

Leicester
City Council

MEETING OF THE AUDIT AND RISK COMMITTEE

DATE: WEDNESDAY, 2 DECEMBER 2015

TIME: 5:30 pm

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

Members of the Committee

Councillor Patel (Chair)

Councillor Malik (Vice-Chair)

Councillors Alfonso, Hunter, Singh-Johal and Westley

One Labour Group vacancy

Two unallocated Non-Group Places

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

for Monitoring Officer

Officer contact: Angie Smith
Democratic Support, Democratic Services
Leicester City Council,
City Hall, 115 Charles Street, Leicester, LE1 1FZ
Tel. 0116 454 6354
Email. Angie.Smith@Leicester.gov.uk

Information for members of the public

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- ✓ where filming, to only focus on those people actively participating in the meeting;
- ✓ 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 Angie Smith, **Democratic Support** on (0116) 454 6354 or email Angie.Smith@leicester.gov.uk or call in at City Hall, 115 Charles Street.

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PUBLIC SESSION

AGENDA

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1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

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

3. MINUTES OF THE PREVIOUS MEETING

Appendix A

The minutes of the meeting of the Audit and Risk Committee held on 29th September 2015 are attached and the Committee is asked to confirm them as a correct record.

4. INVOICE PAYMENT DATA

Appendix B

The Director of Finance submits a report which provides the Committee with an overview of the timeliness of invoice payments the authority makes to its suppliers of goods and services. The Committee are asked to note the report and work recently undertaken to meet the Executive pledge to improvement payment terms for small local businesses.

5. CORPORATE COMPLAINTS (NON-STATUTORY)

Appendix C

The Director of Finance submits a report to update the Committee on progress since the Vacancy Management Service Manager presented findings on the corporate non-statutory complaints process and to report the quarterly non-statutory complaints figures. The Committee are asked to note the report.

6. PROCUREMENT UPDATE 2015/16

Appendix D

The Director of Finance submits a report to Committee on the updated 2015-16 Procurement Plan. The Committee is asked to note the report and make any comments prior to an Executive Decision.

7. ANNUAL AUDIT LETTER 2014-15 [Appendix E](#)

The External Auditor submits an Annual Audit Letter which summarises the key findings from the 2014/15 audit of Leicester City Council, and audit fee. The Committee are asked to note the report.

8. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE - OCTOBER 2015 [Appendix F](#)

The External Auditor submits a report which provides an overview on progress in delivering responsibilities as external auditors. The report also highlights the main technical issues which are currently having an impact in local government. The Committee are asked to note the report.

9. COUNTER FRAUD / HOUSING AND COUNCIL TAX FRAUD- HALF-YEARLY UPDATE REPORT FOR THE PERIOD 1 APRIL 2015 TO 30 SEPTEMBER 2015 [Appendix G](#)

The Director of Finance and the Director of Local Services & Enforcement submit a joint report to provide the Committee with information on counter-fraud activities between 1 April 2015 and 30 September 2015. The Committee is recommended to note the report.

10. INTERNAL AUDIT CHARTER [Appendix H](#)

The Director of Finance submits a report to seek the Committee's approval of updates to the Internal Audit Charter. The Committee is recommended to receive the report for formal approval.

11. PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME [Appendix I](#)

The Director of Finance submits a report to present to Committee the results of a self-assessment of conformance to the Public Sector Internal Audit Standards (PSIAS) and the associated Quality Assurance and Improvement programme (QAIP). The Committee are asked to note the report.

12. INTERNAL AUDIT - 3RD AND 4TH QUARTER OPERATIONAL PLANS 2015-16 [Appendix J](#)

The Director of Finance presents to Committee the Internal Audit operational plans for the third and fourth quarters of the financial year 2015-16. The Committee are asked to note the Internal Audit operational plans.

13. RISK MANAGEMENT AND INSURANCE SERVICES - UPDATE REPORT [Appendix K](#)

The Director of Finance submits a report that provides Committee with the

regular update on the work of the Council's Risk Management and Insurance Services team's activities. The Committee is recommended to note the report.

14. CORPORATE RISK MANAGEMENT STRATEGY 2016 [Appendix L](#)

The Director of Finance submits a report to advise the Committee of the support and agreement of the Corporate Management Team for the updated Risk Management Strategy and Policy Statement. The Committee is recommended to note the report, note that the Executive will be asked to agree the Policy and Strategy in December 2015, and note that Audit and Risk Committee will be advised of the completion of the process in February.

15. CORPORATE BUSINESS CONTINUITY MANAGEMENT POLICY AND STRATEGY 2016 [Appendix M](#)

The Director of Finance submits a report to advise the Committee of the support and agreement of the Corporate Management Team for the latest update to the Business Continuity Management Policy Statement and Business Continuity Management Strategy. The Committee is recommended to note that Corporate Management Team approved the 2016 Corporate Business Continuity Management Policy Statement, note that the Executive will be asked to agree the Policy and Strategy in December 2015, and note that Audit and Risk Committee will be advised of the completion of the process in February.

16. INTERNAL AUDIT REVIEW - VERBAL UPDATE

The Head of Risk Management and Internal Audit will give a verbal update on the recent reviews of Internal Audit, and Risk Management & Insurance Services.

17. PRIVATE SESSION

AGENDA

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 report in private on the grounds that it will contain 'exempt' information as defined by the Local Government (Access to Information) Act 1985, as amended, and consequently makes the following resolution:-

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

Paragraph 3

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

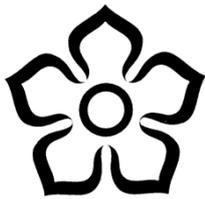
This report concerns the strength of internal controls in the City Council's financial and management processes and includes references to material weaknesses and areas thereby vulnerable to fraud or other irregularity. It is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

INTERNAL AUDIT UPDATE REPORT, FIRST AND SECOND QUARTERS
2015-16 APPENDIX B1

18. INTERNAL AUDIT UPDATE REPORT FIRST AND SECOND QUARTERS 2015-16 **Appendix B1**

The Director of Finance submits a report to present to Committee a summary of Internal Audit work completed in the first and second quarters of the financial year 2015-16; that is between 1st April and 30th September 2015. The report provides relevant information on the progress made by the Council in implementing recommendations arising from reports issues by Internal Audit, and to provide more detail on those Internal Audit reports in which low assurance levels have been given and where there are material concerns. The Committee are recommended to receive note the key issues identified in the report.

19. ANY OTHER URGENT BUSINESS



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: TUESDAY, 29 SEPTEMBER 2015 at 5:30 pm

P R E S E N T:

Cllr Westley (Chair)

Councillor Alfonso

Councillor Hunter

Councillor Singh Johal

* * * * *

27. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Patel (Chair) and Councillor Malik (Vice-Chair).

28. ELECTION OF CHAIR

RESOLVED:

That in the absence of the Chair and Vice-Chair, in accordance with Council Procedure Rule 41c, Councillor Westley be appointed as Chair for the meeting.

29. DECLARATIONS OF INTEREST

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

There were no declarations of interest made.

30. MINUTES OF THE PREVIOUS MEETING

The Committee received the minutes of the meeting held on 12th August 2015.

AGREED:

that the minutes of the previous meeting of the Audit and Risk Committee held on 12th August 2015 be confirmed as a correct record.

31. ANNUAL GOVERNANCE REPORT 2014-15 AND LETTER OF REPRESENTATION

Officers from KPMG, the External Auditors, presented a report to those charged with governance (ISA 260). The report summarised the key findings arising from the audit of Leicester City Council's financial statements for the year ended 31st March 2015, the Auditor's assessment of the Council's arrangements to secure value for money (VFM) in its use of resources, and the requirement for Members to authorise the Director of Finance to sign the letter of representation to KPMG from the Council in connection with the audit of the Council's financial statements.

Members' attention was drawn to the headlines in the report at Section two, and the anticipated unqualified audit opinion on the accounts. The external auditors had identified a number of adjustments and asked that an amendment to the report be noted on page 12, Section two, Audit Adjustments, to read "Two investments totalling £20 million had been reclassified from 'Cash and cash equivalents' to 'Short term investments'", it was noted that the change did not affect the asset position.

The external auditors asked the Committee to note page 21, Section four with reference to the OFSTED report in March 2015, and the additional work required to ensure the Council was undertaking the 24 recommendations addressed to it. External auditors concluded it was too early to say whether the Council had addressed the recommendations, though they were satisfied that an appropriate timetable was in place. Therefore, the external auditors provided a qualified 'except for' Value for Money conclusion in respect of that issue.

The external auditors referred to the recommendation and management response at Appendix 1, page 22 in the report, regarding amendments of a presentational nature. Management accepted the recommendation to ensure the 2015-16 accounts closedown timetable included a robust quality review of the notes, and a plan of work to deliver the objective was in place.

No new recommendations were identified, but Members' attention was drawn to the previous year's year outstanding recommendations at Appendix 2, page 23 of the report:

1. Publish the names of members who failed to return related party declarations. The Chair of the Audit and Risk Committee may wish to consider what further actions are available.

It was reported that there was one declaration outstanding. The Chair expressed support for the recommendation to publish the names of members who failed to return related party declarations.

2. Produce a report on non-routine journals raised by finance staff, and provide evidence that journals were authorised by a senior member of the finance team.

Officers informed the meeting the recommendation would be included in the specification of needs from the Council's future finance system, for which a procurement exercise was currently underway.

The external auditors concluded the Council had satisfactory processes in place for the production of the accounts, and officers had dealt with audit queries in a professional, timely manner. They acknowledged that amended accounts were received, and all that remained was for the external auditors to receive a signed management representation letter. It was agreed the Chair and Director of Finance would sign the letter at the end of the meeting.

The Chair thanked the External Auditors for the report.

RESOLVED:

that:

1. the Audit and Risk Committee note the annual governance report (ISA 260) for the 2014-15 audit and letter of representation submitted by the Director of Finance;
2. the audit adjustment amendment at page 12, Section two to £20 million be noted;
3. the qualified 'except for' Value for Money conclusion given following the OFSTED report in March 2015, and the additional work required by the authority through its Improvement Plan be noted;
4. the names of members who failed to return related party declarations be published, in accordance with the External Auditor's recommendation.

32. THE STATEMENT OF ACCOUNTS 2014-15

The Director of Finance presented the statement of accounts to the Audit and Risk Committee, which presented the City Council's financial performance for the financial year 2014-15, in line with the Accounts and Audit (England) Regulations 2011. The regulations also required the Audit & Risk Committee to approve a letter of management representation. As noted on the agenda, supporting information containing details of the final accounts and briefing note had been distributed to Members, published on the Council's website and was available at the meeting.

Members were updated with details of minor amendments following consideration of the draft statement of accounts at the Audit and Risk Committee meeting on 12th August 2015. Members were informed the accounts had been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK.

Members were recommended to note the External Auditors' ISA 260 report to those charged with governance and approve the letter of representation as previously presented, and adopt the audited accounts for the year ended 31st March 2015.

Members were asked to note there had been no substantial changes in the accounting standards or the Council's accounting policies during the 2014-15 financial year, although some clarifications had been made surrounding the Council's policy on accounting for schools' assets.

Members were asked to note one adjustment at the suggestion of Council officers, that a sum of £34million had been moved to the 'Budget Strategy – Managed Reserves Fund', leaving the General Fund balance at £15million, which was the minimum prudent level as determined by the Director of Finance.

Officers reported there was an amendment to the Comprehensive Income and Expenditure Statement (CIES) which related to the value of land and buildings assets in respect of schools and leisure centres. Finance officers had worked closely with the Council's valuer to prepare revaluation estimates, which resulted in an uplift in asset value of the Council's schools and leisure centres totalling £76million. The 2015-16 and future programmes of asset valuations would be planned to ensure no further adjustments were required outside of the normal process.

Members were asked to note a change made by Government with regards to social housing rents, which would have an impact on the Council's budget position going forward, but did not affect the current position presented in the accounts.

In response to questions, Members were informed that schools transferring to academy status under legislation would have an impact on the Council's assets. The school and school site would cease to be shown on the Council's balance sheet although the Council may retain the ultimate legal title. Each individual school transfer would be looked at on a case-by-case basis, and some schools might have other services on site. Councillors asked that the Director of Finance provide further information on the transfers of Ellesmere School and New College to academy status, as there were separate projects on each school site.

The Chair thanked officers for the report.

RESOLVED:

that:

1. the Audit and Risk Committee note the auditors' ISA 260 Report to those charged with Governance and the recommendations contained within it;
2. adopt the audited accounts for the year ended 31st March 2015;
3. approve the letter of representation submitted by the Director of Finance;
4. the Director of Finance provide for Members further information on the transfers of Ellesmere School and New College to academy status, which had separate projects on

each site.

33. ANNUAL GOVERNANCE STATEMENT 2014-15

The Director of Finance submitted a report which sought the approval of the Audit and Risk Committee for the Council's Annual Governance Statement 2014-15, which the Council was required to publish as part of its financial accounts reporting. The Committee was recommended to approve the Council's Annual Governance Statement 2014-15.

The Committee was informed the statement should assure the people of Leicester that the Council operated in accordance with the law and had due regard to proper standards of behaviour and that it safeguarded the public purse.

Officers reported that the Annual Governance Statement and the supporting Director's Certification were produced with the involvement and contribution of all directors, and prepared in accordance with the Council's governance framework. Members' attention was drawn to items in Appendix A, page 53-57 identified as areas of significant risk and action taken in response to items raised in the Annual Governance Statement for 2013-14. An additional item (page 58) in response to the recent OFSTED investigation and a summary of action being taken had been included in the statement.

The Chair thanked the officer for the report.

RESOLVED:

that the Council's Annual Governance Statement for 2014-15 be approved.

34. ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE TO COUNCIL FOR THE MUNICIPAL YEAR 2014-15

The Director of Finance submitted a report for submission to Council setting out what the Audit and Risk Committee had achieved over the municipal year 2014-15. The Committee noted there was not specific requirement for such a report, but it was considered best practice for the Committee to be able to demonstrate its effectiveness in overseeing the City Council's control environment, and this was reflected in the Committee's terms of reference. The report covered the municipal year rather than the financial year so as to align with members' terms of office. The Audit and Risk committee was recommended to approve the report for submission to Council.

The meeting was advised that the Committee's terms of reference had been reviewed and updated prior to the beginning of the municipal year 2014-15, and the Committee had noted them at its meeting on 15 April 2014. A further update of the terms of reference was noted by the Committee at its final meeting of the municipal year on 31 March 2015.

It was reported the Committee was well established and had continued to make

an important contribution to the effectiveness of the City Council's internal control and corporate governance frameworks, and was a central component of the Council's system of internal audit. It was also noted that during the municipal year for 2014-15 the Committee had met on seven occasions, all of which were properly constituted and quorate.

The Chair thanked the officer for the report.

RESOLVED:

that:

1. the Annual Report of the Audit & Risk Committee to Council for the Municipal Year 2014-15 be approved and presented to Council;
2. Council be recommended to receive the report.

35. INTERNAL AUDIT ANNUAL REPORT FOR THE FINANCIAL YEAR 2014-15 INCLUDING THE INTERNAL AUDIT OPINION

The Director of Finance submitted a report that fulfilled the requirements of the Public Sector Internal Audit Standards (PSIAS) in producing the Internal Audit Annual Report and Opinion. The Audit and Risk Committee was recommended to receive the report and consider:

1. whether Internal Audit had met the Committee's expectations of the service during the financial year 2014-15;
2. Internal Audit's opinion on the Council's system of internal audit control in 2014-15; and
3. the Internal Audit Strategy for 2015-16.

The report provided the Committee with an overall view of Internal Audit work planned and completed in 2014-15, Internal Audit performance and a statement on conformance with the PSIAS, Internal Audit's annual opinion for 2014-15 on the adequacy and effectiveness of the Council's framework of governance, risk management and control, Internal Audit service developments in 2014-15, and the Internal Audit strategy and service development plans for 2015-16.

The Committee were informed the report identified the work carried out by the Internal Audit service, and included information on reports issued, the main influences on the level and standard of performance of Internal Audit during 2014-15, and the key priorities for the service in 2015-16.

The Internal Audit Manager stated it was the opinion of the Head of Internal Audit and Risk Management that the Council's framework of governance, risk management and internal control was adequate and effective.

Members' attention was drawn to Appendix A of the report (page 2), and the summary and extent of coverage and overall conclusion of audit work. It was reported that significant work had also been undertaken for the Leicester and Leicestershire Enterprise Partnership (LLEP), and though counted as one audit was a major piece of work. It was reported that Internal Audit issued client

satisfaction survey questionnaires, and the results demonstrated that Internal Audit continued to have a very high level of satisfaction amongst client management.

The Committee was asked to note that a requirement of conformance with PSIAS was an assessment against all of the Standards was undertaken. It was noted that overall there was a high degree of conformance with the Standards, but there were a few specific actions, updates or improvements to be made, and detail on improvements would be brought to a future meeting.

Appendix A, Section 7 referred to the joint working protocol between Internal Audit and KPMG, and there was no requirement to change the protocol. The Committee was informed that Internal Audit had a constructive working relationship with KPMG, to enable it to avoid duplication, avoid unnecessary additional external audit work and continued to support the Audit and Risk Committee in its responsibilities for both functions. The external auditor requested Appendix A, Section 7.1, line three be amended to read "2014-15 was the *third* financial year to fall within this arrangement".

Attention was drawn to the objectives and strategy for 2015-16, with particular reference to the financial pressures that faced the Council, and the importance of Internal Audit's role in supporting the Council.

The Chair thanked the officer for the report.

RESOLVED:

that the Audit and Risk Committee:

1. confirm Internal Audit had met the Committee's expectations of the service during the financial year 2014-15;
2. confirm Internal Audit's opinion on the Council's system of internal control in 2014-15;
3. confirm the Internal Audit Strategy for 2015-16;
4. agree the amendment in Appendix A, Section 7.1, line three to read "2014-15 was the *third* financial year to fall within this arrangement".

36. RISK MANAGEMENT AND INSURANCE SERVICES UPDATE REPORT

The Director of Finance submitted a report which provided the Committee with the regular update on the work of the Council's Risk Management and Insurance Services (RMIS) team's activities. The Audit and Risk Committee was recommended to receive the report and note its contents.

Key elements of the report were highlighted, and the Strategic Risk Register and Operational Risk Registers as at 31 July 2015 were presented. It was noted that the submission of the Divisional risk registers to RMIS was 100%. Also attached to the report was a summary report of successful and repudiated claims against the Council received in the current financial year. Members were asked to note there was a downward trend in the number of claims received. The Committee was informed that since the last report to Committee, the

Council had had two cases go to Court; these were successfully defended, which allowed £36,410 and £15,000 respectively to be returned to the Council's reserves. In the first case the judge praised the Council's Highways Inspector for the clarity and content of his evidence.

