legal, equalities, climate emergency and other implications

5.1 Financial implications

The report is exclusively concerned with financial issues.

Signed: Kirsty Cowell

Dated: 17 January 2025

5.2 Legal implications

There are no direct legal implications arising from this report.

Signed: Kevin Carter

Dated: 20 January 2025

5.3 Equalities implications

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows: A public authority must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act. To advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, To foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. There are no direct equality implications arising from the report.

Signed: Surinder Singh

Dated: 20 January 2025

5.4 Climate Emergency implications

There are no significant climate emergency implications directly associated with this report.

Signed: Duncan Bell, Change Manager (Climate Emergency). Ext. 37 2249

Dated: 17th January 2025

5.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

N/A

6. Background information and other papers:

None

7. Summary of appendices:

Appendix 1 - Auditor's Annual Report on Leicester City Council 2023/24

8. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a "key decision"? If so, why?

No

Leicester City Council

Auditor's Annual Report for the
year ended 31 March 2024

January 2025 – Final



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Leicester City Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

21 Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

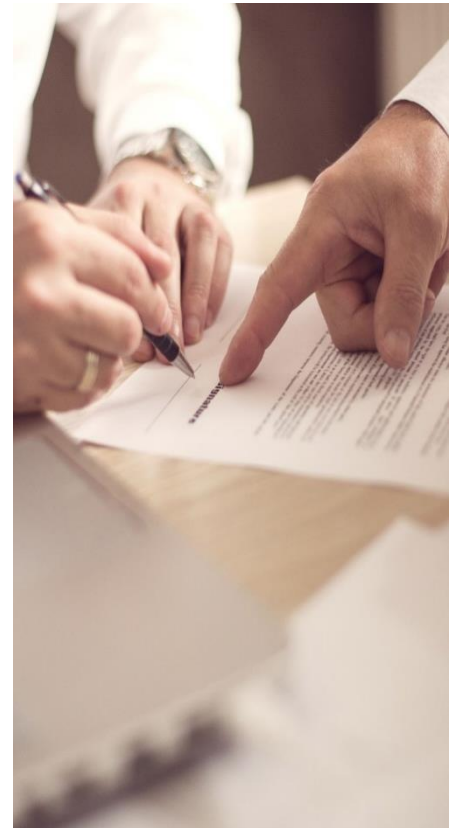
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 13 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 28.

Financial sustainability

The Council has a structured organisational approach to financial planning. However, there is a significant weakness in the Council's arrangements for financial sustainability as previously reported in the 2022-23 Annual Auditors Report (presented to Governance & Audit Committee in April 2024). In that report we highlighted that the Council themselves have accepted there is a serious risk that it would struggle to balance its 2025/26 budget having used up the majority of its reserves balancing its 2023/24 and 2024/25 budgets. Following this report the 2023/24 outturn was finalised and an underspend of £1.7m was reported. When setting the 2024/25 budget it was balanced only through the use of £61m reserves, including £7m of the £15m Emergency reserve fund. Indeed, due to a number of cost pressures, the medium-term financial outlook is the most severe the Council has ever known. At the point of setting the 24/25 budget the Council faced the real probability of not being able to balance their budget in 2025/26, necessitating the issue of a formal report under section 114 of the Local Government Finance Act 1988.

Progress has been made to avert this and the Council is currently in the process of finalising a 3-year financial plan which was published on 11th December 2024 before it was then embedded in the formal Council budget approval process ultimately leading to approval at Council in February 2025. The 3-year financial Plan delivers a balanced budget over the 3-year period but does so only via a combination of savings delivery and, one-off measures such as use of Capital receipts to fund revenue spend, under a capitalisation directive, and the use of a reserve earmarked for capital use to offset the ongoing funding gaps. This reserve is made up of one-off revenue monies set aside in previous years so can be used for revenue purposes. We note that the use of this reserve will necessitate the Council to utilise external borrowing to fund the capital plan. The Council is seeking to mitigate the impact of this on the revenue budget through the delivery of savings. This highlights that all areas of the 3-year year plan need to be delivered in unison to ensure that they have the desired impact on the Council's financial sustainability.

At the end of the 3-year period in 2027/28 there will remain a significant structural deficit for the Council to have to manage. If the 3-year plan is not delivered the Council is likely to be in a position of having to issue a s114 notice (effective bankruptcy). Given where the Council is in the budgeting/planning cycle and given the structural deficit baked into the Council's medium term financial plans, at this point we can only roll forward our key recommendation from last year's report (see p. 16). We include further detail on pages 13-17.

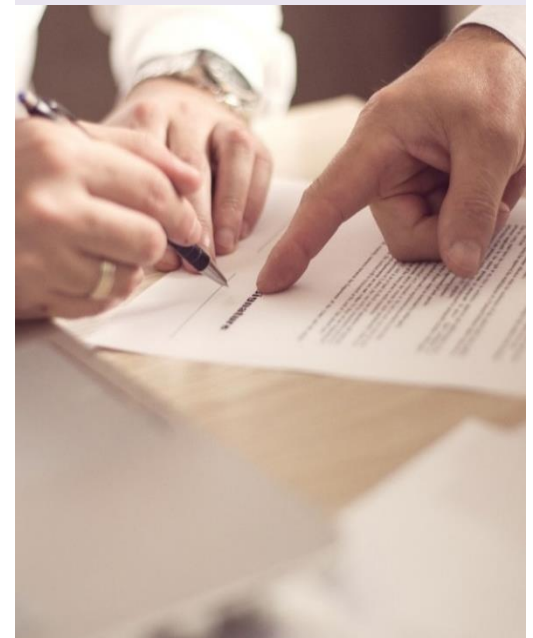
Governance

The Council has strong governance arrangements, backed by a robust internal control system and a comprehensive risk management process. The internal audit opinion for 2023/24 concluded with a reasonable assurance audit opinion, on the adequacy and effectiveness of the Council's internal framework. However, was unable to provide assurance on key ICT controls. This is a result of a major cyber incident in early March leading to minor delays in advancing a few audits.

Upon thorough review and consideration of our areas of focus and evidence, we have not identified any significant weaknesses in the Council's arrangements to ensure financial sustainability. However, we have noted three areas for improvement, specifically in relation to the cyber security incident, consistency of information in the Council's Risk Register and appointing an additional member to the Governance and Audit Committee. As such, we have raised three improvement recommendations, with two of these being brought forward from last year.



We have substantially completed our audit of your financial statements and expect to issue an unqualified audit opinion in January 2025, following the Audit Committee meeting on 29 January 2025. Our findings are set out in further detail on pages 9 to 11.



Executive summary



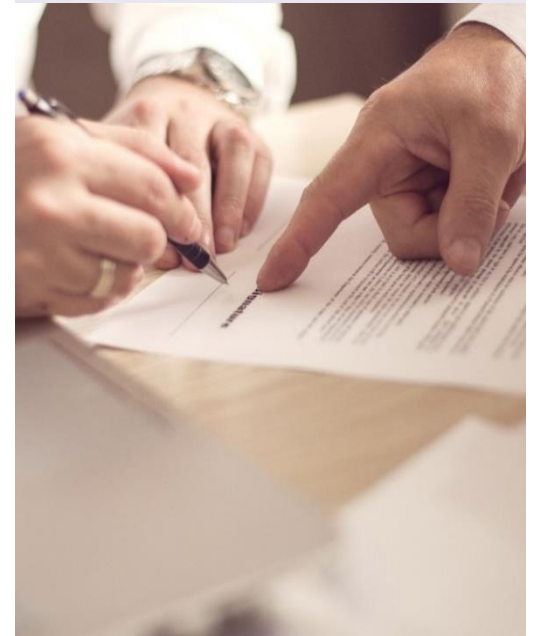
Improving economy, efficiency and effectiveness

The Council is mostly effective in its arrangements to deliver improving economy, efficiency and effectiveness. It has a well-defined Council Plan supported by strong principles and works collaboratively with various regional organisations. Furthermore, it has a strong procurement function and is in the process of enhancing corporate reporting to enhance transparency and accountability in performance monitoring.

After examination of our areas of focus and gathered evidence, we have not identified any significant weaknesses in the Council's arrangements for managing and improving economy, efficiency, and effectiveness. However, we have noted an area for improvement, which has been brought forward from last year with regards to the setting of KPIs for each service area with stretch targets.



We have substantially completed our audit of your financial statements and expect to issue an unqualified audit opinion in January 2025, following the Audit Committee meeting on 29 January 2025. Our findings are set out in further detail on pages 9 to 11.



Executive summary



Overall summary of our Value for Money assessment of the Council’s arrangements

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

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Criteria	2022/23 Auditor judgement on arrangements		2023/24 Auditor judgement on arrangements		Direction of travel
Financial sustainability	R	Significant weakness identified and one key recommendation raised.	R	Significant weakness remains and one key recommendation raised.	↔
Governance	A	No significant weaknesses in the arrangements reviewed. Three minor improvement recommendations were made.	A	We have made three improvement recommendation covering three separate areas of the Council’s governance arrangements. These are; in relation to the Cyber Security attack, the consistency of information in the Council’s Risk Register and the appointment of an additional independent member to the Governance and Audit Committee.	↔
Improving economy, efficiency and effectiveness	A	No significant weaknesses in the arrangements reviewed. One minor improvement recommendation was made.	A	We have made one improvement recommendation related to the setting of KPI’s for each service area with stretch targets.	↔

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Opinion on the financial statements and use of auditor's powers



Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

The Council provided draft accounts in line with the national deadline.