Members were told that detailed analysis of the ALARM/CIPFA risk management benchmarking data was undertaken. ALARM reported that "public sector organisations have more mature arrangements to manage risk now than in 2010, despite reduced budgets (and teams) combined with ever more complex and emerging risks", which was promising given financial pressures. The Head of Internal Audit and Risk Management would continue to discuss with relevant managers and directors any issues and potential impacts they may have on the Council.

In response to a question from Members, the Director of Finance reported that over the past nine months, individual risk registers had received more scrutiny and peer discussion to ensure each register's risk scoring was correct. The risk register in Children's Services did not highlight the risk in the service at that time, and there was an unfortunate period between an officer leaving and a replacement interim officer commencing their role, when no-one updated the relevant risk register. The lesson had been learnt and 'nil' or 'same' return registers were now not accepted.

The Director of Finance added, strategic directors should share information with the Executive on areas of high risk. Members were also told that risk management training was part of essential core skills for those charged with completing risk assessments, and the Head of Internal Audit and Risk Management gave regular updates to the Senior Management Team to ISO standard, and challenge on risk registers by teams was encouraged.

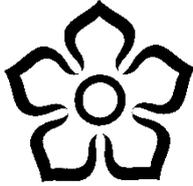
The Chair thanked officers for the report.

RESOLVED:

that the Audit and Risk Committee note the report.

37. CLOSE OF MEETING

The meeting closed at 6.45pm.



Leicester
City Council

WARDS AFFECTED
All

Audit & Risk Committee

2 December 2015

Invoice Payment Data

Report of the Director of Finance

1. Purpose of Report

The purpose of this report is to provide Audit and Risk Committee with an overview of the timeliness of invoices payments the authority makes to its suppliers of goods and services.

2. Recommendations

Members of Audit and Risk Committee are asked to note the content of the report and the work recently undertaken to meet the Executive pledge to improve the payment terms for small local businesses.

3. Report

3.1 Background Information

The corporate exchequer team, part of the business service centre, are responsible for processing payments to suppliers of goods and services in accordance with the payment terms agreed with the supplier. Before ordering goods and services it is the responsibility of the cost centre manager to raise a purchase order. A purchase order is a commercial document issued by the buyer of goods or services to the seller, indicating types, quantities, and agreed prices for products or services.

When the goods or services are supplied the cost centre manager acknowledges this by 'receipting' the goods or services via the corporate finance system. The goods receipting process is a means of accepting the goods or services are fit for purpose and suitable in the sense that goods are not damaged and the quantity ordered is delivered, or the service is delivered to a satisfactory standard.

The next step is for the supplier to send an invoice and once this is received by the payments team the payment process can commence.

3.2 The authority makes on average 10,000 payments per month which equates to an average monthly spend of £50m.

4. **Payment Performance**

Payment performance and statistical data is produced monthly and this enables management to monitor performance and investigate the reasons why payments are made after the agreed date. These can range from:

- Invoices being disputed with the supplier by the cost center manager.
- Purchase orders have not been raised before the goods and services were ordered.
- The goods or services have not been signed off as 'received' by the cost centre manager.
- Invoices received late by the payments team.

Information relating to the timeliness of invoice payments can be found at **Appendix 1**. It should be noted that the timeliness of payments slipped during a 4 month period in 2014/15. This was due to the significant changes the service was going through (see below)

Information relating the number and value of invoices paid can be found at **Appendix 2**

5. **Service Improvements**

Over the past 20 months the way in which the authority process its invoices has significantly changed. This includes:

- Introducing the facility to scan invoices into the finance system, reducing the need for manual data inputting.
- Encouraging suppliers to submit invoices electronically via email to a central email address greatly improving efficiency and reducing processing time.
- Where paper invoices are provided, working towards all suppliers sending invoices to one central address, rather than the current arrangements of addressing them to different locations throughout the city. Again this will result in reducing the processing time.
- Introducing XML technology, this enables large suppliers such as ESPO to provide information electronically negating the need to provide paper invoices.
- Working with suppliers and managers to introduce a 'No Purchase Order, No Pay' ethos. This leads to invoices being processed, authorised and paid much quicker.
- Reviewing the tasks undertaken by staff in the payments team resulted in reducing the staffing resources needed to process payments by 40% from 22 to 9 FTE.

6. Payments to Small Local Business

Following the Local Elections in June 2015 the Executive made a pledge to small local businesses to improve payment terms for monies owed to them by Leicester City Council. The pledge detailed improved payment terms from 30 to 21 days for all small local businesses. The aim is to optimise cash flow for suppliers in our locality, enhancing their financial stability, and helping future economic growth. 765 such suppliers were identified.

Work was completed in mid-September and payment terms changed from 30 to 21 days from 1 October 2015. These local suppliers were written to explaining the more favourable terms. Managers were also be notified, setting out their responsibility to process invoices promptly to ensure these revised deadlines are met.

As the improved payments terms started on 1st October we only have payment performance figures for 1 month. This shows we paid 155 invoices to suppliers whose payment terms are set 21 days in October of which 54% were paid on time. Obviously as this is the first month in which payment terms have been changed for it will take time for the changes to bed in for both suppliers and cost centre managers

7. Finance Implications

There are no significant financial implications arising for this report

Colin Sharpe Head of Finance
Ext 37 4081

8. Legal Implications

There are no legal implications arising from this report but it should be noted that by making payment to local suppliers within 21 days the Council is meeting a higher standard than required under legislation.

Emma Horton Head of Law (Contract, Property & Planning)
Ext 37 1426

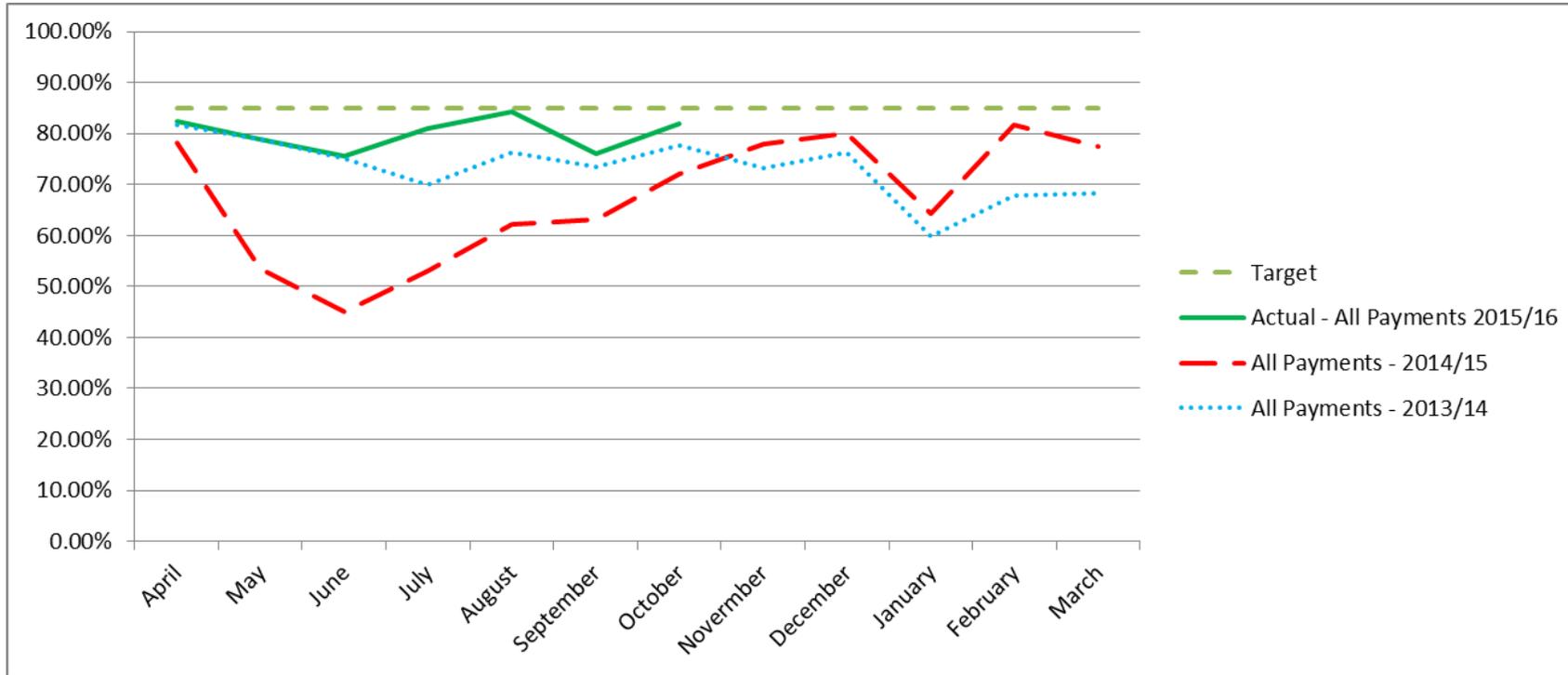
9. Report Author/Officer to contact:

Enid Grant
Head of Business Service Centre

Contact no: 4544401
Email address: Enid.grant@leicester.gov.uk

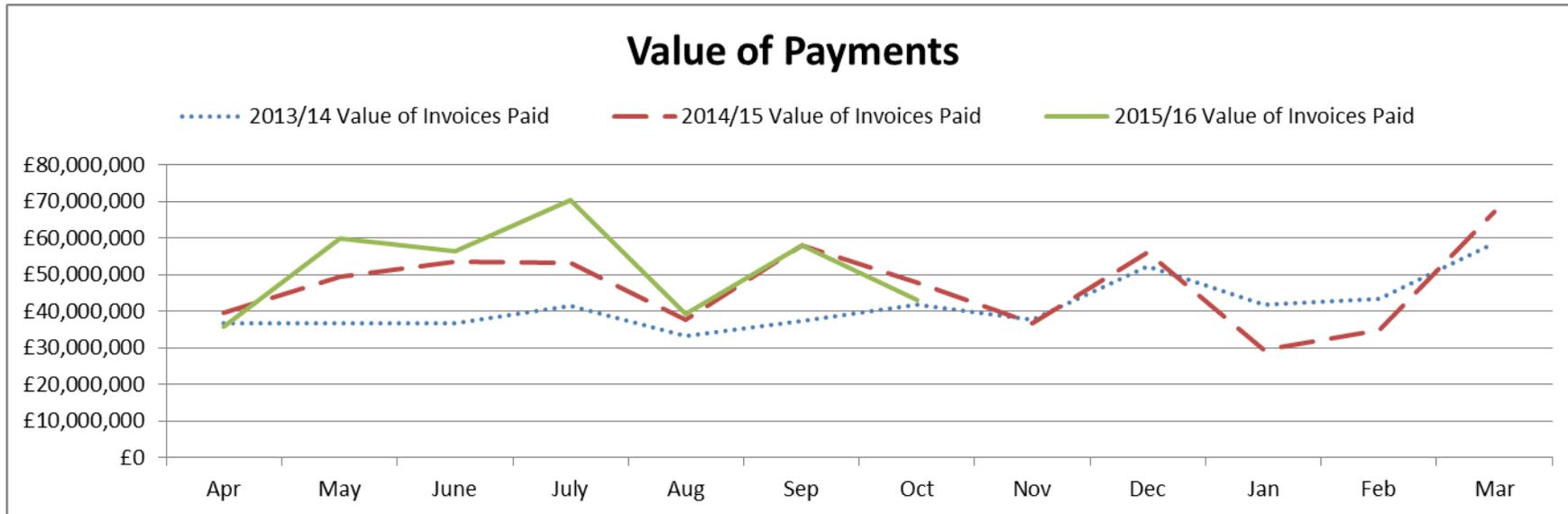
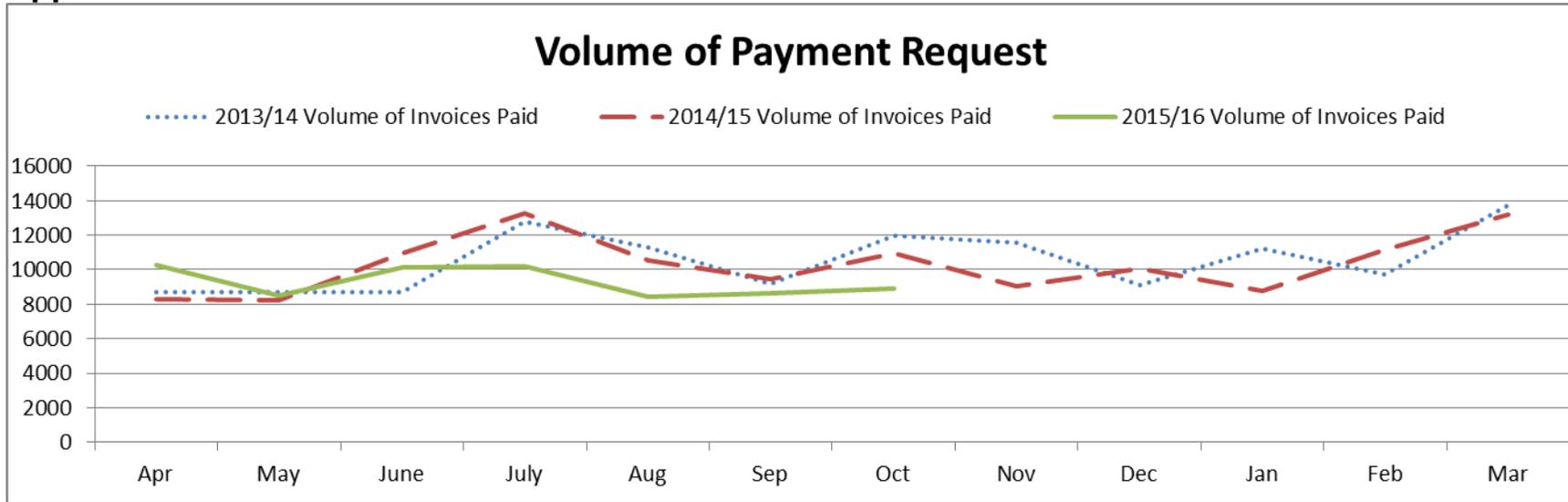
Appendix 1

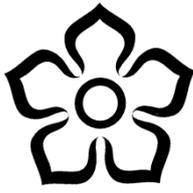
Invoices Paid on Time



12

Appendix 2





Leicester
City Council

WARDS AFFECTED: ALL

Audit and Risk Committee

2 December 2015

CORPORATE COMPLAINTS (NON STATUTORY)

Report of the Director of Finance

1. Purpose of Report

The purpose of this report is to update the Audit and Risk Committee on progress since the Vacancy Management Service Manager presented findings on the corporate non statutory complaints process and to report the quarterly non statutory complaints figures.

2. Summary – Progress Update

- Policy and Procedure

A new Policy and Procedure has been drafted which streamlines the process of handling corporate complaints from whatever source they derive and to take a much more flexible approach when handling a complaint dependent upon the nature and complexity.

It will be at a 'triage' stage that will determine the route of the complaint and who will need to be involved. This also simplifies the process and independent investigation will take place to determine whether a complaint is justified or otherwise.

This will commence from the new Organisational structure being implemented and the new CRM being in place from January 2016.

- Technology, Recording and Management Information

The Vacancy Management Service Manager has been working in conjunction with Customer Services to procure a new Customer Record Management system. This is part of the Customer Services transformation project led by Sarah Moore. The new system incorporates the functionality required to streamline and record corporate complaints and will also, once thoroughly tested be used to log councillor, MP and Mayoral enquiries. Procurement is complete and a new system will be implemented by January 2016.

- Structures/Roles & Responsibilities- Corporate Complaints

An Organisational Review has now concluded with the new staffing structure coming into force from 23rd November 2015. The Business Case outlined a

centralised corporate complaints function with Complaints Officers who will manage a complaints case load and ensure that service improvements are identified, reported and followed through with Divisions. A fuller detailed progress report which tracks progress against recommendations last reported is attached at **appendix 1**.

3. Report on Key Quarterly Information

- Stage 1 Complaints - Quarter 2 the total number of Stage 1 complaints received was 650 a drop of 21% from Quarter 2 in 2014/15. The percentage of complaints escalated to Stage 2 also reduced by 2.3% compared to Q1 2014/15.
- Stage 2 Complaints - We saw an overall reduction of 39% in Stage 2 complaints compared to Q2 in 2014/15. This is indicative of better quality responses being sent out stage 1 and checking that the response on Stage 1 complaints actually fulfilled the needs of the customer.
- We have had a total reduction in complaints in the first 2 Quarters of 2015/16 compared to 2014/15 (19% reduction). This is due to better triage of what is considered a complaint vs a first line request for service. Of those complaints actually received 61% complaints were considered unjustified.
- Justified Complaints - in 2014/15 Q1 & 2 40% of all complaints received were categorised as justified. This year only 29% were considered justified, a total reduction of 11% compared to last year.
- 55% of complaints received regarding timeliness of our services were justified. 44% of complaints received due to quality of our service were justified. 31% of complaints relating to our staff's attitude and behaviour were justified. 27% of complaints regarding policy and procedure were justified.
- The top reason for a complaint in Q2 was Quality of Service, accounting for 42% of all new complaints.
- Housing remained the top area for complaints received accounting for 40% of all new complaints significantly within repairs. This is a reduction on Q1 of 4%. The second biggest area regarding council Tax and Benefits accounting for 19%, this represents an increase against Q2 of 2%. This is in line with all previous data recorded.
- A new format Quarterly report has been produced (attached) which can include source data drilled for further details – this will be developed further once the new CRM system commences for better quality management information. Services may now use source data for detail.

4. Report Author/Officer to contact:

Caroline Deane, Vacancy Management t Services Manager
Date 17 November 2015

APPENDIX 1

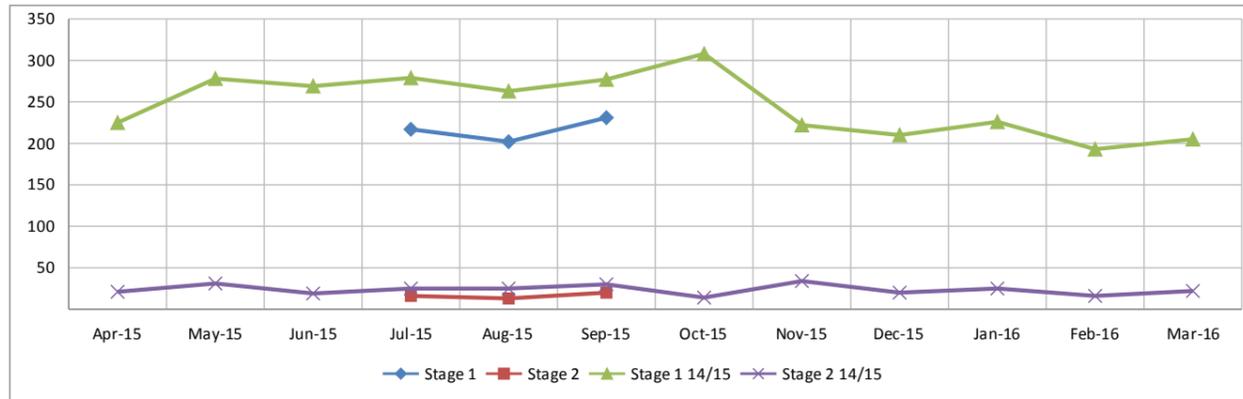
17

	Recommendations	Progress
1	<p>ORGANSIATIONAL STRUCTURE</p> <ul style="list-style-type: none"> • Create a central complaints function and a strategic and corporate stance for all complaints, headed by a complaints 'professional' • This would exclude adults and Children's statutory areas but include Housing. • This central function will be impartial, answering customer concerns and complaints and will provide a link between customers and the service. • The key is that it is not just a merged staffing function but that systems, approaches and management are integrated to use customer feedback to aid service improvement. 	<ul style="list-style-type: none"> • Organisational Review has been completed. • New structure will come into operation effective from 23rd November 2015. • New work systems will link to new Technology and CRM which will be implemented from 20.1.16 • New roles identify Complaints Officers as case managers for complaints taking the emphasis of investigation away from the service and to have an impartial view of complaint. Complaints Officers will determine whether complaints are justified or not. • Complete to commence effective 23.11.15
2	<p>POLICY AND PROCEDURE</p> <ul style="list-style-type: none"> • Take a one system approach to all complaints that has sufficient rigour to deal with MP and councillor, Ombudsman and customer complaints. • Update our Policy and Procedures to include flexibility instead of just deadline driven. 	<ul style="list-style-type: none"> • New Policy and procedure has been drafted to reflect the structure and to satisfy what we need to do. • It is recommended that this removes a <u>formal</u> two stage complaint procedure – stage 1 will be informal resolution by phone/contact in the first instance for simple complaints by complaints administration • Stage 2 being an independent investigation by someone away from the service – as Complaints Officers will do this it is recommended that this satisfies the need for a stage 2. Complaints officers will liaise with customers directly re timescales to answer complaints in line with complexity and number of services involved • However, we will have the flexibility for a senior Manager to investigate should it be warranted. This is better process and time efficiency for customers and Officers • As complaints are dealt with quickly by phone in the first instance this should reduce escalation • Risks are that this may result in an increase in complaints to the Ombudsman

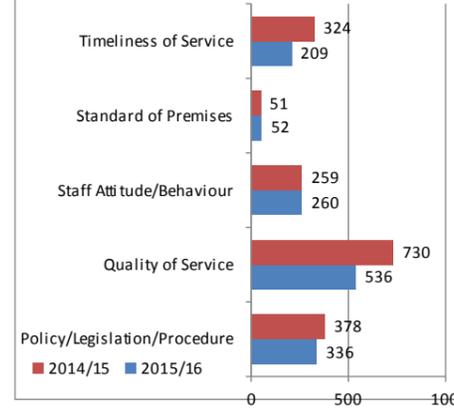
	Recommendations	Progress
3	<p>QUALITY</p> <ul style="list-style-type: none"> Mandate independent checking of all complaints so that responses do not go out unchecked 	<ul style="list-style-type: none"> A full report to CMT on the new proposed policy will be held next quarter along New roles identify Complaints Officers as case managers for complaints taking the emphasis of investigation away from the service and to have an impartial view of complaint. Complaints Officers will determine whether complaints are justified or not and correspond directly with the customer to ensure consistency quality of response
5	<ul style="list-style-type: none"> Customer access and triage of 'complaints' is reviewed in order that categorisation by the 'front line' is robust and that complaints are streamed separately to requests for service 	<ul style="list-style-type: none"> New CRM and process flow will triage out in the first instance non complaints, a second stage triage will take place at Complaints level to filter out first time requests for service or non- complaints/appeals and process them back through workflow to appropriate departments. Work is being undertaken with the City Mayors Office, and Democratic Services with regards to Mayoral/Cllr and MP enquiries are enquiries and will go through workflow to appropriate departments for response. CRM will link the customer contact so that there is visibility of contact regarding the same or similar issues
6	<ul style="list-style-type: none"> Review complaints web page and content. 	<ul style="list-style-type: none"> New web page and customer portal will be launched as part of the new CRM customer services transformation project and 'Go live'. This will hold all customer relevant information with regards to complaints, comments, compliments and detail our new policies and procedures.
7	<p>TECHNOLOGY AND SYSTEMS</p> <ul style="list-style-type: none"> Technology and systems are fully integrated replacing CRM with a more up to date and versatile tool which tracks a customer contact across services 	<ul style="list-style-type: none"> A new CRM has been bought as a part of the customer service transformation strategy which addresses complaints, comments and feedback from all customers including MPs councillors and Mayoral contacts. The new system will integrate data and record information regarding customer feedback and will be used to provide management information and intelligence. The Complaints function is represented on the project and will be one of the first modules to be launched.

Complaint Summary Q2 2015

Monthly Number of Complaints



YTD Category of Total Complaints



19

		Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Q1	Q2	Q3	Q4	YTD	Target	YTD Com	YTD Com		
Stage 1	2015/16	215	219	208	217	202	231	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	642	650	#REF!	#REF!	#REF!					
	2014/15	225	278	269	279	263	277	308	222	210	226	193	205	772	819	740	624	2955		1591	-19%		
	% Change	-4%	-21%	-23%	-22%	-23%	-17%	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	-17%	-21%	#REF!	#REF!	#REF!				
	Policy/Legislation/Procedure	58	39	49	49	49	55	0	0	0	0	0	0	0	146	153	0	0	299				
Quality of Service	75	88	76	93	82	101	0	0	0	0	0	0	0	239	276	0	0	515					
Staff Attitude/Behaviour	38	50	45	30	32	39	0	0	0	0	0	0	0	133	101	0	0	234					
Standard of Premises	8	9	7	7	9	5	0	0	0	0	0	0	0	24	21	0	0	45					
Timeliness of Service	36	33	31	38	30	31	0	0	0	0	0	0	0	100	99	0	0	199					
Stage 2	2015/16	16	20	16	16	13	20	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	52	49	#REF!	#REF!	#REF!					
	2014/15	21	31	19	25	25	30	14	34	20	25	16	22	71	80	68	63	282		139	-27%		
	% Change	-24%	-35%	-16%	-36%	-48%	-33%	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	-27%	-39%	#REF!	#REF!	#REF!				
	Policy/Legislation/Procedure	7	9	3	5	4	9	0	0	0	0	0	0	0	19	18	0	0	37				
Quality of Service	5	1	3	5	3	4	0	0	0	0	0	0	0	9	12	0	0	21					
Staff Attitude/Behaviour	0	9	5	5	4	3	0	0	0	0	0	0	0	14	12	0	0	26					
Standard of Premises	2	0	2	1	0	2	0	0	0	0	0	0	0	4	3	0	0	7					
Timeliness of Service	2	1	3	0	2	2	0	0	0	0	0	0	0	6	4	0	0	10					
% Escalated to Stage 2	2015/16	7.4%	9.1%	7.7%	7.4%	6.4%	8.7%							8.1%	7.5%			7.8%	7.0%				
	2014/15	9.3%	11.2%	7.1%	9.0%	9.5%	10.8%	4.5%	15.3%	9.5%	11.1%	8.3%	10.7%	9.2%	9.8%	9.2%	10.1%			8.7%			
	% Change	-20%	-18%	9%	-18%	-32%	-20%																

Justified vs Not Justified		Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Q1	Q2	Q3	Q4	YTD			
Justified	2015/16	80	101	71	54	50	45	0	0	0	0	0	0	252	149	0	0	401			
	2014/15	100	137	132	109	119	95	126	99	47	107	71	71	369	323	272	249	1213	692	40%	
	% Change	-20%	-26%	-46%	-50%	-58%	-53%								-32%	-54%				-42.1%	
Not Justified	2015/16	108	124	123	70	62	74	0	0	0	0	0	0	355	206	0	0	561			
	2014/15	139	156	124	167	116	119	186	131	70	134	125	113	419	402	387	372	1580	821		
	% Change	-22%	-21%	-1%	-58%	-47%	-38%								-15%	-49%				-31.7%	
% Justified	2015/16	34.6%	42.3%	31.7%	23.2%	23.3%	17.9%							36.3%	21.3%			28.8%			
	2014/15	40.7%	44.3%	45.8%	35.9%	41.3%	30.9%	39.1%	38.7%	20.4%	42.6%	34.0%	31.3%	43.8%	35.9%	33.7%	36.2%	37.5%			
	% Change	-15%	-5%	-31%	-35%	-44%	-42%								-7%	-15%					

Comments

Stage 1 Complaints - Quarter 2 the total number of Stage 1 complaints received was 650 a drop of 21% from Quarter 2 in 2014/15. The percentage of complaints escalated to Stage 2 also reduced by 2.3% compared to Q2 2014/15.

Stage 2 Complaints - We saw an overall reduction of 39% in Stage 2 complaints compared to Q2 in 2014/15. This is indicative of better quality responses being sent out stage 1 and checking that the response on Stage 1 complaints actually fulfilled the needs of the customer.

Not only have we had a total reduction in complaints in the first 2 Quarters of 2015/16, (19% reduction), of those complaints actually received 61% complaints were considered unjustified

Justified Complaints - Last year in Q1 & 2 40% of all complaints received were categorised as justified compared with this year only 29% were considered justified complaints, a total reduction of 11% compared to last year.

55% complaints were due to timeliness of our services, were justified 44% of complaints regarding quality of our service were justified, 31% of complaints related to our staff's attitude and behaviour were justified and 27% of complaints due to us not applying policy and procedure, were justified.

The top reason for a complaint was Quality of Service, accounting for 42% of all new complaints received in Q2

Housing remained the top area for complaints received accounting for 40% (down by 4% on Q1) of all new complaints significantly within repairs. The second biggest area regarding council Tax and Benefits accounting for 19%. This is in line with all previous data recorded (up by 2% on Q1)

Executive Decision Report

PROCUREMENT UPDATE 2015/16

Decision to be taken by: **City Mayor**

Decision to be taken on: **3 December 2015**

Lead director: **Alison Greenhill**



City Mayor

Useful information

- Ward(s) affected: **All**
- Report author: **Neil Bayliss**
- Author contact details: **Tel: 37 4021 Email: neil.bayliss@leicester.gov.uk**
- Report version number: **001**
- Date of report: **12th November 2015**

1. Summary

- 1.1 The Council's Contract Procedure Rules require Executive approval of a Procurement Plan – a list of forthcoming procurement activity above EU thresholds anticipated in the coming year. This requirement aligns with the government's requirements of local authorities under the Transparency agenda. There is also a requirement to provide a mid-year update on progress against the Plan and procurement strategy.
- 1.2 Inclusion of a contract in the Plan does not necessarily mean that the procurement will go ahead. As with all expenditure, anticipated contracts will be subject to ongoing challenge as to whether they are required, and whether/how they should be procured. This review process may impact on the anticipated value and/or duration of contract.
- 1.3 The purpose of this report is to inform the City Mayor and Executive of progress against the Plan and obtain approval for the updated 2015/16 Procurement Plan which alerts all stakeholders of the potential up and coming major procurement activity across the Council, which includes renewal of existing contracts for ongoing requirements (e.g. maintenance and service provision contracts) and one-off major capital projects.

2. Recommendations

- 2.1
 - i) That the Audit & Risk Committee is asked to note the report and make any comments prior to an Executive Decision.
 - ii) The Executive is recommended to approve the attached updated Procurement Plan and delegate the letting of contracts to Divisional Directors subject to consultation with Assistant Mayors where appropriate; and
 - iii) Note the progress to date on the delivery of the Procurement Plan and strategy, and to note the summary of waivers approved since 1 April 2015.

3. Supporting information

Procurement Plan

- 3.1 The Procurement Plan serves two principal purposes:
- a) To inform potential suppliers of major future market activity, including meeting the statutory requirement to publish planned procurement over the EU thresholds; and
 - b) To provide the Executive and other readers with an overview of significant procurement activity and to enable links and efficiencies to be achieved.
- 3.2 The Plan is based on information from Directors and from reviewing the database of existing contracts approaching expiry. Entry on the Plan does not guarantee that procurement will happen and the actual costs may vary from the estimates.
- 3.3 Timely processing and approval of the Plan ensures better procurement planning and allows the market to consider upcoming opportunities, in line with the transparency agenda.
- 3.4 The scope of the Plan can be affected by major reviews across the Council, leading to the extension of existing contracts and uncertainty for including future procurements, with less procurement activity than might usually be expected. It will also be noted that the procurement approach and timing, contract term and values are still to be determined for some procurements, whilst review work takes place.
- 3.5 As required by the Contract Procedure Rules, the updated Plan (attached at Appendix A) includes details of expected procurement processes for contracts valued at over the relevant EU threshold.
- Schedule 3 Services £625,050
 - Goods & Other Services £172,514
 - Works £4,322,012
- 3.6 It should be noted that the EU Thresholds will be re-calculated on 1 January 2016 based on an updated exchange rate between the euro and the pound. This is likely to lead to a noticeable decrease in the thresholds (possibly 10-15%), and therefore the Plan includes contracts to be procured that may be slightly below the current thresholds.
- 3.7 The Contract Procedure Rules provide delegated authority to Divisional Directors to award contracts over the EU threshold so long as those contracts are included in the Procurement Plan – Appendix A (even if these contracts are not awarded until after the end of the current financial year). Any other proposed contract award over the EU threshold must be added to the Procurement Plan as set out in Rule 16 of the Contract Procedure Rules (as approved by Full Council in June 2015).
- 3.8 Of the 88 procurement exercises included in the original Plan, the following table sets out current progress.

Progress	Number of Procurement Processes
Exercise not started	50
Exercise in progress	17
Contract awarded	13
Exercise cancelled	8
Total	88

Procurement Strategy

- 3.9 The Head of Procurement is developing a Social Value/Procurement Strategy to be launched later in 2015/16 which will be the foundation for the development of clearer performance indicators and targets and which will form the basis for future reporting.
- 3.10 In parallel to developing this strategy, Procurement is looking to increase the amount of contracts awarded to local organisations, and how this procurement activity can contribute to local communities and the local economy:
- In 2014-15, spend with local organisations represented 51% of all spend; in the first six months of 2015-16, this had risen to 59%;
 - In the first six months of 2015-16, 73% of the value of contracts awarded by Procurement Services were awarded to local companies;
 - Procurement Services have delivered a 'meet the buyer' event and provided various procurement workshops to help suppliers get ready to tender with the Council and other public sector organisations.

Contract Procedure Rules

- 3.11 New Contract Procedure Rules were approved at Full Council on 18th June 2015. No changes have been made to them since and none are currently proposed. The Head of Procurement will consider whether any changes may be beneficial once the new Rules have been in place for a full year.

Waivers

- 3.12 The Contract Procedure Rules also requires the Head of Procurement to report waivers of the Rules to Executive. The tables below show an analysis of the waivers approved during the last financial year and the first part of the current financial year up to the introduction of the New Rules. This is shown by both department and a broad categorisation of the reason for the waiver.

	2014/2015 (Full Year)		2015/16 (until 18/06/15)	
Reason for Waiver	Qty	Value	Qty	Value
Contract extension - Continuity	16	£2,737,919	3	£185,000
Contract extension - Review of future practice / Procurement exercise active	2	£337,550		
Procurement process issues	3	£77,474		
Urgency / Emergency	3	£203,458		
Use of non-contracted supplier / Sole supplier	10	£990,106		
	34	£4,346,506	3	£185,000

	2014/2015 (Full Year)		2015/16 (until 18/06/15)	
Department	Qty	Value	Qty	Value
Adult Social Care	8	£1,496,942	1	£70,000
Children's Services	3	£342,978		
City Development & Neighbourhoods	20	£2,004,986		
Corporate Resources & Support	3	£501,600	2	£115,000
	34	£4,346,506	3	£185,000

3.13 Under the new Contract Procedure Rules, i.e. since the 19th June (until the 30th September), the following waivers have been approved:

Department	Qty	Value
Adult Social Care		
Children's Services	1	£4,600
City Development & Neighbourhoods	3	£372,493
Corporate Resources & Support		
	4	£377,093

Contract Extensions

3.14 The new Contract Procedure Rules also require bi-annual reporting of contract extensions of Large and EU Contracts made where there wasn't provision for this in the original contract. The table below sets out the only two such extensions approved between the 19th June and the 30th September. (Note: Contract values given below include the full contract value from the original start date to the end of the extension period.)

	Large		EU	
Department	Qty	Value	Qty	Value
Adult Social Care				
Children's Services				
City Development & Neighbourhoods	1	£692,000		
Corporate Resources & Support	1	£504,616		
	2	£1,196,616	0	£0

4. Details of Scrutiny

4.1 As required by the Contract Procedure Rules, the Procurement Plan and other contents of this report will be reported to the Audit & Risk Committee on 2nd December 2015.

5. Financial, legal and other implications

5.1 Financial implications

5.1.1 Inclusion of contracting activity on the attached Plan is a statement of intent and is subject to the necessary funding being available. The Plan provides a basis for challenge and a more strategic approach to achieving value for money through major procurement activity.

Colin Sharpe
Head of Finance
Ext 37 4081

5.2 Legal implications

5.2.1 The Contract Procedure Rules form part of the Constitution of the Council therefore this report satisfies the Constitution requirements in relation to reporting and procurement procedures.

5.2.2 Each procurement process will need to follow due process in accordance with internal and legislative requirements, with advice from Procurement Services and Legal Services.

Emma Horton
Principal Lawyer
Ext 37 1426

5.3 Climate Change and Carbon Reduction implications

5.3.1 There are no significant climate change implications arising directly from this report.

5.4 Equality Impact Assessment

5.4.1 These will be considered a part of each procurement process, as appropriate.

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

5.5.1 Procurement is used to drive wider social value, i.e. to bring about improvements in economic, social and environmental well-being.