Our work on the Council's 2023/24 financial statements is in progress and we intend to issue an audit opinion in February 2025.



Use of auditor's powers

We bring the following matters to your attention:

We do not currently anticipate:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

- making any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

- issuing a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

- making an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

- issuing any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

- making an application for judicial review.

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Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on Councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for Council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of Council income that were needed to service the increase in demand, for example fees and charges and the collection rates for Council tax, business rates and rents. In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven Councils issuing eleven section 114 notices between 2019 and 2023, compared with two Councils issuing notices between 2001 and 2018, with an increasing number of other Councils publicly warning of a section 114 risk;
- Twenty Councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these Councils had previously issued a section 114 notice; and
- The Local Government Association warning that Councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

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Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend. The Budget on 30 October 2024 has not delivered any further certainty of funding for the Local Government sector, beyond some additional funding for specific pressure areas of social care and housing/homelessness. The distribution of the funding is yet to be determined.



Local context

Leicester City Council is a unitary authority in the East Midlands, consisting of 54 Councillors, representing 21 wards in the city, overseen by a directly elected mayor. It is currently controlled by the Labour Party and has been led by mayor Sir Peter Soulsby since 2011 (Appendix A1 summarises the Mayoral model). The Council also appoints a ceremonial Lord Mayor who chairs Council meetings; the directly elected mayor is termed the City Mayor to distinguish the post from the Lord Mayor. As a unitary authority, the Council is responsible for running nearly all local services in Leicester with the exception of the Leicestershire Fire and Rescue Service and Leicestershire Constabulary. These are run by joint boards of the city Council with Leicestershire County Council and Rutland County Council.

Leicester is the largest city in the East Midlands. Leicester City Council employs more than 11,000 staff, who are responsible for delivering services to a diverse range of customers. The greater Leicester urban area had a population of 559,017 in 2021, making it the 11th most populous in England, and the 13th most populous in the United Kingdom. In 2023, Leicester was named as the best place to live and work in the East Midlands.

Financial sustainability



Financial sustainability

We considered how the Council:

Commentary on arrangements

Assessment



Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;

32

The Council is facing significant challenges in both delivering its 2025-26 budget and the subsequent years of its medium-term financial plan. There is serious risk that the Council may have to issue a s114 notice (effective bankruptcy) in the period and our report last year highlighted this fact. The 2024/25 budget set by the Council identified the need to utilise £61m from reserves, in excess of the reserves available at the point of setting the budget and requiring use of £7.1m of the Emergency Balance held. Work has been ongoing during 2024/25 to develop a sustainable plan for reducing the financial gap for the 2025/26 financial year and rebuilding the Council's reserves balances and the Council is in the process of finalising a 3-year Financial Plan which it published on 11th December 2024 before seeking Council approval in February 2025 as part of the 2025/26 budget planning round. The plan has 5 key elements, including the reduction in costs of Adult social care (ASC), re-purposing of Capital reserves to Revenue, reduction in the Capital programme and sale of assets being the main routes to financial sustainability in the period. The fifth strand of the plan is the identification and delivery of revenue savings. It is critical that the Council identify and validate these savings rapidly to support delivery of the plan. All these strands will be critical in balancing the Council's budget over the medium term.

We have reviewed an emerging draft of the 3-year plan and while it is realistic and includes a number of prudent assumptions and balances the budget over the 3-year period to the end of FY 2027/28, it does not address the longer term financial sustainability challenge. To achieve a balanced budget over the 3-year period, it is contingent upon a number of one-off items which are not recurrent, alongside £23m of savings to be delivered per year. This includes the one-off use of £100m of revenue monies set aside in reserves to support capital activity, along with the use of £60m capital receipts from asset sales to support revenue spend. We do support this approach as it is a prudent approach for the 3-year period in the circumstances but remind the Council that the approach merely delays the problem for another year or two, it does not address the issue of the structural deficit which exists. Continually mounting pressures in Adult Social Care (ASC) and Children's Social Care (CSC) demand and, in particular, the impact of homelessness on the Council means that the Council will continue to struggle to contain costs within their resource allocation. We are satisfied that the Council is identifying all the financial pressures and including these in its financial plans. However, given its low level of reserves, there is no doubt that the financial plans leave the Council in a precarious position to deal with any additional financial pressures which emerge. The need to identify and agree savings to support the delivery of the 3-year plan is critical and while we acknowledge the plans in place, typically plans like this take time to deliver so it is continued identification of savings and focused delivery of these plans which will determine whether the Council is able to remain financially sustainable in the medium term

Given the Council has yet to formally agree the 3-year plan and given the mounting financial pressures as outlined above (ASC, CSC, Homelessness), we propose to roll forward the key recommendation from the 2022-23 AAR into this year (see p. 16 for detail).

Plans to bridge its funding gaps and identifies achievable savings

The Council's 3-year plan proposes a credible and prudent approach to managing the Council's costs within its funding envelope. The identification and delivery of the savings included within that plan are challenging but critical. They also include a number of one-off mechanisms such as the use of Capital receipts to fund revenue spend and use of reserves. This approach appears to allow the Council to balance its budget up to the end of the 3-year Financial plan period (ie. by end 2027/28) but it does not address the structural deficit which clearly exists. The financial challenges facing the Council are significant and it will be critical that the Council takes the difficult decisions required in a timely manner to allow them sufficient time to deliver in the medium term. This will involve making potentially unpopular decisions regarding discretionary expenditure. We therefore re-iterate our key recommendation from the 2022-23 audit report (see p.16).

Notwithstanding the longer term financial sustainability issues, it will be important for the Council, in the short term, to develop a robust mechanism to track and report on the achievement of the savings targets on a regular basis. Whilst the Council has established an internal officer group called the Financial Sustainability Board (FSB) and carries out this function informally. We would advise that the Council establishes processes and mechanisms for formal tracking and monitoring of savings identification and delivery. These mechanisms should formally report into appropriate Member forums on at least a quarterly basis at least on progress made in the identification and delivery of savings. We have raised an improvement recommendation to reflect this (see p.17).

R

A

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)



We considered how the Council:

Commentary on arrangements

Assessment

<p>Plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>There is little doubt that the Council has accepted and is facing up to the financial challenges in the medium and long term and this has had a bearing on the strategic objectives and direction of the Council. The senior leadership team has worked very closely with the City Mayor in identifying the 3-year plan though ultimately it is the Mayor's responsibility to agree and sign off on the plan. The Council's focus has been on plugging financial gaps and ensuring it is financially sustainable. This close working with the Mayor and his team and the involvement in the process of all Strategic directors of services has ensured there is close alignment with the Council's strategic priorities albeit the major strategic objective has been to ensure financial sustainability over the next 3 years.</p>	<p>G</p>
<p>Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system</p>	<p>The Council operates with a system that aligns the key elements of financial planning. Directors of services have had significant input to the development of the 3-year financial plan. In particular, the Strategic Director of Adults and Children's has made major contributions to the plan through reviewing operational procedures and relationships with health partners to improve care packages and reduce costs. Increasing homelessness cost being incurred by the Council as a result of growing numbers of Asylum Seekers have been mitigated through cross-departmental working to find solutions to provide temporary accommodation. Despite these mitigating actions there remains an overspend in this area.</p> <p>The Council's Capital programme for 2023/24 totalled £304.7m with spend for the year £138m. During the year many capital projects experienced delays in progress and increased costs. This has been attributable to instability in the construction industry, limited contractor capacity and continued inflationary pressures due to the current uncertain economic climate. The Council's Capital programme for 2024/25 is £236.3m which has been developed in conjunction with services. We will monitor delivery as part of our ongoing value for money work</p> <p>The Council is engaging in a redesign of services in ASC and CSC to favourably impact financial planning in the medium term with examples being the introduction of permanent qualified Social Workers from abroad leading to reduced requirement for costly Agency staff as well as the establishment of two new Council owned Children's homes which is saving the considerable cost of having to outsource this function to the private sector (10k per month for Council owned home v £34.5k+ per month for private sector option). We are therefore satisfied that the financial planning process considers other plans such as capital, ASC, CSC and staffing.</p>	<p>G</p>
<p>Identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans</p>	<p>The Council has been clear in its identification of financial risk. These were reported via the Budget monitoring process during the 2023/24 and 2024/25 financial year to date. The major financial risk has been in view to members for some time now, namely the financial sustainability of the Council over the medium term and members have been left in no doubt about the potential threat to the Council of having to issue a s114 notice.</p> <p>Each budget monitoring report has a summary of the key financial pressures and clearly highlights the emerging risks to the longer term financial sustainability of the Council along with the measures being taken and the savings being identified to mitigate the pressures. The reports include the assumptions the Council has been working to plus year end forecasts of expenditure and the latest measures being taken to increase savings, manage costs down and address any demand pressures. The Council is aware of the pressure on its General Fund reserves and the impact this has on financial sustainability but is not currently in a position to develop a credible plan for the replenishment of these reserves. There is an expectation that the Council will have to, at some point in the 3-year period, approach MHCLG for Exceptional Financial Support (EFS). As part of this process it will be critical that the Council has demonstrated it has reviewed all potential options including stopping discretionary spend. There is no doubt that the Council's reserves position is precarious and reserves are at a level where any additional financial pressures which were unforeseen could prove to be a serious issue for the Council. Hence we have re-iterated our key recommendation from last year (see p.16)</p>	<p>R</p>

Financial sustainability (continued)



Significant weaknesses identified in Financial Sustainability arrangements

Medium-term financial challenge to close the budget gap

The Council is facing significant financial pressures which have been building over the past 2 or 3 years. The 2024/25 budget was balanced only by the use of £61m reserves including £7m of the £15m Emergency reserve fund. Indeed, due to a number of cost pressures, the medium-term financial outlook is the most severe the Council has ever known. Like many authorities, they are facing significant challenges in balancing their budget in 2025/26, necessitating a formal report under section 114 of the Local Government Finance Act 1988. The Council has recognised the challenge and has developed a 3-year financial plan with the aim of both balancing its finances in the medium term and at the same time buying itself time to deliver more structural changes which will ensure its financial sustainability in the longer term. The 3-year financial plan has been published on 11th December 2024 and, once agreed, will form part of the 2025-26 budget submission to be signed off in February 2025.

We have reviewed an emerging draft of the 3-year plan and while it is realistic and includes a number of prudent assumptions and balances the budget over the 3-year period to the end of FY 2027/28, it does not address the longer term financial sustainability challenge as, in order to achieve a balanced budget over the 3-year period, it includes a number of one-off items which are not recurrent, including the use of revenue monies in reserves earmarked for capital activity and the use of capital receipts from asset sales to support revenue spend. This approach merely delays the problem for another year or two, it does not address the issue of the structural deficit which exists. Continually mounting pressures in ASC and CSC demand and, in particular, the impact of homelessness on the Council means that the Council will struggle to contain costs within their resource allocation beyond that 3-year time horizon and there will be a significant risk of having to apply for a s114 Notice.

Given the Council has yet to formally agree the 3-year plan and given the mounting financial pressures as outlined above (ASC, CSC, Homelessness), we propose to roll forward the key recommendation from the 2022-23 report into this year (see below) though in doing so we acknowledge the steps being taken to address the challenges.

Key recommendation 1 : The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being directed toward:

- The identification and delivery of savings that reduce the indicative budget gap in 2025/26 and in future years, along with supporting the replenishment of reserves. These savings should be realistic, evidence-based targets as opposed to unachievable or overly-optimistic.
- Reducing reliance on one-off measures to support the revenue budget (including non-recurrent savings, one-off grants and reserves)
- Considering how and when a credible plan can be developed for the rebuilding the reserves balance to ensure it can be replenished to provide financial security and cushioning in the future
- Difficult decisions are likely to be required in future budgets. The Council should therefore ensure that:
 - its financial planning demonstrates and reports a clear understanding of statutory versus discretionary areas of spend,
 - where discretionary spend continues this spend can be managed within the available financial envelope whilst ensuring that statutory duties continue to be met, and
 - If required, how the reduction or removal of services in its long term plan fits with its organisational strategy and the priorities of stakeholders

Financial sustainability (continued)



Areas for improvement

Formal mechanism for monitoring and reporting on financial savings

The Council is developing a number of projects which will deliver financial savings and contribute to ensuring the financial sustainability of the organisation in the medium to long term. Currently these savings are monitored via a savings tracker which is discussed on an informal basis via the internal officer group of the Financial Sustainability Board (FSB). The Council should formalise its processes and mechanisms for the tracking and monitoring of savings identification and delivery. This should facilitate regular and timely reporting into OSC, ensuring visibility and proper challenge of all savings delivery

35

Improvement recommendation 1: Implementation of a formal savings monitoring and reporting mechanism.

The Council should implement more formal governance processes and mechanisms for tracking, challenging and reporting on the financial savings required to balance the MTFS.

Governance



Governance



We considered how the Council:

Commentary on arrangements

Assessment

37

Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has established procedures to identify strategic risks, comprehend their nature, document them within the risk management system, and evaluate them, ensuring effective governance and risk management. In March 2024, the Risk Management and Business Continuity Policy Statements and Strategies were presented to the Governance and Audit Committee. These policies provide a framework for managing risks, supporting strategic priorities, and ensuring service continuity. The Risk Management Policy outlines the risk management process, including assessment, monitoring, and immediate action for risks scoring higher than 15. The Committee's responsibilities include approving the risk management and business continuity policies, reviewing reports on current and emerging risks, and monitoring insurance arrangements.

The Head of Internal Audit's opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Council's internal framework. However, Internal Audit were unable to provide assurance on key ICT controls. In March 2024, the Council experienced a major cyber security incident, which resulted in the Council shutting down its IT networks and significant disruption to systems and processes. This led to minor delays in advancing a few audits, including a scheduled audit of key ICT controls. This audit, which included a follow-up on the cyber security audit from 2022-23, was unable to proceed due to the cyber incident. Consequently, Internal Audit could not provide assurance regarding material risk exposure. We do note that the Council was part of the Future Councils pilot cohort making digital and cyber improvements to the organisation.

In response to the cyber security attack, our Cyber & Digital Investigations specialists undertook a detailed review of the breach to assess the risk posed to the Council and inform our value for money work. This review included an assessment of the likelihood and size of any fine from the Information Commissioners Office (ICO), any ongoing risk to the financial systems or integrity of financial data and the potential for legal action and/or commercial sanctions to be taken against the Council. Our review has concluded that the risk that the Council is exposed to is minimal and any legal action will not be material. We also note that the ICO have formally closed their investigation with regards to the incident and therefore the Council is not exposed to the risk of a fine. Notwithstanding this, during 2023/24 the Council's arrangements for mitigating the impact of a cyber-security incident were not at the level required due to isolated human error. We note that the Council have taken action to strengthen these arrangements but we raise an improvement recommendation in relation to the weaknesses in place during 2023/24.

Furthermore, we note that, effective 1 August 2024 the Council has appointed Veritau Public Sector Ltd as its new internal audit provider. Veritau implemented an "opinion framework" to recognise, prioritise and coordinate the execution of internal audit services.

We note from our work that the Council has yet to address the improvement recommendation raised in our 2022/23 report with regards to the consistency of information in the Risk Register. On that basis we have rolled forward this improvement recommendation for the Council to address.

A

Approaches and carries out its annual budget setting process

The Council has a robust budget setting process. The 2025/26 budget process is based on the three-year plan detailed in the financial sustainability section of this report. This includes budget savings targets for departments to identify and deliver in 2025/26. Directors are aware of these targets and are proactively looking at options to deliver against them. At the same time as identifying savings the Council has been trying to manage costs down by aiming to constrain growth in ASC and CSC.

G

Governance (continued)



We considered how the Council:	Commentary on arrangements	Assessment
<p>Ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>The Council’s quarterly budget monitoring reports provide OSC with a clear understanding of the Council’s financial position, as well as forecasts for the year-end. The minutes of the OSC meetings indicate that discussions and challenges focused on the areas of greatest variance, demonstrating a clear understanding of the areas requiring management and Member attention. Corrective action is taken where needed. Monthly budget reports are produced to ensure that budget holders are aware of financial performance.</p> <p>The Council is working with MHCLG (Ministry of Housing, Communities and Local Government) to agree alternative approaches to managing the budget and specifically is seeking a capitalisation directive to allow it to use capital receipts to support revenue. The Council also plans to re-purpose capital reserves as Revenue reserves so they can be used to manage the shortfall moving forward. These are one-off measures and, as indicated in our key recommendation in the Financial Sustainability section of this report, the Council will need consider how reserves can be replenished in the future to support financial sustainability.</p>	<p>G</p>
<p>38 Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>Officers regularly brief key council members to ensure active information sharing and discussions about critical issues and risks. Efforts to improve governance understanding, including skill development and procedural enhancements, have been ongoing.</p> <p>The Audit Committee at Leicester City Council is composed of seven councillors and one independent member, whom has attended meetings since September 2022. We have rolled over the recommendation from last year for the Council to consider the merits of appointing an additional appropriately qualified independent member to the Governance and Audit Committee.</p> <p>The Committee is responsible for reviewing fraud risks, monitoring the counter-fraud strategy, and providing independent scrutiny of the authority's financial and non-financial performance to minimise risk. The Council has ensured the separation of executive roles and the membership of the audit committee in line with CIPFA guidance. The committee met six times during 2023/24 and was well attended. This exceeded the recommended minimum of four meetings per year. Also, this is included in Leicester City Council’s requirements in its Terms of Reference.</p>	<p>A</p>
<p>Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.</p>	<p>The Council has an approved Local Code of Corporate Governance based on seven core principles from the International Framework: Good Governance in the Public Sector. The Council ensures openness and comprehensive stakeholder engagement through various means, such as open meetings, published executive decisions, scrutiny of projects, public engagement, and use of social media. Additionally, the Council operates with 13 committees subject to political balance, with the current political balance being 57.41% Labour, 31.48% Conservative, 5.56% Green, and 5.56% Liberal Democrat, following full elections on 4th May 2023.</p>	<p>G</p>

Governance (continued)



Areas for improvement

Major Cyber Security Incident – March 2024

In March 2024, Leicester City Council experienced a major cyber security incident, which resulted in the Council shutting down its IT networks and significant disruption to systems and processes. It is noted from our detailed review into this issue that there are controls relating to cyber-security systems that the Council needs to improve. Therefore, we raise an improvement recommendation for the Council to take appropriate actions to mitigate the risk of future cyber-security incidents. In raising this recommendation we note that the Council has already taken significant actions to increase its resilience in this area.