6. Background information and other papers:

6.1 None.

7. Summary of appendices:

7.1 Appendix A – Procurement Plan 2015/16 (Updated as at November 2015).

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

8.1 No.

9. Is this a “key decision”?

9.1 No.

Procurement Plan 2015-16 Update

Department	Division	Section / Team	Name of Contract	Anticipated Contract Start Date	Duration of New Contract	Full Contract Value
Adult Social Care & Health	Care Services & Commissioning	Independent Living Support - Floating Support	Independent Living Support - Floating Support	01/10/2016	3+2 Years	£4,500,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Early Intervention & Prevention - Information Advice & Guidance / Dementia / Mental Health	01/09/2015	3+2 Years	£2,230,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Deprivation of Liberty Safeguards (DoLS) - Best Interest Assessors	01/04/2016	5 Years	£550,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Deprivation of Liberty Safeguards (DoLS) - Paid Persons Representatives	04/04/2016	2+3 Years	£750,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Substance Misuse Residential Rehabilitation Services (Leicester, Leicestershire, Rutland)	01/04/2016	3+2 Years	
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Specialist Dementia Care Unit (No timescales or values)	TBC	TBC	
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Substance Misuse Housing Related Support Services	01/07/2016	3+2 Years	£1,030,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Healthwatch Leicester	01/04/2018	3+2 Years	£1,170,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Independent Living Support - Sheltered Accommodation	01/10/2017	3+2 Years	£1,650,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Early Intervention & Prevention - HIV	01/04/2016	3+2 Years	£538,660

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Department	Division	Section / Team	Name of Contract	Anticipated Contract Start Date	Duration of New Contract	Full Contract Value
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Supported Living Property Framework (Value to be confirmed)	01/04/2016	4 Years	
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Community Substance Misuse; Criminal Justice Substance Misuse; Young People's Specialist Substance Misuse (Leicester, Leicestershire, Rutland)	01/07/2016	3+2 Years	£46,500,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Intermediate Care Facilities	01/01/2016	2 Years	£6,000,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Deprivation of Liberty Safeguards (DoLS), Independent Mental Capacity Act (IMCA)	01/04/2016	3+2 Years	£700,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Independent Living Support - Supported Housing	01/10/2016	3+2 Years	£1,875,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Support Planning & Brokerage Service	03/06/2015	3+2 Years	£500,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Early Intervention & Prevention - Carers	01/04/2016	3+2 Years	£1,300,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Wet Day Centre	01/07/2016	3+2 Years	£780,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Early Intervention & Prevention -Independent Mental Health Advocacy Service (IMHA)	01/04/2016	3+2 Years	£700,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Early Intervention & Prevention - Advocacy	01/04/2016	3+2 Years	£1,138,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Domiciliary Support Services	14/10/2017	3+2 Years	£57,500,000

Department	Division	Section / Team	Name of Contract	Anticipated Contract Start Date	Duration of New Contract	Full Contract Value
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Supported Living & Flexible Short Breaks Services	24/10/2016	3+2 Years	£84,300,000
Adult Social Care & Health	Care Services & Commissioning	Strategic Commissioning	Integrated Community Equipment Service	01/04/2016	5+2 Years	£57,400,000
Adult Social Care & Health	Public Health	Public Health	Healthy Tots	01/04/2016	3+2 Years	£350,000
Adult Social Care & Health	Public Health	Public Health	Sexual Health Promotion & HIV Prevention for Sex Workers	01/04/2016	2+2 Years	
Adult Social Care & Health	Public Health	Public Health	Targeted Health Promotion	01/04/2016	2 Years	£400,000
Adult Social Care & Health	Public Health	Public Health	Community Health Initiatives	01/04/2016	3+2 Years	£1,000,000
Adult Social Care & Health	Public Health	Public Health	Healthy Child Programme 0 to 19 (Includes Healthy Child Programme 5-19 (Ref: 1); National Child Measurement Programme; School Nursing Healthy Child Programme;	01/10/2016	3+2 Years	£8,462,000
Adult Social Care & Health	Public Health	Public Health	Healthy Child Programme 0-5; Health Visiting and Family Nurse Partnership	01/10/2016	3+2 Years	£42,725,000
Adult Social Care & Health	Public Health	Public Health	Healthy Schools Programme (Improve health and wellbeing of school aged children and young people)	01/10/2016	3+2 Years	£350,000
Adult Social Care & Health	Public Health	Public Health	Public Mental Health Programme	01/04/2016	3+2 Years	£1,500,000
City Development & Neighbourhoods	Culture & Neighbourhood Services	Arts & Museums	Museums Transformation Plan - Delivery	01/01/2016	One off project	£200,000

Department	Division	Section / Team	Name of Contract	Anticipated Contract Start Date	Duration of New Contract	Full Contract Value
City Development & Neighbourhoods	Culture & Neighbourhood Services	Arts & Museums	Repair/Renewal/Replacement of Auditorium Seating at DeMontfort Hall	01/08/2016	2 Years	£400,000
City Development & Neighbourhoods	Housing		Tenants Contents Insurance Scheme for City Council Tenants (Value to be confirmed)	01/06/2015	3+2 Years	£2,800,000
City Development & Neighbourhoods	Housing	Capital Investment	Replacement PVCu Roofline, Cladding & Associated Works	01/10/2015	3+2 Years	£5,000,000
City Development & Neighbourhoods	Housing	Capital Investment	Asbestos Analyst (Domestic)	01/06/2016	3+1 Years	£1,500,000
City Development & Neighbourhoods	Housing	Capital Investment	Re-Roofing Citywide	01/10/2016		£5,000,000
City Development & Neighbourhoods	Housing	Capital Investment	Water Mangement, Air Conditioning & Ventilation systems	01/03/2016	2+3 Years	£5,000,000
City Development & Neighbourhoods	Housing	Capital Investment	Home insulation - Energy Saving Initiatives City Wide	01/03/2016	2+2 Years	£10,000,000
City Development & Neighbourhoods	Housing	Capital Investment	Digital Aerial Maintenance	20/08/2015	2+2 Years	£1,200,000
City Development & Neighbourhoods	Housing	Capital Investment	Kitchen and Bathroom Refurbishment (Materials Supply Only)	01/04/2016	3+2 Years	£10,000,000
City Development & Neighbourhoods	Housing	Capital Investment	Asbestos Removal (Domestic)	22/01/2016	3+1 Years	£5,000,000
City Development & Neighbourhoods	Housing	Capital Investment	Emergency Lighting, Fire & Intruder Alarms -Installation, Maintenance & Remote Monitoring	01/03/2016	3+2 Years	£7,500,000

Department	Division	Section / Team	Name of Contract	Anticipated Contract Start Date	Duration of New Contract	Full Contract Value
City Development & Neighbourhoods	Housing	Capital Investment	District Heating: *LOT 1: General Repairs & Emergency Call Outs *LOT 2: Major Works refurbishments and upgrades *LOT 3: Underground Network Pipework	01/04/2016	2+3 Years	£5,000,000
City Development & Neighbourhoods	Housing	DSO Repairs Service	Stores Management/ Supply of Building & Construction Materials	TBA	TBA	£0
City Development & Neighbourhoods	Housing	Estate Management & Tenancy Support	Secure Cycle Units	01/03/2016	3 Years	£200,000
City Development & Neighbourhoods	Investment	Building Services	Servicing of Fire Extinguishers	31/12/2016	2+3 Years	£260,000
City Development & Neighbourhoods	Investment	Commercial & Commissioning	Supply and Installation of Office Furniture	31/10/2015	2 + 2 years	£1,200,000
City Development & Neighbourhoods	Investment	Commercial & Commissioning	Removals	01/01/2016	4 years	£400,000
City Development & Neighbourhoods	Investment	Energy Services (City Transport - Fleet)	Central Vehicle Pool Replacements (Various start dates)		3 Years	£2,300,000
City Development & Neighbourhoods	Investment	Energy Services (City Transport - Fleet)	Fleet Maintenance (Start date to be confirmed)	TBC	3 years	£3,900,000
City Development & Neighbourhoods	Investment	Facilities Management - Building Maintenance	Maintenance of Gutters and External Rainwater Systems	01/04/2016	3+1 Years	£440,000
City Development & Neighbourhoods	Investment	Housing & Property	Construction Works Framework (Value to be Decided)	01/06/2016	4 Years	
City Development & Neighbourhoods	Investment	Housing & Property	Construction Related Professional Services Framework	01/04/2016	1 Year	£5,000,000

Department	Division	Section / Team	Name of Contract	Anticipated Contract Start Date	Duration of New Contract	Full Contract Value
City Development & Neighbourhoods	Investment	Property	Property Maintenance (Duration & value to be confirmed)	01/01/2016	4 Years	
City Development & Neighbourhoods	Investment	Property	Flat Roof Replacement	01/09/2015	3+1 Years	
City Development & Neighbourhoods	Investment	Property	Boiler Replacement Programme	01/04/2016	4 Years	£1,000,000
City Development & Neighbourhoods	Inward Investment	Energy Services	Energy Performance Contract	31/03/2016	15 years	£20,000,000
City Development & Neighbourhoods	Inward Investment	Energy Services	Corporate Energy (Electricity Supply) contract	01/04/2016	3 years	£4,800,000
City Development & Neighbourhoods	Inward Investment	Energy Services	Corporate Energy (Gas Supply) contract	01/10/2016	3 years	£3,400,000
City Development & Neighbourhoods	Local Services & Enforcement	Community Safety	Sexual and Domestic Violence Prevention Services	01/10/2015	3+2 Years	£3,150,000
City Development & Neighbourhoods	Local Services & Enforcement	Parks & Open Spaces	Street Furniture	01/07/2016	3+1 years	£160,000
City Development & Neighbourhoods	Local Services & Enforcement	Parks & Open Spaces	Street Washing	01/07/2016	3+1 Years	£160,000
City Development & Neighbourhoods	Local Services & Enforcement	Parks & Open Spaces	Grounds Maintenance Machinery (No dates or duration specified)			£200,000
City Development & Neighbourhoods	Local Services & Enforcement	Parks and Green Spaces	Parks & Greenspace Fencing	01/07/2016	3+2 Years	£400,000

Department	Division	Section / Team	Name of Contract	Anticipated Contract Start Date	Duration of New Contract	Full Contract Value
City Development & Neighbourhoods	Local Services & Enforcement	Standards & Development	Supply & Installation of Wheel Facilities (e.g. Skateparks/BMX Facilities)	01/07/2016	2+1 Years	£250,000
City Development & Neighbourhoods	Local Services & Enforcement	Standards & Development	Supply and Installation of Ballcourts / Multi Use Games Area (MUGA)	01/07/2016	2+1 Years	£450,000
City Development & Neighbourhoods	Local Services & Enforcement	Standards & Development	Supply of Fixed Play Equipment & Spares. Provision of Wheel Facilities	01/07/2016	2+1 Years	£750,000
City Development & Neighbourhoods	Local Services & Enforcement	Street Scene & Enforcement	Stray Dog Services Kennelling and Out of Hours Collection	01/06/2015	2+2 Years	£320,000
City Development & Neighbourhoods	Local Services & Enforcement	Standards & Development	Outdoor Gym Equipment	01/01/2016	2+1 Years	£900,000
City Development & Neighbourhoods	Local Standards & Enforcement	Standards & Development	Victoria Park Gate Restoration Works	01/01/2016	6 Months	£350,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Development Projects	Friars Mill Operating Company	01/07/2015	15 Years	£3,890,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Development Projects	Programme Management - Waterside	01/05/2015	4 Years	£400,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Economic Regeneration	DOCK 2 Construction Contractor	01/06/2016	18 Months	
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Economic Regeneration	Leicester City Market - Phase 2 - Construction, Public Realm and M&E Works to Corn Exchange	01/12/2015	1 Year	£3,000,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Economic Regeneration	Leicester Fashion and Textiles Hub Consultants	01/02/2016	2 Years	£400,000

Department	Division	Section / Team	Name of Contract	Anticipated Contract Start Date	Duration of New Contract	Full Contract Value
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Economic Regeneration	DOCK 2 consultants	01/12/2015	18 months	£400,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Highway Maintenance Group	Precast Concrete Products	01/04/2016	1+4 Years	£500,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Highway Maintenance Group	Supply of Concrete	01/12/2016	1+4 Years	£400,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Highway Maintenance Group	Traffic Management	01/04/2016	1+4 Years	£500,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Highway Maintenance Group	Supply of Highways Materials	01/04/2016	1+4 Years	£550,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Highway Maintenance Group	Hire of Plant (with & without Operator)	01/04/2016	1+4 Years	£2,500,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Highways	Term Contract for Highway Works (Dates to be confirmed)			£6,000,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Highways	Porphyry Slabs and Setts for Market Place	05/10/2015	3 Months	£250,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Passenger & Transport Services	Vulnerable Passenger Transport	01/06/2016	2+2 Years	£8,000,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Transport Strategy	Security Services at Park and Ride Sites	01/05/2016	3+2 Years	£900,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Transport Strategy	Security Services for Surface Level Car Parks and Multistorey Car Parks	01/04/2016	3 Years	£210,000

Department	Division	Section / Team	Name of Contract	Anticipated Contract Start Date	Duration of New Contract	Full Contract Value
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Transport Strategy/ Central Area and Project Management Team	Design Consultancy Services for Legible Leicester	01/07/2016	3 years	£200,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Transport Strategy/ Central Area and Project Management Team	Design Consultancy Services for Townscape Heritage Initiative (THI)	01/07/2016	1 year	£180,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Transport Strategy/ Central Area and Project Management Team	Legible Leicester	01/06/2016	2- 3 years	£1,500,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Transport Strategy/ Highways & Traffic Design	Electric Vehicle Charging Facilities	01/02/2016	3 years	£220,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Transport Strategy/ Highways & Traffic Design	New College Cycle Track	01/03/2016	One-off project.	£550,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Transport Strategy/ Sustainable Transport Team	Leicester North West Access Corridor works	01/04/2016	7 years	£12,500,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Transport Strategy/ Sustainable Transport Team	Bus Shelters	01/04/2018	15 Years	£7,500,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Transport Strategy/ Sustainable Transport Team	Real-time Bus information system	01/04/2017	10 years	£2,000,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Transport Strategy/ Sustainable Transport Team	Smart Ticketing	01/03/2018	5 Years (TBC)	£450,000
City Development & Neighbourhoods	Planning, Transportation & Economic Development	Various TBC	Replacement Electric Vehicles	01/01/2016	1 Year	£287,000
Corporate Resources & Support	Delivery, Communications & Political Governance	City Mayor's Office	Voluntary Sector Support Services - Engagement to Support a Cohesive City & contributing to a Sustainable Network of Support	01/11/2015	3 Years	£1,000,000

Department	Division	Section / Team	Name of Contract	Anticipated Contract Start Date	Duration of New Contract	Full Contract Value
Corporate Resources & Support	Delivery, Communications & Political Governance	Graphics Team	Graphic Design (No Start date , duration or value)	01/08/2016	2+1 Years	£175,000
Corporate Resources & Support	Delivery, Communications & Political Governance	Strategic HR	Corporate Wellbeing Service Lot 1 - Musculoskeletal, Injury & Rehabilitation Service Lot 2 - Employee Assistance Programme	01/06/2016	3+2 Years	£1,135,000
Corporate Resources & Support	Delivery, Communications & Political Governance	Strategic HR	Occupational Health Service	01/11/2016	3+2 Years	£1,500,000
Corporate Resources & Support	Delivery, Communications & Political Governance	Various	Print Procurement	01/06/2015	2+2 Years	£2,500,000
Corporate Resources & Support	Finance	Accountancy	Tax Consultancy (Contract duration to be determined)	01/06/2016		£200,000
Corporate Resources & Support	Finance	Business Admin & Corporate Support	Office Supplies	01/12/2015	4 Years	£1,000,000
Corporate Resources & Support	Finance	Business Service Centre	Cash in Transit	02/11/2015	3+2 Years	£670,000
Corporate Resources & Support	Finance	Business Service Centre	Property Valuation for Right to Buy applications	TBA	3+2 Years	£300,000
Corporate Resources & Support	Finance	Finance	Finance and HR Systems	01/01/2017	7+3 Years	£3,000,000
Corporate Resources & Support	Finance	Finance	Major Contract Review - Consultancy Support	01/02/2016	2+1 Years	
Corporate Resources & Support	Finance	Procurement Services	Paper Supplies	01/04/2016	3+2 Years	£315,000

Department	Division	Section / Team	Name of Contract	Anticipated Contract Start Date	Duration of New Contract	Full Contract Value
Corporate Resources & Support	Finance	Revenues & Benefits	ACD System (Active Call Directory)	01/04/2016	3+7 Years	£300,000
Corporate Resources & Support	Finance	Revenues & Benefits	Local Welfare Provision	01/02/2016	1+2 Years	£900,000
Corporate Resources & Support	Finance	Revenues & Benefits	CRM System	01/12/2015	3+7 Years	£500,000
Corporate Resources & Support	Finance	Revenues & Benefits	Intelligence Hub	01/08/2015	2+3 Years	£200,000
Corporate Resources & Support	Information & Customer Access	Children's Services	School Information Management System (SIMS)	01/03/2016	10 Years	£2,000,000
Corporate Resources & Support	Information & Customer Access	Technology Services	EVA Server Storage Replacement	01/09/2016	4 Years	£390,000
Corporate Resources & Support	Information & Customer Access	Technology Services	Phone Lines	01/03/2016	3 Years	£1,500,000
Corporate Resources & Support	Information & Customer Access	Technology Services	Server Replacement	01/01/2016	4 Years	£200,000
Corporate Resources & Support	Information & Customer Access	Technology Services	Cisco Network Maintenance	01/09/2015	2 Years	£250,000
Corporate Resources & Support	Information & Customer Access	Technology Services	PC & Laptops, Screen & Associated Items (Peripherals)	01/01/2016	1 Year	£485,000
Corporate Resources & Support	Information & Customer Access	Technology Services	Multi-Functional Devices (MFDs)	01/01/2016	2+3 Years	£350,000

Department	Division	Section / Team	Name of Contract	Anticipated Contract Start Date	Duration of New Contract	Full Contract Value
Corporate Resources & Support	Information & Customer Access	Technology Services	CCTV relocation	01/03/2016	Capital	£300,000
Corporate Resources & Support	Legal Services	City Barrister & Head of Standards	Legal Case Management System	01/06/2016	3+7 Years	£330,000
Education & Children's Services	Children, Young People & Families	Early Help Specialist Services	Support for Young Carers	TBC	1+2 Years	£267,000
Education & Children's Services	Children, Young People & Families	Early Help Targeted Service	Supervised Play	01/07/2016	2+2 Years	£4,240,000
Education & Children's Services	Children, Young People & Families	Early Help Targeted Services	Children, Young People and Families Information Management System (CCIMS)	01/02/2016	5+5 Years	£203,000
Education & Children's Services	Children, Young People & Families	Looked After Children	Fostering, Residential and Independent School Placements (Value to be determined)	01/11/2015	TBC	
Education & Children's Services	Commissioning & Performance	Childcare Sufficiency	Barley Croft Childcare (Start Date, duration & value tbc)			
Education & Children's Services	Commissioning & Performance	Schools Finance	Schools Budget Planning Software	01/07/2016	10 Years	£300,000
Education & Children's Services	Learning	SEND Services	Patients Know Best	01/04/2015	1+2 Years	£150,000
Education & Children's Services	Learning, Quality & Performance	Adult Skills & Learning	Additional Learning Support	01/08/2016	3+2 Years	£500,000



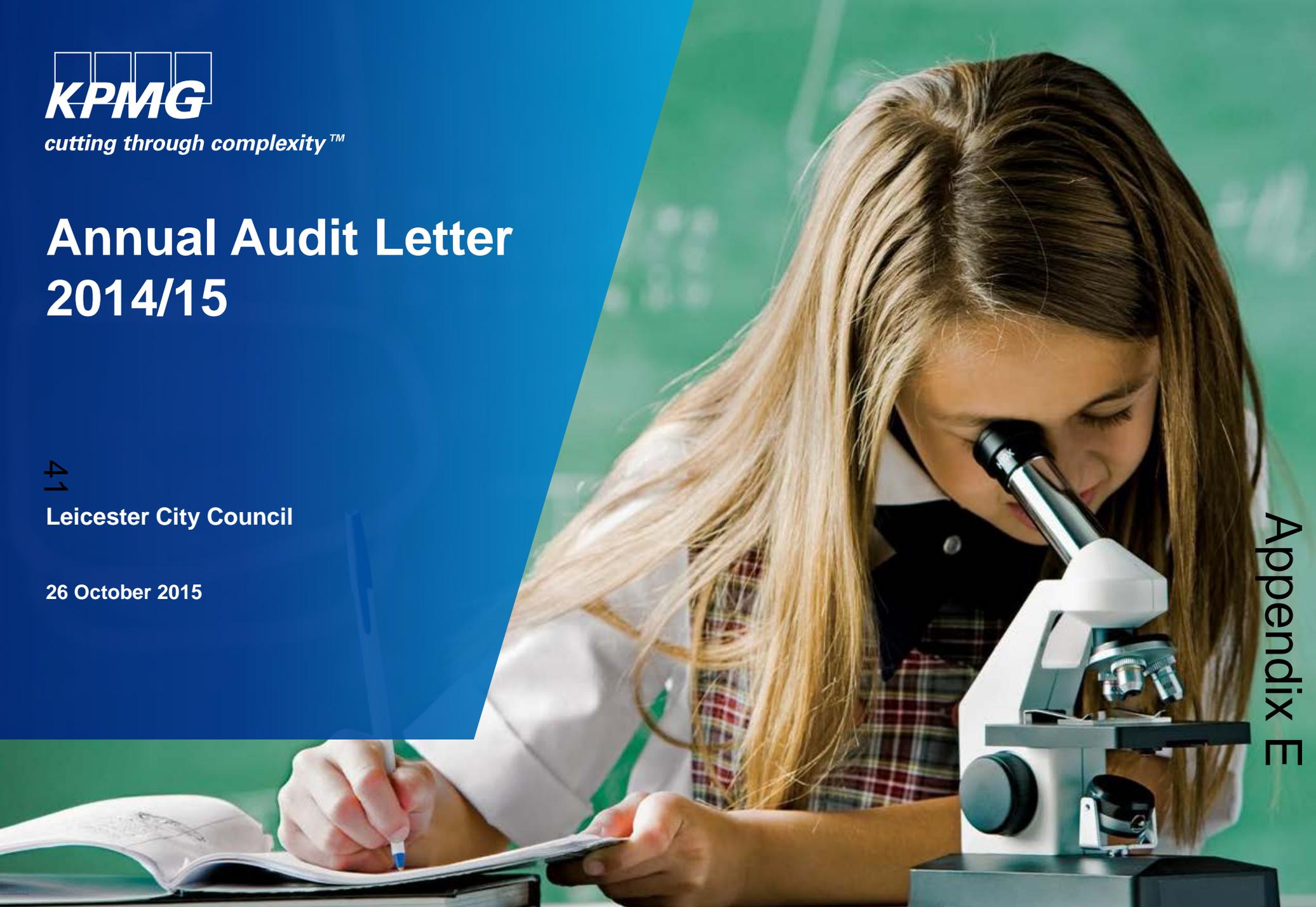
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Annual Audit Letter 2014/15

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Leicester City Council

26 October 2015



Appendix E

The contacts at KPMG in connection with this report are:

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Report sections

- Headlines

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Appendices

1. Summary of reports issued
2. Audit fees

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

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This report summarises the key findings from our 2014/15 audit of Leicester City Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

VFM conclusion	<p>We issued a qualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 30 September 2015. This means that we are satisfied that the Authority has proper arrangements for securing financial resilience and, except for childrens' services, we are satisfied with arrangements for challenging how the Authority secures economy, efficiency and effectiveness.</p> <p>Our 'except for' conclusion on childrens' services was due to the March 2015 OFSTED report which concluded that childrens' services are inadequate.</p> <p>In arriving at our conclusion we also looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 30 September 2015. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
Financial statements audit	<p>We identified two key financial statements audit risks in our 2014/15 External Audit Plan issued in February 2015.</p> <ul style="list-style-type: none"> ■ Accounting for Local Authority Maintained Schools: CIPFA have issued definitive clarification of existing guidance on significant entries to be included in the financial statements; and ■ The in-year change of banking services provider from Co-Op to Barclays. <p>There are no matters of any significance arising as a result of our audit work in these key risk areas.</p> <p>The Authority has satisfactory processes in place for the production of the accounts. Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales.</p> <p>After the draft accounts were approved, the Authority changed the value of schools and leisure centres by £86.0 million from the values disclosed in the draft statements, as indexation had not been applied since the date of the last formal valuation.</p> <p>As a result of our audit, the Authority made adjustments to the primary statements. The material adjustments were:</p> <ul style="list-style-type: none"> ■ Reclassifications on the face of the balance sheet from 'Cash and cash equivalents' to 'Short term investments' (£20.0 million); and ■ Presentational adjustments to 'Cash and Cash Equivalents' and 'Bank overdraft' (both increased by £22.4 million). <p>None of the above adjustments had any impact on the General Fund balance. However the Authority made another late change to the accounts to transfer £34.0 million from the General Fund into earmarked reserves.</p> <p>In addition, the Authority made a number of non-trivial adjustments to notes, most of which were of a presentational nature.</p>

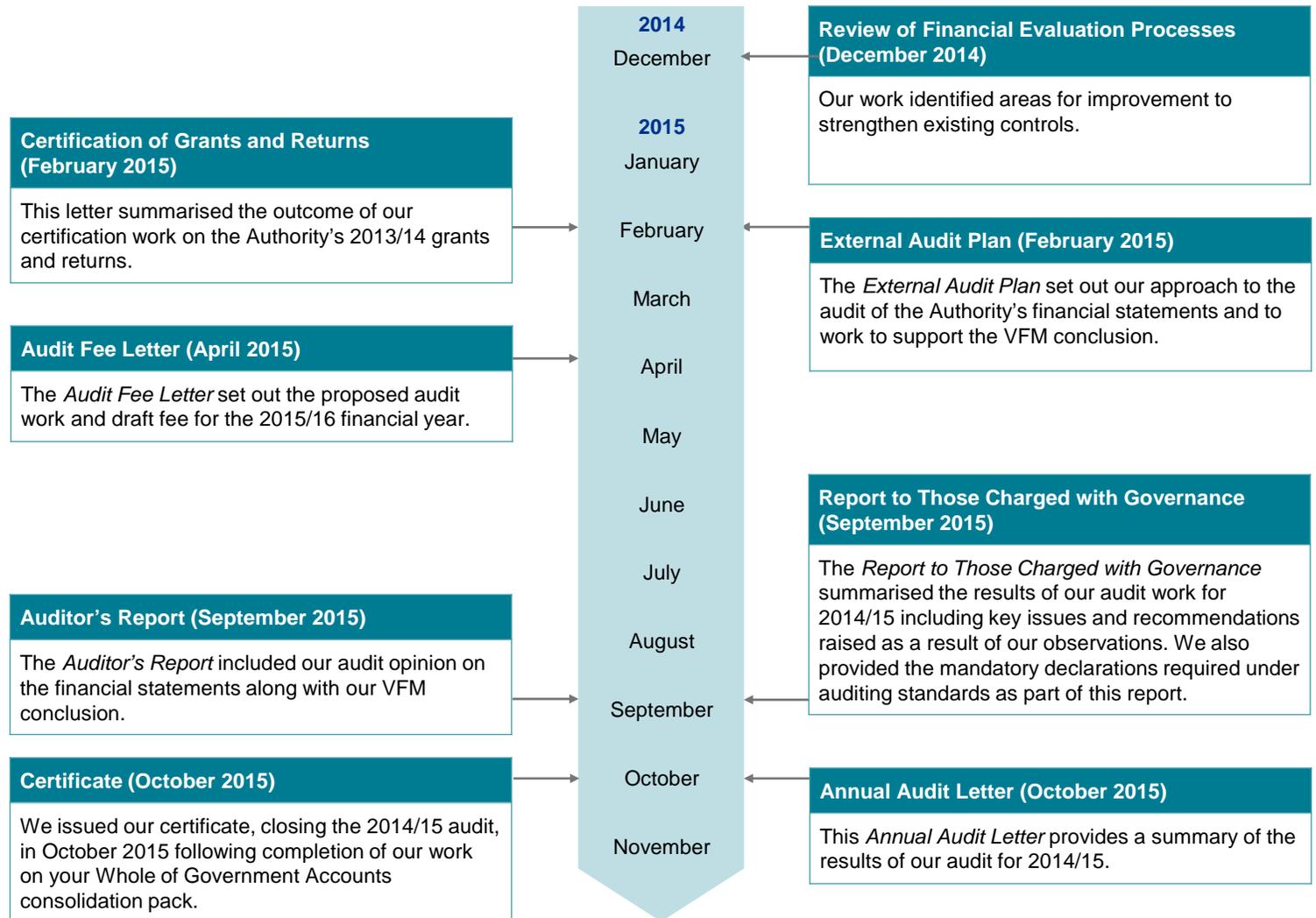
All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

Annual Governance Statement	We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding of your arrangements.
Whole of Government Accounts	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements. We completed this work on 2 October 2015.
Certificate	<p>We issued our certificate on 2 October 2015. This was later than the date on which we issued our opinion and VFM conclusion as we had not completed our work on the Authority's Whole of Government Accounts consolidation pack at that date.</p> <p>The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	Our audit fee for 2014/15 was £203,071 excluding VAT. We have also charged fees of £13,200 excluding VAT in respect of non-audit services. Further detail is contained in Appendix 2.

Appendix 1: Summary of reports issued

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

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This appendix provides information on our final fees for the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit of the Authority was £203,071. This compares to a planned fee of £195,470. The reasons for this variance are:

- an increased fee for the audit of the financial statements reflecting additional costs incurred in carrying out the final accounts audit of £3,968 over and above our initial estimate; and
- additional work, which was not allowed for in our initial plan, namely a review of the Authority’s response to the March 2015 OFSTED report on children’s services (£3,633).

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

Other services

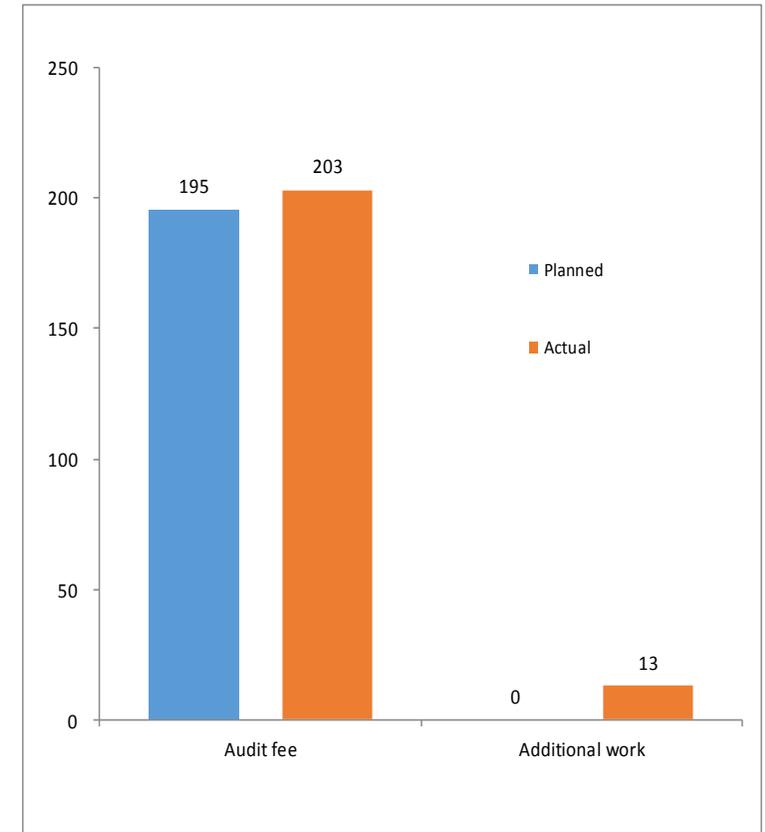
We charged £10,200 plus VAT for a review of your financial evaluation processes. This work was not related to our responsibilities under the Code of Audit Practice.

We have also charged £3,000 plus VAT for additional audit-related services for the certification of the 2013/14 Teachers Pensions return, which is outside of Public Sector Audit Appointment Ltd’s certification regime.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments Ltd we undertake prescribed work in order to certify the Authority’s housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in February 2016.

Fees paid to external auditors 2014/15 (£’000)





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External audit progress report and technical update

Leicester City Council

October 2015

Appendix E

This report provides the Audit and Risk Committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

PROGRESS REPORT					
External audit progress report					3
KPMG RESOURCES					
Governance Arrangement work over the Better Care Fund					5
KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years					6
Better Care Fund Support Programme					7
KPMG publication titled: Value of Audit: Perspectives for Government					8
TECHNICAL UPDATE					
New local audit framework	●	10	Local Audit and Accountability Act 2014: Provisions affecting auditors' work from 1 April 2015	●	15
Reporting developments – Infrastructure assets	●	11	Local Government Association's 2015 Spending Review submission	●	19
CIPFA survey on infrastructure assets	●	12	NAO report – Devolving responsibilities to cities in England: Wave 1 City Deals	●	20
NAO report – Care Act first-phase reforms	●	13	Care Act first-phase reforms – local experience of implementation	●	21
NAO report – Local Government New Burdens	●	14	Proposed changes to business rates and core grant	●	22
APPENDIX					
Appendix 1 – 2014/15 audit deliverables					23



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Progress report

This document provides the Audit and Risk Committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Area of responsibility	Commentary
Financial statements	<p>The planning process for the 2015/16 audit is under way. We aim to present our detailed Audit Plan to the March 2016 meeting of this Committee.</p> <p>Work to be undertaken</p> <p>We plan to undertake our interim audit visit in February/March 2016. As part of this work we:</p> <ul style="list-style-type: none"> ▪ assess the effectiveness of your financial controls and undertake ‘walk-throughs’ of the key financial controls and perform sample testing; ▪ review and consider internal audit work completed to date; and ▪ review the appropriateness of your arrangements for the prevention and detection of fraud and corruption in accordance with ISA240 (the responsibility to consider fraud), including discussing this with the Local Counter Fraud Specialist and internal audit. <p>We plan to commence our audit of the accounts in August 2016 (dates yet to be agreed with your officers). We plan to issue our ISA 260 report ahead of the Audit Committee in September 2016, and our opinion by the deadline of 30 September 2016.</p> <p>There are no matters that we need to bring to the attention of members at this time.</p>
Value for Money	<p>We will complete our initial risk assessment as part of the planning process. We will continue to monitor progress made by you in implementing the childrens' services Improvement Plan which sets out detailed actions in response to the March 2015 OFSTED report on childrens' services.</p> <p>We will update our assessment at the year end.</p> <p>We will conclude on the results of the VFM audit through our ISA 260 Report.</p> <p>There are no matters that we need to bring to the attention of members at this time.</p>
Certification of claims and returns	<p>We are working towards the 30 November 2015 deadline for completing testing of the housing subsidy return for 2014/15. For 2014/15 we will select samples in March/April 2016 for your staff to complete testing of individual cases.</p>



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KPMG resources

Area	Comments
<p data-bbox="64 322 244 475">Governance arrangements work over the Better Care Fund.</p> <p data-bbox="64 722 111 782">54</p>	<p data-bbox="292 322 1980 475">The £3.8 billion Better Care Fund (BCF) (formerly the Integration Transformation Fund) was announced by the Government in the June 2013 Spending Round, to ensure a transformation in integrated health and social care. The BCF is a single pooled budget to support health and social care services to work more closely together in local areas. The BCF not only brings together NHS and Local Government resources, but also provides a real opportunity to improve services and value for money, protecting and improving social care services by shifting resources from acute services into community and preventative settings.</p> <p data-bbox="292 496 1949 586">The governance arrangements for the BCF will therefore have to meet the requirements of all partners to achieve economy, efficiency and effectiveness in their use of resources. Each partner will also need to satisfy itself that the pooled budget complies with the requirements of its appropriate code of governance and annual governance reporting guidance.</p> <p data-bbox="292 608 1960 729">Each partner must also satisfy itself that all other regulatory requirements are met – for example, that discrete funding streams are only spent appropriately at a local level. Partners therefore need to make arrangements to ensure that that is happening. Additionally, there will be a requirement for an audit certificate on this expenditure and arrangements need to be in place to ensure appropriate records are kept to provide sufficient audit assurance.</p> <p data-bbox="292 751 1976 808">With this in mind, CCG governing bodies and Local Authority Executives are now considering whether governance arrangements and structures are fit for purpose and will ensure the effective management of the BCF and the pace of development and implementation.</p> <p data-bbox="292 829 1804 858">We are currently carrying out reviews of these governance arrangements and structures using the following Key Lines of Enquiry:</p> <ul data-bbox="292 879 727 1143" style="list-style-type: none"> ■ Governance arrangements. ■ Engagement and communication. ■ Hosting arrangements. ■ Signed agreement. ■ Performance management. ■ Financial management. <p data-bbox="292 1165 1375 1193">For more information, please contact John Cornett john.cornett@kpmg.co.uk 0116 256 6064</p>