Given we have confirmation from our internal Cyber and Digital Investigations team that the Information Commissioner's Office already closed their investigation and have spoken with the Council their response to the incident and ongoing monitoring activities, we are providing an improvement recommendation relating to the arrangements in place during 2023/24.

Improvement recommendation 2: Cyber Security Incident

The Council should ensure that actions taken following the cyber-security incident are embedded within the Council and cyber-security remains core to the Council's operations to reduce the risk of a future cyber-security incident.

Improvement required in the consistency of information in the Council's Risk Register

At March 2024, there were 26 strategic risks on the Corporate Risk Register, however there were some inconsistencies on the Risk register which implies that the risk Register needs a more in-depth review by the Corporate Management Team (CMT) as part of their quarterly review.

Given the Council has yet to adjust this in 2024, we propose to roll forward the improvement recommendation from the 2022/23 report into this year, though in doing so we acknowledge this is to be adjusted for the first round of reporting in 2025 and will include a summary of the key risk control actions for each strategic risk.

Improvement recommendation 3: Consistency of information in the Council's Risk Register.

The information on the Corporate Risk Register needs to be reviewed so that it is fully up to date through better triangulation with other information to remove inconsistencies in scoring and understanding of the risks around Council's operations so that risk management becomes more embedded as a useful tool in the Council.

Governance (continued)



Areas for improvement

Appointing an additional independent member to the Governance & Audit Committee.

The Council should consider the merits of appointing an additional independent member of the Governance & Audit Committee as per the CIPFA (2022) guidance Audit Committees: Practical Guidance for Local Authorities and Police.

This recommendation was raised in our 2022/23 report, presented in April 2024 and we note that the Council has yet to formally consider the appointment of a second independent member, we propose to roll forward the improvement recommendation, though in doing so we acknowledge the Council will look at options for filling this position in 2025 and the terms of reference allow for this.

40

Improvement recommendation 4: Appointing an additional independent member to the Governance & Audit Committee.

We recommend that the Council consider the merits of appointing an additional independent member to the Governance & Audit Committee as per the CIPFA (2022) guidance Audit Committees: Practical Guidance for Local Authorities and Police.

Improving economy, efficiency and effectiveness



Improving economy, efficiency and effectiveness



We considered how the Council:

Commentary on arrangements

Assessment

42

Uses financial and performance information to assess performance to identify areas for improvement

The Council oversees risk management and performance through a combination of internal and external audits, regular spending reports, and annual reviews of governance and risk management strategies. The Governance & Audit Committee supervises the Council's financial management arrangements to ensure operational soundness. In addition, the Scrutiny Committees are responsible for evaluating policies and practices, as well as questioning the performance and decisions of the City Mayor, Executive, Committees, and Council Officers. The Council maintains robust risk management and performance through various methods, including internal and external audits, information governance, and regular spending reports. It also conducts annual reviews of corporate governance, risk management strategy, and an assurance framework to monitor and assess strategic and operational risks.

The Council defines outcomes in terms of sustainable economic, social and environmental benefits through the City Mayor's strategic vision which contain a number of key pledges and which have been regularly scrutinised:

- A Fair City
- Homes for All
- Connecting Leicester
- Sustainable Leicester
- Health & Care
- Lifelong Learning
- A City to Enjoy
- A Safe and Inclusive Leicester

Some of the key outcomes from the Mayor's pledges in 2023/24 have been:

- Continued improvement in transport infrastructure through the Connecting Leicester programme;
- Investment in Council housing; and
- Planned investment of £45m to address the homelessness crisis and pressures on temporary accommodation in the city.

Continued on page 25

A

Improving economy, efficiency and effectiveness



We considered how the Council:

Commentary on arrangements

Assessment

43

Uses financial and performance information to assess performance to identify areas for improvement (cont'd)

While the Council has performed well against its strategic priorities for 2023/24, we roll forward an improvement recommendation from 2022/23 as note that the Council do not currently publicly report on progress against each key performance indicator (KPI) linked to its key strategic priorities. At present, the performance reporting provides an overall summary of progress, informing users of the percentage of commitments achieved versus not achieved. Users therefore do not gain an understanding of which of the commitments the Council is performing well in versus those it is performing less well in. We recommend including, in the least as an appendix, greater detail on the individual performance indicators. The Council clearly have a suite of key performance indicators against which they measure performance. These are presumably aligned to its strategic objectives. These are known internally but are not currently shared publicly/externally.

A

Evaluates the services it provides to assess performance and identify areas for improvement

The Council has a corporate complaints policy for public complaints, compliments, and comments, covering matters under the Local Government & Social Care Ombudsman (LGSCO) and the Housing Ombudsman (HO). It outlines exclusions from the policy, such as complaints about adult and children's social care, elected officials, and school matters.

The 2023/24 Ombudsman complaints overview report indicated that 99 complaints were investigated and responded by the Ombudsman. Out of the 99 ombudsman complaints received in 2023/24, 20 originated from the HO. Among these, 7 complaints were upheld in favour of the complainant, 8 were not upheld, and 5 were outstanding, resulting in a total compensation order of c. £7,000. The remaining 79 complaints were from the LGSCO, with 16 upheld in favour of the complainant, 54 not upheld, and 8 still outstanding, resulting in a total compensation order of nearly £8,500. The upheld complaints from both the HO and LGSCO were related to various issues such as the condition of property on allocation, delays in completing housing repairs, delays in assessing homelessness circumstances, housing register applications, complaints handling delays, the handling of Anti-Social Behaviour reports, outdated Anti-Social Behaviour policies, and the handling of a Right To Buy application. Resolutions instructed by the HO have been completed, primarily focusing on in-service resolutions.

G

Further to the above, there are significant challenges to current activities, and the Mayor's manifesto priorities are backed by appropriate strategies. Strategic Directors, who oversee departmental budgets and strategy implementation, frequently meet with Finance to review service delivery and consider potential investments to enhance efficiency and service quality, rather than simply focusing on cost reductions.

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness (continued)



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We considered how the Council:	Commentary on arrangements	Assessment
<p>Ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives</p>	<p>The financial plans of the Council show numerous partnership agreements that are in line with its corporate goals and main priorities, such as promoting job creation, providing affordable housing, enhancing education, and addressing health needs and social care.</p> <p>Various partnerships include the Leicester Community Safety Partnership, which is a partnership of agencies dedicated to addressing crime, drugs, and disorder. The responsible authorities comprising a Community Safety Partnership include the Police, Fire and Rescue Authority, Local Authorities, Health Partners, and Probation Services. The Council engages effectively across these partnerships.</p>	G
<p>Commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>The Council's financial regulations and contract standing orders, outlined in the Council's Constitution, mandate staff compliance when spending money with external providers. The Council has a Head of Procurement and specialised teams for different types of procurement, adhering to the Public Services (Social Value) Act and applying social value evaluation weightings. In response to a recommendation, the Council developed a Procurement Strategy 2024 – 2026, presented to the July 2024 Audit and Governance Committee. The strategy focuses on monitoring procurement activity, setting thresholds for quotations, and prioritizing getting it right the first time, obtaining the best value for Leicester, and supporting sub-contractors. It aligns with national and local priorities and anticipates government legislative and policy changes. The strategy is divided into three parts: the Council's strategic procurement framework, nine strategic procurement themes, and five key enablers. Additionally, the report notes plans for creating a contract management framework to support the strategy in the future.</p> <p>The Council's Contract Procedure Rules mandate an annual report to be presented to the Executive and the Governance and Audit Committee, providing information on procurement activities and compliance with the rules. The report includes details of waivers granted, which have decreased in number and value, largely due to the impact of COVID-19 and enhanced scrutiny. The Governance & Audit Committee is responsible for reviewing the annual report, considering proposed rule changes, and ensuring appropriate governance and risk management in procurement activities.</p> <p>The Council faces a key issue in its Medium Term Financial Strategy, as it expects reserves to run out in 2025/26, necessitating significant savings. Additionally, economic instability and rising inflation pose challenges, with the Council monitoring budgets and services to address increased costs and potential supply shortages. The Council is making efforts to manage capital budgets and account for inflation in project planning to mitigate these challenges.</p>	G

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness (continued)



Areas for improvement

Setting of KPIs for each service area with stretch targets

Key performance indicators are used to track performance of the Council's priorities as outlined in the Corporate Plan. Targets go through CMT and then agreed with Portfolio Holders. A 15% threshold is applied to determine red/amber/green ratings and does not change in-year (unless in exceptional circumstances). The Council's Performance and Accountability Framework underpins this approach and is due for review in 2024 as it was last updated in July 2021.

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We suggest as part of the review of the Performance and Accountability Framework that the Council should set KPIs for each service area with stretch targets to reflect the improvement in service areas required to meet the Council's financial challenge.