Area	Comments
<p data-bbox="64 322 269 539">KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years</p> <p data-bbox="64 722 111 782">55</p>	<p data-bbox="292 322 1991 415">Without a radical programme of house building, average house prices in England could double in just ten years to £446,000 at current prices, according to research. In twenty years they could quadruple, with the average house price estimated to rise to over £900,000 at current prices by 2034 if current trends continue.</p> <p data-bbox="292 434 1991 494">The research from KPMG and Shelter also reveals that more than half of all 20-34 year olds could be living with their parents by 2040, as soaring housing costs caused by the shortage of affordable homes leave more and more people priced out of a home of their own.</p> <p data-bbox="292 512 1991 605">The warning comes in a landmark report from KPMG and Shelter outlining how the 2015 government can turn the tide on the nation's housing shortage within a single parliament. With recent government figures showing that homeownership in England has been falling for over a decade, the consequences of our housing shortage are already being felt.</p> <p data-bbox="292 624 1991 684">The report sets out a blueprint for the essential reforms that will increase the supply of affordable homes and stabilise England's rollercoaster housing market. It calls on politicians to commit to an integrated range of key measures, including:</p> <ul data-bbox="292 702 1991 1082" style="list-style-type: none"> ■ giving planning authorities the power to create 'New Homes Zones' that would drive forward the development of new homes. Combined with infrastructure, this would be led by local authorities, the private sector and local communities, and self-financed by sharing in the rising value of the land; ■ unlocking stalled sites to speed up development and stop land being left dormant, by charging council tax on the homes that should have been built after a reasonable period for construction has passed; ■ introducing a new National Housing Investment Bank to provide low cost, long term loans for housing providers, as part of a programme of innovative ways to finance affordable house building; ■ helping small builders to get back into the house building market by using government guarantees to improve access to finance; and ■ fully integrating new homes with local infrastructure and putting housing at the very centre of City Deals, to make sure towns and cities have the power to build the homes their communities need. <p data-bbox="292 1100 1991 1160">To read the report, visit www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Pages/building-the-homes-we-need-programme-2015.aspx</p> <p data-bbox="292 1179 1991 1206">For more information, please contact John Cornett john.cornett@kpmg.co.uk 0116 256 6064</p>

Area	Comments
<p data-bbox="64 322 244 415">Better Care Fund Support Programme</p> <p data-bbox="64 722 109 782">56</p>	<p data-bbox="292 322 1991 415">The Better Care Fund Support Programme aims to help areas to overcome the barriers to the successful implementation of the Better Care Fund plans across England in 2015/16. KPMG is one of the partners that successfully bid to deliver the programme, on behalf of NHS England, alongside the Social Care Institute for Excellence ('SCIE'), PPL Consulting and the Berkeley Partnership.</p> <p data-bbox="292 434 1742 462">The focus has been on practical implementation support to deliver better care for the local population. Support has included:</p> <ul data-bbox="292 482 1908 682" style="list-style-type: none"> ■ Conferences, webinars and regional clinics – to explore the barriers to change and develop local plans to overcome them; ■ The Better Care Exchange – an online interactive space for knowledge sharing and collaboration (currently in development); ■ Virtual clinics – telephone support for BCF leads to discuss individual site issues with integration experts; and ■ Coaching and support – to enable good practice and insight gathering from within the BCF programme to support Better Care Learning Partners. <p data-bbox="292 702 1017 731">A number of 'How to guides' have been developed on how to:</p> <ul data-bbox="292 751 1943 908" style="list-style-type: none"> ■ lead and manage Better Care implementation: www.scie.org.uk/about/files/nhs-england-bcf-leadership-how-to-guide.pdf ■ bring budgets together and use them to develop coordinated care provision: www.scie.org.uk/about/files/nhs-england-bcf-budgets-how-to-guide.pdf ■ work together across health, care and beyond: www.scie.org.uk/about/files/how-to-work-together-across-health-care-and-beyond.pdf <p data-bbox="292 928 1783 956">The support programme also includes webinars. Further webinars are scheduled, but at present they cover the following topics:</p> <ul data-bbox="292 976 1069 1096" style="list-style-type: none"> ■ Joint working; ■ Section 75 Arrangements – Pooled and unpooled budgets; and ■ Data sharing: <p data-bbox="292 1116 1970 1173">More details on the programme, and a link to the webinar recordings, can be found on the SCIE website at www.scie.org.uk/about/partnerships-better-care.asp</p> <p data-bbox="292 1193 1375 1222">For more information, please contact John Cornett john.cornett@kpmg.co.uk 0116 256 6064</p>

Area	Comments
<p data-bbox="64 315 265 501">KPMG publication titled: <i>Value of Audit – Perspectives for Government</i></p> <p data-bbox="64 719 111 782">57</p>	<p data-bbox="292 315 692 344">What does this report address?</p> <p data-bbox="292 362 2001 486">This report builds on the <i>Global Audit Campaign – Value of Audit: Shaping the Future of Corporate Reporting</i> – to look more closely at the issue of public trust in national governments and how the audit profession needs to adapt to rebuild this trust. Our objective is to articulate a clear opinion on the challenges and concepts critical to the value of audit in government today and in the future and how governments must respond in order to succeed.</p> <p data-bbox="292 505 2001 601">Through interviews with KPMG partners from nine countries (Australia, Canada, France, Germany, Japan, the Netherlands, South Africa, the UK and the US) as well as some of our senior government audit clients from Canada, the Netherlands and the US, we have identified a number of challenges and concepts that are critical to the value of audit in government today and in the future.</p> <p data-bbox="292 619 609 648">What are the key issues?</p> <ul data-bbox="292 666 1881 886" style="list-style-type: none"> ■ The lack of consistent accounting standards around the world and the impacts on the usefulness of government financial statements. ■ The importance of trust and independence of government across different markets. ■ How government audits can provide accountability thereby enhancing the government’s controls and instigating decision-making. ■ The importance of technology integration and the issues that need to be addressed for successful implementation. ■ The degree of reliance on government financial reports as a result of differing approaches to conducting government audits. <p data-bbox="292 905 1980 933">The <i>Value of Audit: Perspectives for Government</i> report can be found on the KPMG website at https://home.kpmg.com/xx/en/home/insights.html</p> <p data-bbox="292 952 1929 1009">The <i>Value of Audit: Shaping the Future of Corporate Reporting</i> can be found on the KPMG website at www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx</p>



cutting through complexity

Technical update

Area	Level of impact	Comments	KPMG perspective
<p data-bbox="64 719 111 782">59</p> <p data-bbox="64 348 265 405">New local audit framework</p>	<p data-bbox="319 348 426 422">  Medium </p>	<p data-bbox="472 348 1752 471">The Local Audit and Accountability Act 2014 included transitional arrangements covering the audit contracts originally let by the Audit Commission in 2012 and 2014. These contracts covered the audit of accounts up to 2016/17, and gave the Department for Communities and Local Government (DCLG) the power to extend these contracts to 2019/20.</p> <p data-bbox="472 491 1752 642">DCLG have now announced that the audit contracts for large local government bodies (including district, unitary and county councils, police and fire bodies, transport bodies, combined authorities and national parks) will be extended to include the audit of the 2017/18 financial statements. From 2018/19, local government bodies will need to appoint their own auditors; it is not yet clear whether there will be a sector-led body that is able to undertake this role on behalf of bodies.</p> <p data-bbox="472 662 1761 756">NHS and smaller local government bodies (town and parish councils, and internal drainage boards), will not have their contracts extended, and will have to appoint their own auditors for 2017/18, one year earlier than for larger local government bodies.</p>	<p data-bbox="1781 348 1984 528"><i>We understand guidance is being prepared by CIPFA at the request of the NAO.</i></p> <p data-bbox="1781 548 2001 671"><i>We will also be preparing a separate briefing note for clients.</i></p>

Area	Level of impact	Comments	KPMG perspective
<p>Reporting developments – Infrastructure assets</p> <p>60</p>	<p>● Medium</p>	<p>CIPFA/LASAAC, the group that produce the <i>Code of Practice for Local Authority Accounting</i>, have confirmed that transport infrastructure assets owned by local authorities will be required to be included in the accounts from 2016/17. This would require prior period adjustments for 2015/16, including the opening position at 1 April 2015.</p> <p>The changes require local authorities to recognise the value of all transport infrastructure assets using the depreciated replacement cost method, i.e. the cost required to replace the asset with a new replacement depreciated over the life of the existing asset. Transport infrastructure assets include:</p> <ul style="list-style-type: none"> ■ roads, bridges, roundabouts and traffic calming measures; ■ footways, footpaths and cycle tracks; ■ tunnels and underpasses; and ■ water supplies and drainage systems, as they support the assets identified above. <p>Even non-highway authorities will be affected to the extent that footways etc are material to their accounts. Railway assets are not currently included in the proposals, although it is possible that these may be included in subsequent periods.</p> <p>CIPFA have issued a <i>Code of Practice on Transport Infrastructure Assets</i> which contains the requirements to be included in the Local Authority Code. This is available to purchase from the CIPFA website.</p> <p>Local authorities should have developed a project plan to identify all of the relevant transport infrastructure they own and a timetable for valuing these. CIPFA expects authorities to have undertaken the 1 April 2015 valuations by 31 December 2015.</p> <p>The Whole of Government Accounts submission includes unaudited data on transport infrastructure assets. 2013/14 data indicates assets of over £400 billion will be accounted for on local authority balance sheets. However, only 93% of authorities provided this information, and of these less than 70% used actual inventory data to complete the return. This indicates that the sector faces a significant challenge in accurately identifying the assets it owns and will have to account for.</p>	<p><i>The Audit and Risk Committee may wish to enquire of officers whether a project plan has been developed to address the requirements and review progress against this on a regular basis.</i></p>

Area	Level of impact	Comments	KPMG perspective
CIPFA survey on infrastructure assets	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>On 26 August CIPFA sent a letter to Treasurers Societies and Directors of Finance groups for onward circulation to authorities drawing attention to CIPFA’s survey to assess the readiness of bodies for the introduction of depreciated replacement cost (DRC) for highways infrastructure assets in 2016/17.</p> <p>The letter from CIPFA’s Chief Executive is available here: www.cipfa.org/~media/files/policy%20and%20guidance/local%20authority%20transport%20infrastructure/150826-tia-survey-letter-signed-rw.pdf?la=en</p> <p>The online survey tool can be found here: www.surveymonkey.com/r/NGC8MXH</p> <p>CIPFA is encouraging responses from both accountants and highways engineers, either jointly or separately. The letter has also been sent to the Highways Asset Management and Financial Information Group (HAMFIG) to bring this to the attention of relevant authorities’ highways engineers.</p>	<p><i>The Audit and Risk Committee may wish to enquire of officers whether the online survey has been completed and whether any gaps will be amended in the project plan</i></p>

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Area	Level of Impact	Comments	KPMG perspective
<p>NAO report – Care Act first-phase reforms</p> <p>62</p>	<p>● Low</p>	<p>The NAO’s report examines the first phase of the Department of Health’s new approach to adult social care, finding that it has been implemented well, but places new responsibilities on local authorities whose core funding is being significantly reduced. This could result in their having to delay or reduce services in the short term if demand for care exceeds expectations, presenting a risk to VFM which needs to be managed.</p> <p>Key findings within the report include:</p> <ul style="list-style-type: none"> ■ The <i>Care Act</i> will increase demand for assessments and services at a time when local authority provision has been falling and the number of people in need is rising. ■ The Department’s innovative joint governance with the sector has provided support to implement this challenging legislation. It has provided guidance materials and will give extra support to local authorities. ■ The Department’s tight time frame for the sector to act on final guidance and funding allocations has inhibited local implementation planning in some areas. ■ Despite the challenging timetable, of local authorities with adult social care responsibilities, 99% were confident that they would be able to carry out the Care Act reforms from April 2015. However, it will take longer to change the culture. ■ The Department might have underestimated the demand for assessments and services for carers. ■ The Department has learned from the problems it encountered in modelling the cost of Phase 1 and has improved its approach for Phase 2. ■ There is variation in the extent to which individual councils might have been over or underfunded. ■ A significant proportion of the funding which the Department is providing for the Care Act’s new burdens is not new money. The Department assumes that £174 million (40%) of Care Act funding will come through the Better Care Fund, from money previously allocated to clinical commissioning group budgets and existing local authority capital grants. ■ If costs exceed expectations, pressures will fall first on individual local authorities. The Department may not have sufficient information and does not have a contingency fund to avoid impacts on services. <p>The full report is available from the NAO website at www.nao.org.uk/report/care-act-first-phase-reforms/</p>	<p><i>The Audit and Risk Committee may wish to seek assurances that the issues raised in the report are understood and plans are in place to address the likely impact at their Authority.</i></p>

Area	Level of Impact	Comments	KPMG perspective
NAO report – Local Government New Burdens	<p style="text-align: center;">● Low</p>	<p>This report from the NAO considers how well central government has applied the New Burdens Doctrine. This sets out how the government would ensure that new requirements that increased local authorities' spending did not lead to excessive council tax increases. The focus of this report is more on central government but includes findings that may also be of interest to local government bodies.</p> <p>The report is available from the NAO website at www.nao.org.uk/report/local-government-new-burdens/</p>	<p><i>The Audit and Risk Committee may wish to review the report to understand what impact this could have at the local government level</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p data-bbox="64 348 267 596">Local Audit and Accountability Act 2014 – provisions affecting auditors’ work from 1 April 2015</p> <p data-bbox="64 722 111 782">64</p>	<p data-bbox="348 348 401 422">● Low</p>	<p data-bbox="472 348 1732 502">With effect from 1 April 2015, certain provisions of the <i>Local Audit and Accountability Act 2014</i> (LAAA 2014) came into force and are applicable to auditors’ work for the year 2015/16. Whilst the <i>Audit Commission Act 1998</i> is transitionally saved for audit work on 2014/15, insofar as auditors are engaged in planning work for 2015/16, or possibly considering public interest reports (PIRs) to be made during 2015/16, they need to be aware of the provisions of LAAA 2014 that are already in force.</p> <p data-bbox="472 522 1263 551">Provisions affecting auditors’ work with effect from 1 April 2015 are:</p> <p data-bbox="472 571 1193 599">1) <i>New duty to publish PIRs on audited bodies’ websites</i></p> <p data-bbox="472 619 1723 711">Under the new audit regime, there is an emphasis on the publication of relevant information on the relevant authority’s website. The following provisions are relevant to auditors carrying out work on 2015/16 if they decide to issue a public interest report during the audit.</p> <p data-bbox="472 731 1765 788">Under Schedule 7 LAAA 2014, the following matters must be published on the relevant authority’s website (if it has one):</p> <ul data-bbox="472 808 1612 962" style="list-style-type: none"> ■ PIRs (relating to the relevant authority or a connected entity); ■ notice of a meeting to consider a PIR/written recommendation; and ■ notice summarising those decisions approved by the auditor as a result of consideration of the PIR/recommendation. <p data-bbox="472 982 1765 1105">Where the relevant authority does not have a website, it is instead generally required to make the relevant publication “in such manner as it thinks is likely to bring the notice or report to the attention of persons who live in its area”. This could be, for example, in a local newspaper (as was required in certain cases under the previous legislation).</p>	<p data-bbox="1781 348 2005 531"><i>The Audit and Risk Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p data-bbox="64 348 265 629">Local Audit and Accountability Act 2014 – provisions affecting auditors’ work from 1 April 2015 (continued)</p> <p data-bbox="64 722 111 782">65</p>	<p data-bbox="348 348 401 425">● Low</p>	<p data-bbox="472 348 835 375">2) Prohibition on disclosure</p> <p data-bbox="472 396 1763 551">The prohibition against disclosure that was previously to be found in section 49 of the <i>Audit Commission Act 1998</i> has been repealed and replaced by provisions in Schedule 11 of LAAA 2014. This change has not been transitionally introduced and auditors and local authority bodies need to be aware that this applies to all audits, irrespective of the year. Thus, any reference to the prohibition against disclosure needs to be to Schedule 11 and not section 49. There are no material differences between the two sets of provisions.</p> <p data-bbox="472 572 752 599">3) Connected entities</p> <p data-bbox="472 621 1742 711">LAAA 2014 introduces a new concept into the audit regime, “connected entities”. Connected entities are bodies that are separate to the relevant authority, but are associated with the authority in such a manner that requires the authority to record financial information relating to the entity in its accounts.</p> <p data-bbox="472 732 1518 759">The full definition of “connect entities” is set out in paragraph 8 of Schedule 4 LAAA 2014.</p> <p data-bbox="472 781 1757 868">For the purposes of this Act, an entity (“E”) is connected with a relevant authority at any time if E is an entity other than the relevant authority and the relevant authority considers that, in accordance with proper practices in force at that time:</p> <ul data-bbox="472 889 1742 1108" style="list-style-type: none"> ■ the financial transactions, reserves, assets and liabilities of E are to be consolidated into the relevant authority's statement of accounts for the financial year in which that time falls; ■ the relevant authority's share of the financial transactions, reserves, assets and liabilities of E is to be consolidated into the relevant authority's statement of accounts for that financial year; or ■ the relevant authority's share of the net assets or net liabilities of E, and of the profit or loss of E, are to be brought into the relevant authority's statement of accounts for that financial year. 	<p data-bbox="1783 348 2005 532"><i>The Audit and Risk Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p data-bbox="64 348 265 629">Local Audit and Accountability Act 2014 – provisions affecting auditors’ work from 1 April 2015 (continued)</p> <p data-bbox="64 722 111 782">99</p>	<p data-bbox="348 348 401 425">● Low</p>	<p data-bbox="472 348 907 376">3) Connected entities (continued)</p> <p data-bbox="472 396 1701 454">Authorities have a number of duties in relation to their connected entities under LAAA 2014 beyond those which are expanded on below:</p> <ul data-bbox="472 474 1748 948" style="list-style-type: none"> <li data-bbox="472 474 1748 725">■ Auditors have a right to access documents (at all reasonable times) relating to connected entities, as well as those relating to the “parent” relevant authority. The auditor can inspect, copy or take away documents. The auditor can also require people who are in possession or are accountable for the document (or have been in the past) to provide the auditor with any information or explanation that may be needed, and can require a meeting with such persons. Where a document is stored electronically, the auditor can require assistance from the relevant person at the connected entity or relevant authority in accessing the document. The connected entity must provide the auditor with such facilities and information as are reasonably required to carry out the audit functions. <li data-bbox="472 745 1748 948">■ The right to information and explanation, or to require a meeting, extends in relation to connected entities to: <ul style="list-style-type: none"> <li data-bbox="505 825 1085 853">– any persons elected or appointed to an entity; <li data-bbox="505 873 919 902">– any employee of the entity; and <li data-bbox="505 922 1002 951">– an auditor of the accounts of the entity. <p data-bbox="472 968 1721 1090">Many of the provisions on PIRs and written recommendations in Schedule 7 apply to connected entities. Accordingly, auditors must consider whether a PIR should be made on any matter coming to their attention during the audit and relating to the authority and/or a connected entity. Similarly, an auditor may make a written recommendation to a relevant authority relating to a connected entity.</p>	<p data-bbox="1781 348 2005 534"><i>The Audit and Risk Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
Local Audit and Accountability Act 2014 – provisions affecting auditors’ work from 1 April 2015 (continued)	<p style="text-align: center;">●</p> <p style="text-align: center;">Low</p>	<p>4) Power to call for information: exception for legally professionally privileged information</p> <p>Section 22(12) LAAA 2014 clarifies that the auditor’s right to information and documents cannot be used to compel disclosure of legally privileged information. If a person would be entitled to refuse to produce documents in legal proceedings in reliance on the doctrine of legal professional privilege, they are equally entitled to refuse to provide the relevant information or documents to the auditor. This is a notable new provision and auditors will need to bear this in mind in requesting sight of an audited body’s own legal advice. Any provision of such will be voluntary and cannot be compelled.</p>	<p><i>The Audit and Risk Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p data-bbox="64 721 111 782">68</p> <p data-bbox="64 348 256 534">The Local Government Association’s 2015 Spending Review submission</p>	<p data-bbox="319 348 426 425">● Medium</p>	<p data-bbox="472 348 1742 439">In June 2015, the Local Government Association (LGA) set out proposals for the Government to consider as part of the Spending Review, aimed at streamlining public services, growth generating investment and social care and health – all while saving the public purse almost £2 billion a year by the end of the Parliament.</p> <p data-bbox="472 458 1732 582">The submission focusses on five core issues originally highlighted in A Shared Commitment, published in early 2015. The LGA hopes that local government can work with central government to balance the nation’s books while improving public services and the local economic environment by delivering new, transformed and high-quality local services while at the same time reducing costs to the public sector.</p> <p data-bbox="472 601 1036 629">The LGA believes the Spending Review should:</p> <ul data-bbox="472 648 1763 1282" style="list-style-type: none"> <li data-bbox="472 648 1763 805">■ enable wider integration of social care and health services to deliver savings and improve outcomes This requires the annual £700 million funding gap in social care services to be closed and a transformation fund worth £2 billion in each year of the Spending Review period be created to allow new ways of working to become commonplace. The Spending Review should also implement a single place-based budget for delivering all local services through a Local Public Services Fund as part of at least five devolution deals; <li data-bbox="472 823 1763 1119">■ promote growth and productivity by accepting the case for further devolution of powers and funding that stretches beyond 25 November. The LGA is calling for devolution of, or local influence over, more than £60 billion of growth, skills and infrastructure funding over the Spending Review period, including: <ul data-bbox="509 933 1732 1119" style="list-style-type: none"> <li data-bbox="509 933 1732 991">– the components for an ambitious and effective Local Growth Fund with agreed settlements in devolution deals that last until 2020/21 <li data-bbox="509 1009 1612 1038">– a central-local partnership to deliver effective and targeted skills and employment initiatives <li data-bbox="509 1056 1732 1119">– unlocking the ability of councils to contribute to the Government’s target of 275,000 affordable homes built over the lifetime of the Parliament. <li data-bbox="472 1138 1715 1195">■ help councils adequately resource and deliver high quality public services by transforming the business rate mechanism and providing a four year local government finance settlement; and <li data-bbox="472 1213 1690 1282">■ help councils focus on driving efficiency and value for money through an assessment of the impact of unfunded cost burdens that core council budgets are going to face over the Spending Review period. 	<p data-bbox="1781 348 2005 562"><i>The Audit and Risk Committee may wish to seek assurances that the impact for their Authority is understood.</i></p>