Given the Council has yet to formally implement a strategic plan, we propose to roll forward the improvement recommendation from the 2022-23 report into this year, though in doing so we acknowledge there is a strategic plan currently being considered.

Improvement recommendation 5: Setting of KPIs for each service area with stretch targets

We suggest as part of the review of the Performance and Accountability Framework that the Council should set KPIs for each service area with stretch targets to reflect the improvement in service areas required to meet the Council's financial challenge.

**Value for Money
Recommendations raised in
2023/24**



Recommendations raised in 2023/24

47

Recommendation	Type of recommendation*	Actions agreed by Management
Financial Sustainability		
Medium-term financial challenge to close the budget gap		
<p>The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being directed toward:</p>		
<ul style="list-style-type: none"> • The identification and delivery of savings that reduce the indicative budget gap in 2025/26 and in future years, along with supporting the replenishment of reserves. These savings should be realistic, evidence-based targets as opposed to unachievable or overly-optimistic. • Reducing reliance on one-off measures to support the revenue budget (including non-recurrent savings, one-off grants and reserves) • Considering how and when a credible plan can be developed for the rebuilding the reserves balance to ensure it can be replenished to provide financial security and cushioning in the future • Difficult decisions are likely to be required in future budgets. The Council should therefore ensure that: <ul style="list-style-type: none"> ○ its financial planning demonstrates and reports a clear understanding of statutory versus discretionary areas of spend, ○ where discretionary spend continues this spend can be managed within the available financial envelope whilst ensuring that statutory duties continue to be met, and ○ If required, how the reduction or removal of services in its long term plan fits with its organisational strategy and the priorities of stakeholders 	<p>Key</p>	<p>Actions: The Council has recently published a budget strategy for 2025/26 which balances for the budget for the next 3 years and works towards making steps to reduce the financial gap. It is a clear priority for the Council to improve its financial position.</p> <p>Responsible Officer: Amy Oliver (Director of Finance)</p> <p>Due Date: Ongoing</p>
Formal mechanism for monitoring and reporting on financial savings		
<p>IR1 The Council should implement more formal governance processes and mechanisms for tracking, challenging and reporting on the financial savings required to balance the MTFS.</p>	<p>Improvement</p>	<p>Actions: This is agreed and will be included as part of the 2025/26 quarterly monitoring to OSC.</p> <p>Responsible Officer: Amy Oliver (Director of Finance)</p> <p>Due Date: July 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24 (continued)

48

Recommendation	Type of recommendation *	Actions agreed by Management
Governance		
<p data-bbox="210 555 651 577">Major Cyber Security Incident – March 2024</p> <p data-bbox="210 592 1111 671">IR2 The Council should ensure that actions taken following the cyber-security incident are embedded within the Council and cyber-security remains core to the Council's operations to reduce the risk of a future cyber-security incident.</p>	Improvement	<p data-bbox="1543 520 2069 600">Actions: - The recommendation is accepted - As noted several significant actions have already taken place to improve our security posture.</p> <p data-bbox="1543 619 2018 671">Responsible Officer: Andrew Shilliam (Director of Corporate Services)</p> <p data-bbox="1543 687 1861 708">Due Date: Actioned and in-place</p>
<p data-bbox="210 767 1066 790">Improvement required in the consistency of information in the Council's Risk Register</p> <p data-bbox="210 804 1111 916">IR3 The information on the Corporate Risk Register needs to be reviewed so that it is fully up to date through better triangulation with other information to remove inconsistencies in scoring and understanding of the risks around Council's operations so that risk management becomes more embedded as a useful tool in the Council.</p>	Improvement	<p data-bbox="1543 746 2069 799">Actions: Agreed and will be implemented as part of the reporting to Governance & Audit.</p> <p data-bbox="1543 815 2018 868">Responsible Officer: Andrew Shilliam (Director of Corporate Services)</p> <p data-bbox="1543 884 1738 906">Due Date: July 2025</p>
<p data-bbox="210 1011 1077 1034">Appointing an additional independent member to the Governance & Audit Committee.</p> <p data-bbox="210 1048 1039 1129">IR4 We recommend that the Council consider the merits of appointing an additional independent member to the Governance & Audit Committee as per the CIPFA (2022) guidance Audit Committees: Practical Guidance for Local Authorities and Police.</p>	Improvement	<p data-bbox="1543 975 2101 1054">Actions: This is already included in the terms of reference and consideration will be given to recruiting an independent member during 2025/26.</p> <p data-bbox="1543 1070 2056 1093">Responsible Officer: Amy Oliver (Director of Finance)</p> <p data-bbox="1543 1109 1805 1131">Due Date: September 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24 (continued)

Recommendation	Type of recommendation *	Actions agreed by Management
Improving economy, efficiency and effectiveness		
IR5	Improvement	<p data-bbox="1543 520 2018 571">Actions: This will be considered by the Corporate Management Team</p> <p data-bbox="1543 587 2063 638">Responsible Officer: Alison Greenhill (Chief Operating Officer)</p> <p data-bbox="1543 654 1805 679">Due Date: September 2025</p>

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* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

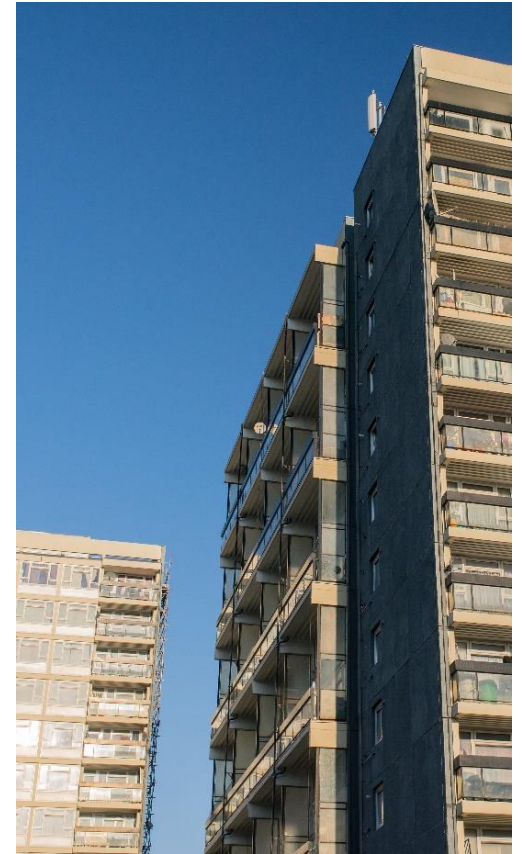
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities



Value for Money arrangements work

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The audited body's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

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Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation


Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.**
- **Key recommendations – actions which should be taken by the Council where significant weaknesses are identified within arrangements.**
- **Improvement recommendations – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.**


Appendix C: Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p> Financial Sustainability</p> <p>The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being directed toward:</p> <p>53</p> <ul style="list-style-type: none"> The identification and delivery of savings that reduce the indicative budget gap in 2024/25 and in future years, along with supporting the replenishment of reserves. These savings should be realistic, evidence-based targets as opposed to unachievable or overly-optimistic. Reducing reliance on one-off measures to support the revenue budget (including non-recurrent savings, one-off grants and reserves) Rebuilding the reserves balance to ensure it can be maintained to provide financial security and cushioning in the future Difficult decisions are likely to be required in future budgets. The Council should therefore ensure: <ul style="list-style-type: none"> that its financial planning demonstrates and reports a clear understanding of statutory versus discretionary areas of spend, that those discretionary areas can be managed within the available financial envelope, and If required, how the reduction or removal of services in its long term plan fits with its organisational strategy and the priorities of stakeholders. 	Key	April 2024	Work is ongoing in developing a sustainable plan to reduce growth pressures in social care and homelessness budgets and identifying savings options to balance 2025/26 budget including capital options. Revised MTFS to be presented to cabinet in November 2024.	Partially	Yes - Key recommendation re-iterated for 23/24

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:


Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?	
 Governance						
2	The Council should improve the presentation of the Strategic Risk Register by including the key relevant controls and assurance and setting these out for each strategic risk reported to Governance & Audit.	Improvement	April 2024	Our Strategic Risk Reporting will be adjusted for the first round of reporting in 2025 and will include a summary of the key risk control actions for each of our strategic risks.	Partially	Yes – Recommendation rolled forward for 2023/24
3	The Council should consider the merits of appointing an additional independent member to the Governance & Audit Committee as per the CIPFA (2022) guidance Audit Committees: Practical Guidance for Local Authorities and Police.	Improvement	April 2024	The terms of reference for the committee allow for a second independent member. The Council will look at options for filling this position in 2025.	No	Yes – Recommendation rolled forward for 2023/24
4	The Council should include within its regular in-year reports to the Overview Select Committee and/or Audit Committee, alongside its year-end forecast outturn, consideration of best and worst-case outturn scenarios in relation to the Council's key financial risks/mitigations.	Improvement	April 2024	The monitoring reports already include narrative on potential risk areas and will look at developing this further in 2025/26.	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:

Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
 Improving economy, efficiency and effectiveness					
<p>55</p> <p>5</p> <p>We note that the Council do not currently publicly report on progress against each key performance indicator (KPI) linked to its key strategic priorities. At present, the performance reporting provides an overall summary of progress, informing users of the percentage of commitments achieved versus not achieved. Users, therefore, do not necessarily gain an understanding of which of the commitments the Council is performing well in versus those it is performing less well in. We recommend including, in the least as an appendix, greater detail on the individual performance indicators. The Council clearly have a suite of key performance indicators against which they measure performance. These should be aligned to its strategic objectives. These are known internally but are not currently shared publicly/externally. We now recommend that the Council:</p> <ul style="list-style-type: none"> publicly explain how these indicators are derived (e.g. statutory obligation); for each KPI, outline a performance target which meets the service quality the Council wishes to deliver; for each KPI, state performance against this target, how the performance has changed over time and consider benchmarking against near neighbours (NNs) as appropriate. 	Improvement	April 24	A strategic plan is currently being considered and this would then the performance indicators we would report on.	No	Yes – Recommendation rolled forward for 2023/24

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.



Internal audit work programme consultation 2025/26

Governance & Audit Committee

Decision to be taken by: N/A

Date of meeting: 29 January 2025

Lead director/officer: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Connor Munro, Assistant Director – Audit Assurance (Veritau)
- Author contact details: connor.munro@veritau.co.uk
- Report version number: 1.0

1. Summary

- 1.1 This report outlines arrangements for developing the internal audit work programme. It also asks for the Governance & Audit Committee's views on any areas it thinks should be considered for audit in 2025/26.

2. Recommended actions/decision

- 2.1 The Governance & Audit Committee is recommended to:

2.1.1 Provide its views on areas that should be considered a priority for inclusion in the 2025/26 internal audit work programme.

3. Scrutiny / stakeholder engagement

- 3.1 The Governance & Audit Committee and senior officers from across the council (including its statutory officers, Strategic Director DMTs, and other heads of service) will be consulted in the preparation of the internal audit work programme for 2025/26. This report presents the first stage in the consultation process.

4. Background and options with supporting evidence

- 4.1 Internal audit provides independent and objective assurance and advice on the council's operations. It helps the council to achieve its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- 4.2 The Public Sector Internal Audit Standards (PSIAS), and the council's audit charter, require internal audit to draw up an indicative programme of work based on an assessment of risk.
- 4.3 The standards require internal audit to independently form a view on the risks facing the council when developing the work programme. However, they also require the opinions of the Governance & Audit Committee, and those of senior council officers, to be taken into account when forming that view.
- 4.4 A specific public sector requirement for internal audit is that the risk-based plan (or programme) must take into account the need to deliver an annual internal audit opinion.
- 4.5 Internal audit work programmes cover a range of risk areas to ensure that the work undertaken enables Veritau to meet the requirement to provide an overall opinion

on the governance, risk management, and control framework operating in the council.

- 4.6 The consultation report included in appendix 1 contains information on our approach to developing the work programme, background on our internal audit opinion framework, and some examples of arrangements, systems and processes Veritau could review under each area of the framework.
- 4.7 Consultation with senior council officers on proposed 2025/26 internal audit work will be undertaken over the next two months. A draft internal audit work programme will then be brought to this committee in March 2024 for approval.
- 4.8 There are no alternative options relating to this report. The Governance & Audit Committee must be consulted on the development of the internal audit work programme in order to fulfil the requirements of the committee's terms of reference and the internal audit charter, and to ensure compliance with professional standards.

5. Financial, legal, equalities, climate emergency and other implications

5.1 Financial implications

There are no financial implications arising directly from this report.

Signed: Amy Oliver, Director of Finance

Dated: 17 January 2025

5.2 Legal implications

There are no direct legal implications arising from this report. Robust internal audit arrangements form part of a suite of measures designed to promote financial integrity, legal compliance and overall good governance.

Signed: Kamal Adatia, City Barrister & Head of Standards (Monitoring Officer)

Dated: 14 January 2025

5.3 Equalities implications

The Council has responsibility for establishing and maintaining appropriate risk management processes, control systems and governance arrangements. An internal audit helps ensure local government provide services effectively. There are no equality implications arising directly from this report. People from across all protected characteristics should benefit from the work of the committee and the audits that are conducted and reported on by ensuring the effectiveness of the Council's internal control system.

Signed: Surinder Singh, Equalities Officer

Dated: 13 January 2025

5.4 Climate Emergency implications

Addressing the climate emergency remains a key strategic priority for the council, with its strategy and action programme recently having been updated through the adoption of the

Climate Ready Leicester Plan for 2023-2028. The council's ambition remains to reach 'net zero' for both its own estate and operations, and for the wider city, with an acknowledgement that the target date of 2030 is increasingly challenging and will be reviewed. The plan also addresses the need for adaptation to the climate impacts we are already seeing – and which will become more severe in the coming years.

The major risks to the council and the city both from escalating climate impacts, and from the challenges of transitioning from fossil fuel reliance to net zero technologies is reflected in the Strategic Risk Register in risk number 6.1: "The impacts and requirements arising from climate change" which is scored as a high risk and is relevant to all service areas.

This should be considered when deciding the content of the forthcoming audit programme.

Signed: Duncan Bell, Change Manager (Climate Emergency)

Dated: 13 January 2025

5.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

None.

6. Background information and other papers:

None

7. Summary of appendices:

Appendix 1 – Internal audit work programme consultation report 2025/26

8. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

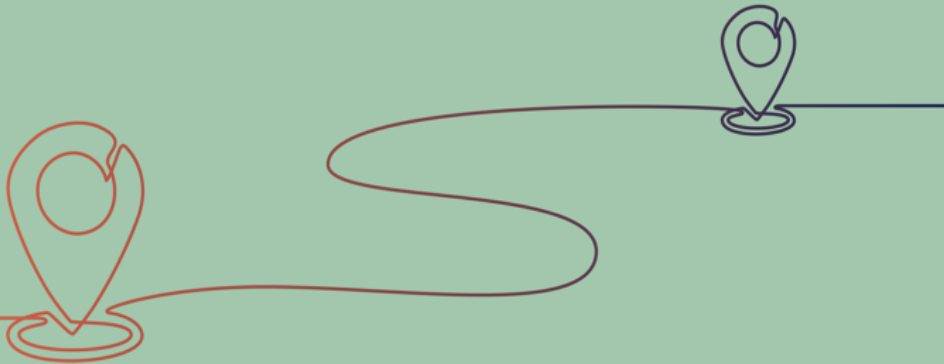
No

9. Is this a "key decision"? If so, why?

No

Internal Audit Work Programme Consultation 2025/26

Date: 29 January 2025



Appendix 1

CONTENTS

- 3** Introduction
- 4** Approach: The Opinion Framework
- 8** Key assurance areas
- 12** Questions for the committee to consider
- 13** Next steps

Introduction



Professional standards: work programme development

- 1 The Public Sector Internal Audit Standards (PSIAS), and the council's audit charter, require internal audit to draw up an indicative programme of work based on an assessment of risk. The standards require internal audit to independently form a view on the risks facing the council. However, they also require the opinions of the Governance & Audit Committee and senior council officers to be considered when forming that view.
- 2 A specific public sector requirement for internal audit is that the risk-based programme must take into account the requirement to produce an annual internal audit opinion. Internal audit work programmes cover a range of risk areas to ensure that the work undertaken enables Veritau to provide an overall opinion on the framework of governance, risk management, and control operating at the council.
- 3 This report provides information on Veritau's approach to planning audit work. It also asks for the committee's views on areas it considers a priority for internal audit in 2025/26. This is the first stage in consultation on the annual programme of work. A full draft programme will be brought to the committee for approval in March 2025.

The year ahead for Leicester City Council

- 4 Much like other local authorities across the country, Leicester City Council will continue to face significant financial challenges as it moves into 2025/26. This is despite a significant reduction in its forecast overspend for 2024/25, which was £2.6m as at September 2024 (down from circa £9m forecast earlier in the year), and a reduction to its revenue budget of £24m (6%) as a result of savings delivered¹. The council is no longer expecting to use its emergency fund to balance the budget for 2024/25 but there will remain an underlying budget gap into 2025/26, with required levels of spending exceeding total available resources.
- 5 While much of the council's focus for 2025/26 will be on the scale of the financial challenges it faces, it will also face a range of other challenges to delivery of its services, its strategic objectives, and ultimately to its systems of governance, risk management, and internal control. These challenges include:
 - ▲ responding to legislative and regulatory change: most notably the Procurement Act and Procurement Regulations, and others that will be introduced by the new government. This is recognised on the council's strategic risk register².

¹ Executive Decision – Revenue Budget Monitoring (Overview Select Committee, 12 December 2024)

² Strategic and Operational Risk Registers (Governance & Audit Committee, 5 December 2024)

- ▲ responding to increased demand and complexity in customer needs, and embedding the transformative change made in 2024/25: especially within adult's and children's social care services.
 - ▲ maintaining and improving service levels in response to regulator requirements: for example, with new standards and inspection regimes issued by the CQC and the Regulator of Social Housing.
 - ▲ tackling the issue of homelessness: which is projected to have created a £7.3m pressure by the end of 2024/25, mostly arising from provision of temporary accommodation.
- 6 For internal audit to add most value, it needs to align its work to areas of greatest risk and highest priority. The next sections of this report explain how we do this at Leicester City Council, by applying our 'opinion framework'.