Area	Level of Impact	Comments	KPMG perspective
NAO report – Devolving responsibilities to cities in England: Wave 1 City Deals	<p style="text-align: center;">● Low</p>	<p>Wave 1 City Deals encouraged cities to develop capacity to manage devolved funding and increased responsibility. The report finds it is too early to tell whether the deals will have any overall impact on growth, and that the government and the cities could have worked together in a more structured way to agree a consistent approach to evaluating impact. There have been early impacts from some of the individual programmes agreed in the deals. It has, however, taken longer for cities and departments to implement some of the programmes that required more innovative funding or assurance mechanisms.</p> <p>The government has set out its ambition to continue devolving responsibility for local growth to cities and other local places. The report highlights that both the government and local places can learn from the experience of Wave 1 City Deals to manage devolution to local places effectively.</p> <p>The report is available on the NAO website www.nao.org.uk/report/devolving-responsibilities-to-cities-in-england-wave-1-city-deals/</p>	<p><i>The Audit and Risk Committee may wish to seek assurances how their Authority fits into the emerging City Deals.</i></p>

Area	Level of Impact	Comments
Care Act first-phase reforms – local experience of implementation	<p style="text-align: center;">●</p> <p style="text-align: center;">For Information</p>	<p>This report has been published by the National Audit Office and complements its earlier report on central government’s approach to the Care Act first-phase reforms.</p> <p>This further report provides examples from local case study areas which show how different authorities are addressing risks arising from uncertainty in demand from carers and self-funders.</p> <p>The report was published on 3 August and is available from the NAO website at www.nao.org.uk/report/care-act-first-phase-reforms-local-experience-of-implementation/</p>

Area	Level of Impact	Comments
<p>Proposed changes to business rates and core grant</p>	<p>● For Information</p>	<p>The Chancellor of the Exchequer has proposed some radical reforms of local government finance. The proposals are that by the end of the decade, councils will retain all locally raised business rates but will cease to receive core grant from Whitehall.</p> <p>The Chancellor set out the landmark changes in a speech to the Conservative party conference in Manchester, saying it was time to face up to the fact that “the way this country is run is broken”.</p> <p>Under the proposals, authorities will be able to keep all the business rates that they collect from local businesses, meaning that power over £26 billion of revenue from business rates will be devolved, he said.</p> <p>The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Cities that choose to move to systems of combined authorities with directly elected city-wide mayors will be able to increase rates for specific major infrastructure projects, up to a cap, likely to be set at 2p on the rate.</p> <p>The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state.</p>

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Appendix

Appendix 1 – 2015/16 Audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2015	Delivered
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2016	TBC
Interim			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	April 2016	If required
Substantive procedures			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2016	TBC
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September/October 2016	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	October 2016	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	February 2017	TBC

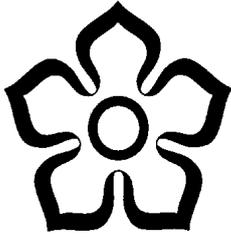


cutting through complexity

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FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit and Risk Committee

2 December 2015

Counter-Fraud Update Report 2015 -16

Joint Report of the Director of Finance and the Director of Local Services & Enforcement.

1. Purpose of the Report

- 1.1. Responsibility for the City Council's counter-fraud work is shared between the Corporate Investigations Team, the Revenues & Benefits Investigations Team both within Financial Services and the Trading Standards Team within Local Services & Enforcement.
- 1.2. The report, which is attached, provides information on counter-fraud activities between 1 April 2015 and 30 September 2015.

2. Recommendations

The Committee is recommended to:

- 2.1. Receive the report.
- 2.2. Make any recommendations or comments it sees fit either to the Executive, the Director of Finance or the Director of Local Services & Enforcement.

3. Summary

- 3.1. This report includes statistical information on fraud cases and an update on the fraud review that is almost complete. A report on the Council's counter fraud activities was presented to Members of the Audit and Risk Committee on 31 July 2015 and therefore this report seeks only to update Members on statistical information where it is available and to inform them about progress on the teams dealing with fraud.

- 3.2. As part of its work, the Corporate Investigations Team has investigated suspected financial irregularities and made recommendations to reduce the risk of further losses and improve performance, efficiency, effectiveness and economy in the use of resources by the Council.
- 3.3. The Revenues & Benefits Investigation Team has investigated suspected Housing Benefit and Council Tax Fraud and when appropriate worked closely with the Department for Work and Pensions to sanction offenders through prosecution, financial penalties and cautions.
- 3.4. The Trading Standards Service is responsible for fair trading, consumer credit, product safety, food standards, weights & measures and age restricted products.

4. Report

- 4.1. See the Counter-Fraud Update Report 2015-16, attached.

5. Financial, Legal and Other Implications

5.1. Financial Implications

Fraud can cause the Council significant loss and activity to prevent and detect fraud is a clear financial investment. Whilst it is impossible to quantify in any reliable way the full implications across the Council, sanctions were issued in relation to £736,754.00 of overpaid Housing Benefit and Council Tax Benefit in the year 2014 – 2015.

Colin Sharpe

Head of Finance

5.2. Legal Implications

Fraud is a criminal offence and therefore represents breach of the law. Other forms of financial irregularity, though not criminal, may be in breach of regulation. The conduct of counter-fraud work of all kinds is bound by law and regulation and the Council is careful to ensure that its activities in this area are properly discharged.

Kamal Adatia

City Barrister & Head of Standards

5.3. Climate Change Implications

This report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

Louise Buckley, Graduate Project Officer (Climate Change)

6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting Information
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	Yes	This report is concerned with fraud and corruption, both of which are criminal offences.
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	
Risk management	Yes	Whole document

7. Background papers – Local Government Act 1972

- 7.1. Files held by Revenues and Benefits, Trading Standards and Housing
Leicester City Council's Anti-Fraud and Corruption Policy and Strategy
Leicester City Council's Finance Procedure Rules
Leicester City Council's Constitution
Leicester City Council's Code of Conduct for Behaviour at Work
Leicester City Council's Information Security Policy Statement
Leicester City Council's Prosecutions Policy
Leicester City Council's Investigators Code of Conduct
Public Bodies Corrupt Practices Act 1889
Chartered Institute of Public Finance & Accountancy (CIPFA) publication
Managing The Risk of Fraud
The Prevention of Social Housing Fraud Act 2013

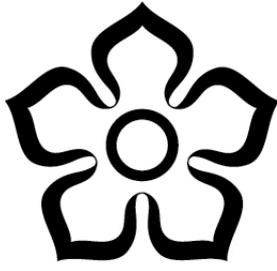
8. Consultations

Roman Leszczyszyn, Head of Regulatory Service, Environmental Services.

9. Report Author

Stuart Limb, Corporate Investigations Manager, ext 2615

Alison Greenhill
Director of Finance



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**COUNTER-FRAUD
UPDATE REPORT
2015-16**

COUNTER-FRAUD UPDATE REPORT 2015-16

1. Introduction

- 1.1 This is a report to the Audit & Risk Committee on the work delivered by Leicester City Council's Corporate Investigations Team, Revenues & Benefits Investigations Team and Trading Standards Service during the period 1 April 2015 to 30 September 2015. It also provides Members with an update on the progress of the revised Corporate Investigations Team.
- 1.2 The organisational review resulted in the creation of a new Corporate Investigations Team and the deletion of the Corporate Counter Fraud Team.
- 1.3 The Revenues & Benefits Investigations Team investigates fraud relating to Housing Benefit and the Council Tax Reduction Scheme and will transfer to the Department of Work and Pensions on 1 March 2016.
- 1.4 The Trading Standards Service is responsible for fair trading, consumer credit, product safety, weights & measures and age-restricted products.

2. The First Six Months in Summary

- 2.1 Trading Standards have continued with their normal work programme. The Head of Trading Standards has advised that there is no further information to be added to that contained in the report submitted to the Audit and Risk Committee on 31 July 2015.

Corporate Investigations Team

- 2.2 During the period covered by this report the Corporate Investigations Team have been through an intensive period of recruitment, procuring a new case management system and imbedding new working practices.
- 2.3 The team now benefit from a nationally recognized market leading case management system that allows the work to fully compliant with the legislation that governs the recording, retention and subsequent disclosure of evidence. In time this will allow more meaningful and accurate performance recording in terms of the performance of the team in tackling fraud. This will take a further six months to become fully utilized and tailored in order for the reports to be produced.
- 2.4 The authority is also the lead on a region wide counter fraud intelligence hub which is on behalf of all Local Authorities across Leicester, Leicestershire and Rutland. A large amount of work has been completed in procuring the data warehouse, producing data sharing agreements and a prosecution policy. In addition to the recruitment of the staff who will be working on the project. This project is funded by the Department of Communities and Local Government and a further update is provided by way of a presentation to the Audit and Risk Committee.
- 2.5 The team continues to investigate a variety of non benefit related cases and provide advice and assistance to management.

2.6 Performance Statistics for the period 1 April 2015 to 30 September 2015 are under development and not fully accurate at this stage. The previous case management system produced limited information and this is being converted and verified before the figures can be relied upon for accuracy. The performance data will be available for the end of year report.

Revenues & Benefits Investigations Team

2.7 The team consists of an Interim Investigations Manager and 4.8 Full Time Equivalent Investigation Officers.

2.8 Performance statistics for the period 1 April 2015 to 30 September 2015 are attached at Appendix 2.

Trading Standards Service

2.10 The Trading Standards Service currently comprises a single investigation team consisting of eight Trading Standards Officers and one manager. The focus of the Trading Standards Service is on investigation and enforcement of fair trading.

3. Review of Performance

3.1 Statistical information on the performance of the Corporate Investigations Team and Benefits Investigations Team is included at Appendix 1 and 2.

4. The Year Ahead

4.1 The report presented to the Committee on 31 July 2015 outlined the major objectives for the Corporate Investigations Team over coming months. The completion of the organisational review of fraud services has changed the emphasis from reactive fraud investigations to proactive fraud searching and offers other partners locally the opportunity to procure fraud investigation services from the Council. Additionally there is a greater emphasis on prosecuting offenders and seeking restitution and compensation for identified losses.

5. Acknowledgment

5.1 The Director of Finance acknowledges the efforts of all members of the Corporate Investigations Team, Revenues & Benefits Investigations Team and Trading Standards Service and the help, co-operation and support of Members and officers of the City Council.

Caroline Jackson
Head of Revenues and Benefits

Roman Leszczyszyn
Head of Regulatory Services

September 2015

Awaiting Registration & Scoring	
HB referrals awaiting registration	33

PLEASE COMPLETE/CHECK ALL CELLS IN : GREY

Monthly HB figures

Figures in 'BLUE' are formulas (DO NOT OVERTYPE)

Registered	This month	YTD	Allocated to IO's	YTD	Screened Out	YTD	Overloaded	YTD
HB files	47	334	16	124	25	197	3	9

Time taken to Allocate & Commence investigations	This month	YTD	cases > than 10 days	YTD
Registered and allocated within 10 days	40	307	4	19
Investigations commenced within 10 days of allocation	14	95	1	21

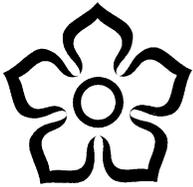
Closed - (exc. S/O & O/L)	This month	YTD
HB	19	165

Closed - (inc. S/O & O/L)	This month	YTD	Inv's closed >6 mths old
HB	47	371	13

Cases C/F	Prev. Mth	This Mth
HB	300	303

Investigations In Progress (exc. Sanctions) -	This Month	> 6 mths old
HB	205	115

Sanctions	Prev. Mth	This Mth	YTD - Total
Cautions Accepted	2	2	5
Administrative Penalties Accepted	0	1	7
Prosecutions - Successful (Guilty)	3	1	27
Total Sanctions	5	2	39
HB Prosecutions referred to Prosecuting Authority this month	6	4	N/A
Total HB files with Prosecuting Authority	52	54	N/A



Leicester
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FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee

2nd December 2015

Internal Audit Charter

Report of the Director of Finance

1. Purpose of Report

1.1. To seek the Committee's approval of minor updates to the Internal Audit Charter.

2. Recommendation

2.1. The Committee is recommended to approve the updated Internal Audit Charter and agree that it accurately reflects the terms of reference of the Internal Audit service (Appendix 1).

3. Summary

3.1.1. Partly as good practice and partly in fulfilment of regulatory requirements, the City Council has in place a formally approved Internal Audit Charter and professional standards for Internal Audit. The professional standards¹ require the preparation of an Internal Audit Charter and set out the essential requirements.

3.1.2. The Internal Audit Charter has been reviewed and minor updates made where necessary to comply with updated regulations. It now needs the approval of the Audit & Risk Committee.

4. Report

4.1. Revision of Internal Audit Charter

4.1.1. For a number of years, the City Council has had in place a formally approved Internal Audit Charter. This sets out the terms of reference for the Council's Internal Audit

¹ The *Public Sector Internal Audit Standards*, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA).

service. The current version was approved by the Audit & Risk Committee at its meeting on 31st March 2015.

- 4.1.2. The purpose is to specify the responsibilities and objectives of Internal Audit, its position within the organisation, its scope, rights of access and reporting requirements and the prioritisation of audit work based on risk. In this way, the Council seeks to demonstrate its compliance with the requirement under Regulation 5(1) of the Accounts and Audit Regulations 2015, which requires that the Council:

'...undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

- 4.1.3. The revised Internal Audit Charter is set out in full in Appendix 1 with the changes from the previous version underlined or ~~crossed through~~. The changes are minor but reflect changes in the wording of the governing regulations.

- 4.1.4. The Committee is asked to approve this updated Charter.

5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

5.1. Financial Implications

An adequate and effective system of internal audit is a central component in the processes intended to help ensure that the Council operates efficiently, cost effectively and with integrity. An effective internal audit function is a key means by which the Director of Finance discharges her responsibilities under s151 of the Local Government Finance Act 1972 (see below). Such arrangements are intended to help the Council as it faces the financially challenging times ahead.

Colin Sharpe, Head of Finance, x37 4081

5.2. Legal Implications

Internal Audit's work promotes sound financial management and legal compliance in all areas subject to review. It is a significant component of the requirements placed upon the Council for 'the proper administration of its financial affairs' by s151 of the Local Government Act 1972 as well as the specific requirements for internal audit under the Accounts and Audit Regulations 2015.

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

5.3. Climate Change Implications

This report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

Louise Buckley, Senior Environmental Consultant, Climate Change, x37 2293

6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph/References Within the Report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	
Risk Management	Yes	The whole report concerns the Council's governance and assurance processes, a main purpose of which is to give assurance to Directors, the Council and this Committee that risks are being managed appropriately by the business. This includes the risks of fraud and financial irregularity.

7. Background Papers – Local Government Act 1972

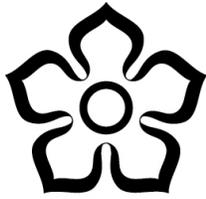
7.1. Files held by Internal Audit.

8. Consultations

8.1. None.

9. Report Author

Steve Jones, Audit Manager, Financial Services, x37 1622
steve.jones@leicester.gov.uk



Leicester
City Council

Internal Audit Charter

Internal Audit is an independent appraisal function established for the review of the internal control system as a service to the City Council. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources and the management of risk.

The Council has determined that the Director of Finance shall be the officer nominated under Section 151 of the Local Government Act 1972 to have responsibility for the proper administration of its (the Council's) financial affairs.

Provision of an adequate and effective Internal Audit is the responsibility of the Council under Regulation 5(1) 6 of the Accounts and Audit (England) Regulations 2011~~2015~~. This function has been delegated to the Director of Finance, who shall provide an Internal Audit service to the City Council in accordance with statutory requirements and professional standards. This latter requirement is met by virtue of compliance with the *Public Sector Internal Audit Standards*, issued by jointly by CIPFA¹ and the IIA² in 2013. These incorporate a definition of internal auditing and a code of ethics as well as attribute and performance standards.

Definition of Internal Audit

Leicester City Council has adopted the definition of Internal Audit as given in the *Public Sector Internal Audit Standards*:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Internal Audit

Internal Audit's responsibility is to report to the Council on its assessment of the adequacy of the entire control environment, through the Audit & Risk Committee and the Executive.

It does this by:

- Providing assurance to the Council and its management on the quality of the Council's operations, whether delivered internally or externally, with particular emphasis on systems of risk management, resource control and governance.
- Providing equivalent assurances where necessary to relevant interested parties external to the Council, including the external auditor and funding agencies.

¹ Chartered Institute of Public Finance & Accountancy

² Chartered Institute of Internal Auditors

- Providing consultancy and advice on the setting up and monitoring of internal controls throughout the City Council and external organisations providing services on behalf of the City Council with the aim of improving economy, efficiency and effectiveness, managing risk and reducing the potential for fraud.
- Providing advice to the Council on those of its activities where there is felt to be exposure to significant financial, strategic, reputational and operational risk to the achievement of its (the Council's) objectives.

In addition:

- Through Internal Audit and the Corporate Investigations Team, the prevention, detection and investigation of fraud are addressed.

Internal Audit will do this in accordance with:

- Relevant codes of ethics, standards and guidelines issued by the professional institutes and the Relevant Internal Audit Standard Setters (RIASS)³; this refers to the *Public Sector Internal Audit Standards*
- The City Council's Constitution and other relevant corporate standards and policies
- Its own Audit Manual and other internal standards, which will be adhered to by all its staff, partners and agents. These include requirements for recording of audit work and evidence to support audit conclusions.
- The *Internal and External Audit Joint Protocol*, or equivalent, as agreed from time to time with the Council's external auditor.

Internal Audit will consult with the Council's external auditor and with other relevant inspectorates and review bodies in order to coordinate effort and avoid duplication.

In addition, Internal Audit procedures are designed to ensure that all statutory and professional standards governing confidentiality of information are observed at all times.

Objectives of Internal Audit

As part of the City Council's system of corporate governance and in support of the Council's designated monitoring officer, Internal Audit's purpose is to support the Council in its activities designed to meet its declared objectives and to do so:

- As a contribution to the Council's management of risk
- As a contribution to the development and implementation of the Council's policies and procedures
- In compliance with the Council's values
- As an aid to ensuring that the Council and its members, managers and officers are operating within the law and prevailing relevant regulations
- As a contribution towards ensuring that financial statements and other published information are accurate and reliable

³ The RIASS include HM Treasury, the Department of Health, CIPFA and agencies of the Northern Ireland, Scottish and Welsh governments.

- In support of the Council in its management of human, financial and other resources in an efficient and effective manner
- In support of the Council in meeting its social, environmental and community priorities
- As a contribution towards establishing and maintaining a culture of honesty, integrity, openness, accountability and transparency throughout the Council in all its activities and transactions.

Position of Internal Audit within the Organisation

Senior management

Internal Audit reports to the Director of Finance. However, the Head of Internal Audit & Risk Management has the right to report directly to the Chief Operating Officer, the Monitoring Officer, the City Mayor or the Council (through the Audit & Risk Committee or the Executive) if, in the opinion of the Head of Internal Audit & Risk Management there are matters of concern that could place the Council in a position where the risks it faces are unacceptable.

'The Board'

The *Public Sector Internal Audit Standards* identify that Internal Audit has a responsibility to the organisation's 'board'. This is defined in the Standards as:

The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. Typically, this includes an independent group of directors (e.g. a board of directors, a supervisory board or a board of governors or trustees). If such a group does not exist, the 'board' may refer to the head of the organisation. 'Board' may refer to an audit committee to which the governing body has delegated certain functions.

The Council has delegated this function to the Audit & Risk Committee for the purposes of overseeing the Council's arrangements for audit, risk and the corporate governance assurance framework. The terms of reference of the Audit & Risk Committee include their responsibilities under the audit framework including internal audit.

Status of Internal Audit

Internal Audit is an independent review activity. It is not an extension of, or a substitute for, the functions of line management and must remain free from any undue influence or other pressure affecting its actions and reporting.

At all times, management's responsibilities include:

- Maintaining proper internal controls in all processes for which they have responsibility.
- Co-operating fully with Internal Audit and ensuring that Internal Audit can properly fulfil their role. To that end, there is an agreed protocol for escalating unresolved disputes.
- The prevention, detection and resolution of fraud and irregularities.
- Considering and acting upon Internal Audit findings and recommendations or accepting responsibility for any resultant risk from not doing so.

In addition, Internal Audit:

- Has no executive responsibility, thus protecting its independence of reporting and action.
- Reserves to itself the right to determine its own work plans and priorities, which it will do in full compliance with recognised professional standards. Whilst Internal Audit will respond to requests for specially commissioned assistance, this is always subject to its existing commitments and the respective levels of identified risk.
- Will prepare annually, for the endorsement and agreement of the Audit & Risk Committee, an operational plan of the activities and areas that are to be covered by its work. This in turn will be based on a strategic audit risk assessment and prioritisation of key business, operational, management and financial risks.

Scope of Internal Audit activity

Internal Audit shall review, appraise and report upon:

- The effectiveness of all controls and other arrangements put in place to manage risk
- The completeness, reliability and integrity of information, both financial and operational
- The systems established to ensure compliance with policies, plans, procedures, laws and regulations whether established by the Council or externally
- The effectiveness of arrangements for safeguarding the Council's assets and interests
- The economy, efficiency and effectiveness with which resources are deployed
- The extent to which operations are being carried out as planned and objectives and goals are met.

Internal Audit's work covers:

- All City Council activities, systems, processes, controls, policies, and protocols
- All City Council departments, cost centres and other business units and establishments
- All services and other activities for which the City Council is responsible or accountable, whether delivered directly or by third parties through contracts, partnerships or other arrangements.

In addition:

- Where Internal Audit provides advice on the setting up of controls, it will do so as a consultant and the provision of such advice does not prejudice the right of Internal Audit subsequently to review, comment on and make recommendations on the relevant systems or controls in appropriate circumstances.
- The provision of an investigations service to support management in fulfilling its responsibilities to prevent, detect and resolve fraud, bribery, corruption and other irregularities is the responsibility of the Corporate Investigations Team in Financial Services.

Rights of Access

For the purposes of carrying out Internal Audit's responsibilities, internal auditors shall:

- Have access at all times to any City Council premises and property
- Have access to all data, records, documents and correspondence relating to any financial or any other activity of the City Council
- Have access to any assets of the City Council
- Be able to require from any member, employee, agent, partner, contractor or other person engaged on City Council business, any information and explanation considered necessary to allow it to properly fulfil its responsibilities.

These rights of access include access to relevant records (whether electronic or otherwise) held by service providers. They apply to Council services provided under contracts and partnership arrangements of all kinds including joint, shared and pooled arrangements. This right of access shall be incorporated within all relevant contract or service agreement documents involving City Council services provided other than internally. It applies to all internal auditors legitimately engaged on Leicester City Council Internal Audit business, whether they are employees of Internal Audit or are provided under an authorised agency or other contract or partnership.

Where services subject to audit are provided to the Council through partnership arrangements, the Head of Internal Audit & Risk Management shall decide, in consultation with all parties, the extent to which reliance shall be placed on assurances provided on behalf of partner organisations or their internal auditors. Where appropriate, adequate access rights will be agreed if it is determined that Internal Audit should conduct its own work to derive relevant assurances rather than rely on other parties.

Internal Audit will safeguard all information obtained in the carrying out of its duties and will only use it for the purposes of an audit or investigation. Internal Audit will make no disclosure of any information held unless this is authorised or there is a legal or professional requirement to do so.

Reporting

Internal Audit:

- Reports on its work and makes recommendations addressed to the relevant Director and such other levels of management as need to know and are capable of ensuring that appropriate action is taken.
- Will report as required on the results of its work (including progress made in delivering the agreed Audit Plan) to the Director of Finance and the Audit & Risk Committee. This will include an annual report, which will contain the annual audit opinion on the adequacy and effectiveness of the City Council's framework of governance, risk management and control, internal control environment. This annual report and opinion will also be the basis of an be a significant component of the annual review of the effectiveness of the system of internal audit control as required of the Council by the Accounts and Audit Regulations.

- Accepts that its responsibility does not cease at the point where a report is issued and will take reasonable action to ensure that recommendations are implemented, having due regard to the duty of the Director of Finance to ensure the Council has efficient arrangements for managing its financial systems.
- Will agree suitable performance measures from time to time with the Director of Finance to evaluate its performance and will maintain and publish information accordingly.
- Will make available, as requested, to members of the Audit & Risk Committee its final reports on audits and investigations (except where these make specific reference to disciplinary or legal matters concerning named individuals). The Director of Finance may stipulate that reports are to be treated in confidence.

The work of Internal Audit (including its opinion on the control environment) shall contribute to the Council's annual review of its system of internal control as required by the Accounts and Audit (~~England~~) Regulations 2015 ~~2011~~.

Audit Resources and Work Prioritisation

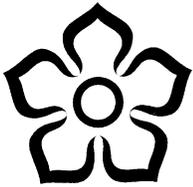
The annual audit plan as agreed by the Audit & Risk Committee shall be the main determinant of the relative priority to be placed on each part of the work of Internal Audit. The Head of Internal Audit & Risk Management shall determine the actual deployment of available resources and shall do so within the framework of risk prioritisation used to draw up the strategic audit risk assessment.

The plan will have within it provision of resources to address unplanned work. This contingency shall be directed towards unplanned work including consultancy engagements and covering other unforeseen variations in the level of resources available to Internal Audit, such as staff vacancies.

The Head of Internal Audit & Risk Management shall determine the resources needed, including the skills required, to deliver the audit plan. In the event that the audit risk assessment identifies a need for a greater degree of audit work than there are resources available, the Head of Internal Audit & Risk Management will identify the shortfall in the annual Internal Audit Plan and initially advise the Director of Finance, followed by the Audit & Risk Committee as needed. It shall be for the Audit & Risk Committee to decide whether to accept the risks associated with the non-delivery of such audit work or to recommend to the Council that it requires the Director of Finance to identify additional resources.

Approval

The Charter was reported to and approved by the Audit & Risk Committee at its meeting on 31st March 2nd December 2015 and shall be subject to regular review by the Director of Finance and the Audit & Risk Committee.



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FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee

2nd December 2015

**Public Sector Internal Audit Standards
and Quality Assurance and Improvement Programme**

Report of the Director of Finance

1. Purpose of Report

- 1.1. To present to the Committee the results of a self-assessment of conformance to the Public Sector Internal Audit Standards (PSIAS) and the associated Quality Assurance and Improvement Programme (QAIP).

2. Recommendation

- 2.1. The Committee is recommended:
 - a) to note the contents of this report and
 - b) to make any comments it sees fit to the Director of Finance or the Executive.

3. Summary

- 3.1. The Audit & Risk Committee has adopted the PSIAS as the recognised professional standards to which the Council's Internal Audit service shall operate. The PSIAS require a process of annual assessment of conformance with the Standards. This report presents for the Committee's information and comments the outcome of the self-assessment conducted in summer 2015 (Appendix 1).
- 3.2. The PSIAS also require that a Quality Assurance and Improvement Programme (QAIP) is in place covering all aspects of internal audit activity. The QAIP is presented for the Committee's information and comments at Appendix 2.

4. Report

4.1. Public Sector Internal Audit Standards – assessment of conformance 2015

4.1.1. Under regulation 5(1) of the Accounts and Audit Regulations 2015, the Council:

‘...must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

4.1.2. The Public Sector Internal Audit Standards (PSIAS) were formally adopted by this Committee at its meeting on 14th March 2013 as the recognised professional standards for the Internal Audit service. This is reflected in the Internal Audit Charter, the latest update of which is also on the agenda of today’s meeting of the Committee.

4.1.3. The PSIAS require a process of annual assessment of conformance with the Standards. A self-assessment against all of the Standards and the accompanying Local Government Application Note (LGAN) was conducted in summer 2015 by the Audit Manager. The Standards are lengthy and detailed so a summary of the outcome is given at **Appendix 1**. Points to note are:

- a) The requirement is conformance as opposed to compliance. In other words, it is sufficient for the intentions to be met even if the specified requirements are not, provided that suitable identified compensating measures are in place.
- b) There is a high degree of conformance. Members will recall that updates have been made to the internal Audit Charter to ensure that it conforms in full and in so doing helps to ensure that the Internal Audit service also conforms.
- c) There are some areas that need to be addressed. These are identified in **Appendix 1** with further commentary in **Appendix 2** on action to be taken. The only significant matter to be addressed is the need by March 2018 to undertake an external assessment by means of a suitably qualified and independent external assessor.

If members wish to see the full details of the Standards and our assessment of conformance against each one, that can be provided.

4.1.4. The Committee is asked to receive the outcome of the self-assessment and make any comments it sees fit.

4.2. The Quality Assurance and Improvement Programme (QAIP)

4.2.1. Standard 1300 of the PSIAS requires that:

‘The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.’

Interpretation:

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity’s conformance with the Definition of Internal

Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

4.3. The QAIP for the Council’s Internal Audit service in 2015-16 is given at **Appendix 2**.

5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

5.1. Financial Implications

An adequate and effective system of internal audit that complies with recognised professional standards is a central component in the processes intended to help ensure that the Council operates efficiently, cost effectively and with integrity. An effective internal audit function is a key means by which the Director of Finance discharges her responsibilities under s151 of the Local Government Finance Act 1972 (see below). Such arrangements are intended to help the Council as it faces the financially challenging times ahead.

Colin Sharpe, Head of Finance, x37 4081

5.2. Legal Implications

Internal Audit’s work promotes sound financial management and legal compliance in all areas subject to review. It is a significant component of the requirements placed upon the Council for ‘the proper administration of its financial affairs’ by s151 of the Local Government Act 1972 as well as the specific requirements for internal audit under the Accounts and Audit Regulations 2015.

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

5.3. Climate Change Implications

This report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council’s climate change targets.

Louise Buckley, Graduate Project Officer, Climate Change, x37 2293

6. Other Implications

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

OTHER IMPLICATIONS	YES/NO	Paragraph/References Within the Report
Risk Management	Yes	The whole report concerns the Council's internal audit process, a main purpose of which is to give assurance to Directors, the Council and this Committee that risks are being managed appropriately by the business. This includes the risks of fraud and financial irregularity.

7. Background Papers – Local Government Act 1972

7.1. Files held by Internal Audit.

8. Consultations

8.1. Via the Finance Management Team all Heads of Finance have been consulted in the preparation of this report.

9. Report Author

Steve Jones, Audit Manager, Financial Services, x37 1622
steve.jones@leicester.gov.uk

APPENDIX 1
Leicester City Council Internal Audit
Review of Conformance to the Public Sector Internal Audit Standards – 2015

The PSIAS define Internal Audit as follows:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Standards are lengthy and detailed. Set out below is a summary of Leicester City Council Internal Audit's 2015 self-assessment of conformance against each of the headings. It is worthy of note that the requirement is conformance rather than strict compliance. In other words, it is sufficient for the intentions to be met even if the specified requirements are not, provided that suitable identified compensating measures are in place. Those items specifically identified as remaining to be addressed are included in the Quality Assurance and Improvement Programme, QAIP, as identified in the table below.

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Ref	Conformance with the Standard	Yes	Part	No	Notes	Areas to be addressed
1	Definition of Internal Audit (IA)					
	a) Independent	Y			IA Charter, audit plans, working relationship with management and Audit & Risk Committee	
	b) Objective	Y			IA Charter	
2	Code of Ethics					
	• Integrity	Y			IA Charter, codes of conduct, conditions of service.	
	• Objectivity	Y			Allocation of work, supervisory review, declarations of interests.	
	• Confidentiality	Y			Information governance law and policy, codes of conduct, conditions of service.	
	• Competency	Y			Allocation of work, professional qualifications and continuing professional development.	
	Standards					
3	Attribute Standards					
3.1	1000 Purpose, Authority and Responsibility	Y			IA Charter, Audit & Risk Committee Terms of Reference (both subject to annual review), Finance Procedure Rules.	The IA Charter needs to be updated for the new <i>Accounts and Audit Regulations 2015</i> . (On agenda for Audit & Risk Committee 02/12/2015.) QAIP ref 1.

Ref	Conformance with the Standard	Yes	Part	No	Notes	Areas to be addressed
	1010 Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter	Y			Explicitly stated in the introductory paragraphs of the IA Charter on the first page.	
3.2	1100 Independence and Objectivity	Y			IA Charter, status of Head of Internal Audit & Risk Management.	
	1110 Organisational independence	Y			In most important respects there is full conformance with the details of the Standard. However: <ul style="list-style-type: none"> The Audit & Risk Committee as 'the Board' does not approve the Internal Audit budget and resource plan. These are part of the overall Finance divisional budget and are subject to the associated approval processes. The Audit & Risk Committee is kept informed about IA developments and resources. The Committee would also be advised about any inappropriate limitations on IA's scope or resources. The Audit & Risk Committee does not appoint or remove the chief audit executive (the Head of Internal Audit & Risk Management). This is an officer decision but the Committee would be kept informed. Feedback is not sought from the Chair of the Audit & Risk Committee for the Head of Internal Audit & Risk Management's performance appraisal. However, the Director of Finance would know whether or not the Chair of Audit & Risk Committee was happy with the Head of Internal Audit & Risk Management's performance. 	None. The exceptions identified are considered to be sufficiently covered by compensating measures and are therefore not in need of further resolution.
	1111 Direct interaction with the Board	Y			The Audit & Risk Committee formally has the responsibility as 'The Board' for Leicester City Council.	
	1120 Individual Objectivity	Y			Professional standards apply to all staff. Avoidance of conflicts of interest in e.g. allocation of work.	

Ref	Conformance with the Standard	Yes	Part	No	Notes	Areas to be addressed
	1130 Impairment to Independence or Objectivity	Y			The Head of Internal Audit & Risk Management has operational responsibility for Risk Management. In the event of an audit of the Risk Management function, the Audit Manager (or from late 2015 a Principal Auditor) would assume the 'chief audit executive' responsibility for the audit and reserve the right to report independently to senior management should the need arise. Regular rotation of staff responsibility is limited by a small team but there is sufficient supervisory review. Audit plans are approved by the Audit & Risk Committee as 'the Board' except for very urgent work, which would be reported in the next IA update report to the Committee.	
3.3	1200 Proficiency and Due Professional Care	Y				
	1210 Proficiency	Y			All members of the IA team have sufficient qualifications, knowledge and experience.	
	1220 Due Professional Care	Y			All audits have agreed terms of reference and there are sufficient audit methods and work plans in place to ensure adequate coverage of governance, risk and control processes.	
	1230 Continuing Professional Development (CPD)	Y			Individual CPD for qualified staff. Annual performance and development reviews (appraisals) for all staff.	Performance and Development reviews have been deferred awaiting the implementation of the organisational review of IA in November 2015. QAIP ref 2.
3.4	1300 Quality Assurance and Improvement Programme	Y			Included in this report to Audit & Risk Committee 02/12/2015; see Appendix 2. The annual review of effectiveness of whole internal audit function is no longer required under the new Accounts & Audit