Approach: The Opinion Framework



Background

- 7 In addition to the requirements referred to above, the PSIAS also expect that the risk-based programme of work is linked to, and contributes to:
- ▲ the management of strategic risks, and
 - ▲ the achievement of organisational objectives and priorities.
- 8 The annual opinion is the most important output from internal audit and a key source of objective assurance that the council's leadership team and councillors can use to inform the annual governance statement. The opinion must therefore be well founded if it is to give proper assurance to the council.

The opinion framework

- 9 Veritau has established an opinion framework. This reflects the requirements of the PSIAS and the council's internal audit charter, to enable us to deliver an annual opinion.
- 10 The opinion framework sets out the principles that will be used to develop and manage the audit work programme. It ensures that assurance coverage is targeted towards priority areas to allow us to develop a properly informed annual opinion. We continuously revisit priorities during the year so that the work programme remains up to date.
- 11 The opinion framework is comprised of three main parts. The main component is a definition of several key assurance areas. These represent areas of internal control that we think are essential to the proper functioning of the council. Systems and controls in each area need to be

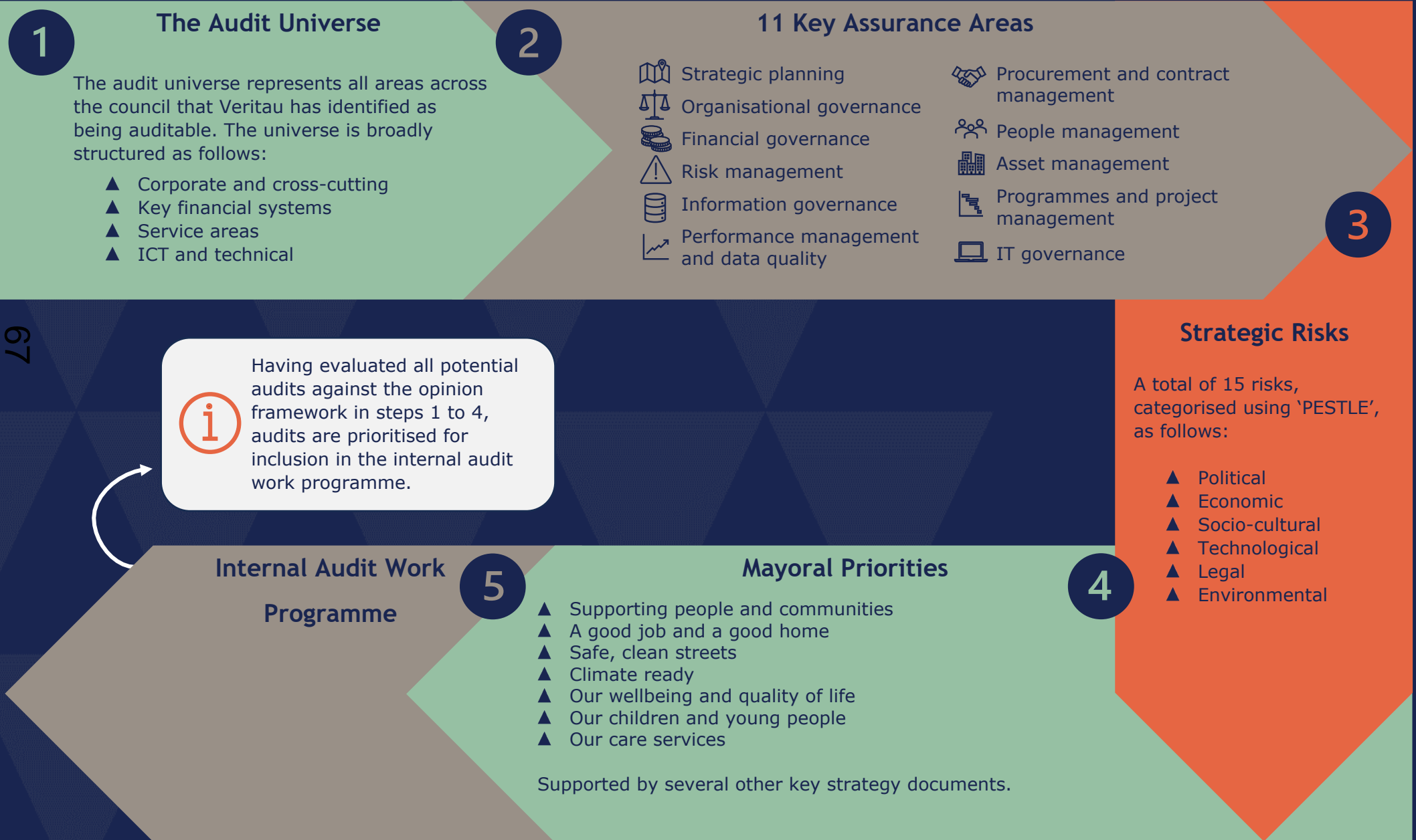
operating effectively to maximise the likelihood that the council's objectives are achieved without undue exposure to risk.

- 12 The 11 key assurance areas we have identified make the most significant contribution to achievement of organisational objectives or give rise to the greatest risks. They are based on our internal audit experience in local government and good practice guidance. The 11 areas cover both corporate arrangements, and management of risks and controls in individual service areas that collectively contribute to the council's wider objectives.
- 13 Overlaid on the key assurance areas are two further components of the framework:
 - ▲ Organisational risks
 - ▲ Organisational objectives
- 14 The risks that are most important for audit planning are those set out in the council's strategic risk register. These are the risks included in six-monthly update reports presented to the committee by the Director of Corporate Services.
- 15 There are many other risks associated with the wide range of services the council delivers. Where appropriate, risks on the operational risk register are considered as part of individual audit assignments. However, the risks on the strategic risk register are those considered most significant to the achievement of the council's objectives and are therefore the main focus for internal audit planning. There are currently 15 risks on the strategic risk register³.
- 16 The council's organisational objectives are expressed via the City Mayor's vision for Leicester. There are 10 priorities which support the vision. These cover supporting the city's people and communities, investment in, and development of, housing, economic investment, the environment, wellbeing, and care services. The priorities are expected to create the conditions to make the city of Leicester a safer, happier, and fairer place to live and work.
- 17 The City Mayor's priorities are, in turn, supported by a range of key strategies across several areas, including: housing and homelessness, planning and development, public safety, public health, transport and streets, environment and sustainability, and social care and education.
- 18 The council's strategic priorities, and the mechanisms by which they are delivered, are a key consideration when identifying and prioritising engagements for inclusion in the internal audit work programme.

³ Risk Management Update (Governance & Audit Committee, 5 December 2024)

- 19 The internal audit work programme will be developed by looking to have appropriate coverage across all 11 of the key assurance areas. In deciding what work is a priority in each area, we also consider which audits will also provide coverage of strategic risks and corporate priorities.
- 20 The process followed in using the opinion framework to determine audit priorities, and so to develop the internal audit work programme, is illustrated on the following page.

THE OPINION FRAMEWORK



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Key assurance areas

Key assurance areas: an overview and examples

- 21 Details of the 11 key assurance areas are set out below. We have provided definitions, and some examples of arrangements, systems, and processes we could audit within each area. The examples are for illustrative purposes and are not exhaustive. Some audits we will consider for inclusion in the work programme are also likely to cut across a number of the key assurance areas.

Strategic planning

- 22 Strategic planning covers the arrangements the council has to define and develops its strategy, or direction, and make decisions on resource allocation to successfully pursue this strategy. It also encompasses the control measures in place to guide strategy implementation.
- 23 This area is of importance to internal audit as effective strategic planning is a prerequisite for delivering long term, sustainable success.

Examples

- | | |
|--|---|
| ▲ Social care delivery and commissioning | ▲ Organisational development |
| ▲ Climate Emergency Strategy | ▲ Strategy action planning and delivery |

Organisational governance

- 24 Governance is the combination of processes and structures implemented to inform, direct, manage and monitor the activities of the council toward the achievement of its objectives. At its most visible, governance involves the set of policies put in place for the direction and control of the organisation and the establishment of rules and procedures for making decisions and for complying with relevant legislation and regulations. Governance also encompasses business ethics, leadership, strategic management, and control activities. In a local authority context, the principles of effective governance are set out in CIPFA / Solace's 2016 Delivering Good Governance in Local Government: Framework.
- 25 Internal audit is expected to assess and make appropriate recommendations to improve the council's governance processes. It is also expected to evaluate risk exposures relating to compliance with laws, regulations, policies, procedures and contracts.

Examples

- | | |
|-----------------------------|---|
| ▲ Adherence to Constitution | ▲ Declarations of interests & gifts and hospitality |
| ▲ Policy framework | ▲ Democratic governance |

Financial governance

- 26 Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "... *make arrangements for the proper administration of their financial affairs...*". Financial governance involves arrangements for giving a reliable account of the money spent and income received, stewardship of public resources, compliance with legal and regulatory requirements, ensuring value for money, supporting effective decision-making, and facilitating planning and resource allocation.
- 27 The PSIAS require that internal audit evaluates the adequacy and effectiveness of controls relating to the reliability and integrity of financial information.

Examples

▲ Housing benefits	▲ General ledger / accounting records
▲ Treasury management	▲ Payroll

Risk management

- 28 Risk management encompasses the council's arrangements for identifying, assessing, managing, and controlling potential events or situations to provide reasonable assurance that its objectives will be achieved. It involves being aware of risk exposures, selecting appropriate risk responses that align risks with the council's risk appetite, and communicating relevant information in a timely manner across the organisation.
- 29 As the council's internal audit provider, the PSIAS expect that we evaluate the effectiveness of risk management processes and contribute to their improvement.

Examples

▲ Risk management processes	▲ Health and safety
▲ Insurance	▲ Disaster recovery

Information governance

- 30 Information governance is the set of multi-disciplinary structures, policies, procedures, processes, and controls implemented to manage information across the council. These governance arrangements should support the council's immediate and future regulatory, legal, risk, environmental and operational requirements.
- 31 Given its links to information asset security, compliance risk, and the importance of data in driving and informing the council's decisions and operations, it is an important area for internal audit coverage.

Examples

- | | |
|--------------------------|---------------------------|
| ▲ UK GDPR compliance | ▲ Records management |
| ▲ Data breach management | ▲ Data sharing agreements |

Performance management and data quality

- 32 Performance management refers to the systematic process by which the council plans, monitors, and improves the delivery of the services it provides to the public. The starting point for performance management is the council's strategic priorities which then filter down the organisation to divisional, service, team and individual levels. The council's performance management framework aims to join up delivery at all levels by setting clear, achievable targets which can be accurately monitored and reported, with corrective action being taken promptly and appropriately.

Examples

- | | |
|-------------------------|--------------------------|
| ▲ Performance framework | ▲ Data quality |
| ▲ Staff appraisals | ▲ Management information |

Procurement and contract management

- 33 Effective procurement is vital for any local authority to ensure that it maximises value for money in its service delivery. Every procurement process undertaken by the council needs to comply with the provisions of its Constitution (including the Contract Procedure Rules). Public sector procurement also needs to comply with the Procurement Act 2023 and Procurement Regulations 2024 which will come into effect from 24 February 2025.
- 34 Once a procurement exercise is completed and the contract begins, it is essential that it is monitored regularly to ensure compliance with terms and conditions, to manage delivery risk, and to assess performance.

Examples

- | | |
|------------------------------------|--|
| ▲ Individual procurement exercises | ▲ Contract management |
| ▲ Compliance with the CPRs | ▲ Category management and forward planning |

People management

- 35 This area covers all aspects of the management of human resources across the council. For example, recruitment and selection, remuneration, attendance management, training and talent development, individual performance management, equal opportunities, welfare and industrial relations, working arrangements, culture, and discipline.

- 36 The council's people are essential to the achievement of its objectives, and there are a wide range of potentially significant risks in this area.

Examples

- | | |
|--|--------------------------|
| ▲ Training and CPD | ▲ Performance management |
| ▲ Equalities, diversity, and inclusion | ▲ Attendance management |

Asset management

- 37 Asset management involves the proper management, safeguarding and recording of assets. It seeks to align the asset base with the council's corporate ambitions and objectives. Key areas for effective asset management include strategic planning, maintenance of accurate records, an understanding of the physical location of assets, allocated responsibility for assets, and periodic and systematic physical verification of the existence, condition, and performance of assets.
- 38 Ensuring the safeguarding of assets is one of five key risk areas that the PSIAS require internal audit to evaluate when providing assurance on the adequacy and effectiveness of the council's risk management arrangements.

Examples

- | | |
|--------------------------|---------------------------------------|
| ▲ Verification of assets | ▲ Asset repair and maintenance |
| ▲ Fleet management | ▲ Acquisition, transfer, and disposal |

Programme and project management

- 39 Programmes are a collection of related projects managed in a coordinated way. This can bring benefits and control over and above what is achievable from managing projects individually. Projects are discrete, clearly defined, shorter-term engagements, involving the application of processes, methodologies, and specific/cross-functional skills and methodologies to achieve specific and measurable outcomes.
- 40 Effective project management is important for the council to ensure resources are used efficiently and to achieve value for money. Particularly for large and high-profile projects that bring about significant change. Internal audit is expected to evaluate risk exposures relating to the effectiveness and efficiency of council programmes and projects.

Examples

- | | |
|--|--|
| ▲ Project management framework review / compliance | ▲ Individual review of projects |
| ▲ Project assurance arrangements | ▲ Project governance and risk management |

IT governance

- 41 Information technology (IT) governance is a sub-discipline of organisational governance. It relates to leadership, organisational structures, policies, and processes that ensure that information technology supports council strategies and objectives. IT governance should also support the management and oversight of the council's business as usual activities.
- 42 The PSIAS require internal audit to assess whether information technology governance supports the council's strategies and objectives.

Examples

- | | |
|------------------------|--------------------------|
| ▲ Cybersecurity | ▲ IT asset management |
| ▲ Server room controls | ▲ IT systems development |

Questions for the committee to consider



- 43 As part of our preparations for the audit work programme for 2025/26, the committee is invited to express a view on any areas it feels should be considered a priority for internal audit work. In considering this, relevant questions may include the following:
- ▲ For any of the council's strategic risks, are there any which the committee would like internal audit to look at, to provide additional assurance about arrangements for the management of the risk?
 - ▲ What are the biggest threats to the achievement of the council's priorities?
 - ▲ Are there any of the 11 key assurance areas where the committee feels internal audit should pay particular attention, to provide it additional comfort that arrangements are operating effectively?
 - ▲ Are there any specific elements within the 11 key assurance areas that the committee would like internal audit to look at during 2025/26?
 - ▲ Irrespective of the assurance areas, risks, and council priorities, does the committee have any specific suggestions for internal audit assignments we should consider in 2025/26?

Next steps



- 44 Following consultation with the committee we will hold further discussions with officers to understand their view of priorities for internal audit work over the next year. These meetings will take place during February and March 2025.
- 45 Alongside this we will continue to keep abreast of emerging issues relevant to the public sector as well as any specific sectoral risks or developments including any relevant changes to legislation. We will also continue to review committee papers and other relevant background information to ensure we have an up-to-date picture of the challenges and issues facing the council.
- 46 Information collected will be used to develop the indicative long list of audits to be included in the 2025/26 internal audit work programme. This will be brought to the committee for approval in March 2025.
- 47 Our risk assessment and the programme of work will then continue be updated and revisited throughout the year to ensure audit work continues to target priority areas.

Governance & Audit Committee

Work Programme 2024 – 2025

<u>Workplan Item</u>	<u>Author</u>	<u>Frequency</u>	<u>Purpose</u>
11 February 2025			
Finance update 'Statutory Statement of Accounts and Annual Governance Statement 2023/24 & 2023/24 External Audit Findings Report Annual	Grant Thornton/Head of Finance	Annual	Approval & Committee to note
Contract Procedure Rules	Head of Procurement	Annual	Committee to note
12 March 2025			
The Assurance Framework on which we will base the Annual Governance Statement 2025/26, including annual review of Local Code of Corporate Governance	Head of Finance	Annual	Approval
Risk Management Update	Manager, Risk Management	Bi-Annual	Committee to note
Risk Management & Business Continuity Strategy and Policies 2024	Manager, Risk Management	Annual	Approval
Regulation of Investigatory Powers Act 2000 - Bi-Annual Performance July-December 2023	Head of Information Governance and Risk	Bi-Annual	Committee to note
Internal Audit Update	Head of Internal Audit	Periodic	Committee to note
External Audit - certification of grants and returns 2023/24	Grant Thornton, External Auditor	Annual	Committee to note
Committee's annual work / performance report and skills assessment	Director of Finance	Annual	Approval

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ACTION TRACKER - GOVERNANCE AND AUDIT				
ACTIONS ARISING FROM GA 18 September 2024				
AGENDA ITEM	ACTION REQUIRED	DIRECTOR RESPONSIBLE	PROGRESS NOTES	COMMENTS
Minutes from the previous meeting	Councillor Kitterick highlighted the need to include an action log to keep track of which actions have been completed or outstanding.	Governance Officer	Included in the agenda for 29 January 2025	Closed
Third Party Relationships and Governance Update	To include an additional column to the appendix which includes a high-level summary of any relationships and commentary for each organisation to enhance clarity and transparency.	Monitoring Officer	To include in future reports	Closed
Local Governance & Social Care Ombudsman and Housing Ombudsman Complaints & Corporate Complaints 2023/24	To include thematic and qualitative analysis in future reports	Director of Corporate Services	To include in future reports, next due in 2025/26.	Closed
Financial Sustainability	A more detailed report addressing financial sustainability to the next committee	Director of Finance	Provided at the 5th December meeting. A further report will be included on the workplan for 2025/26.	Closed
ACTIONS ARISING FROM GA 5th December 2024				
AGENDA ITEM	ACTION REQUIRED	DIRECTOR RESPONSIBLE	PROGRESS NOTES	COMMENTS
Minutes of the Previous Meeting	Publication of Minutes of last meeting before the new-year.	Monitoring Officer	Included in the agenda for 29th January 2025.	Closed
Minutes of the Previous Meeting	Circulate Action Log	Monitoring Officer	Included in the agenda for 29 January 2025, and will be a standing committee item	Closed
Mid-year Fraud	Identifying where students are not living in properties that get student discount	Director of Finance		Open
Mid-year Fraud	Identifying those claiming single person discount	Director of Finance		Open

Item 7

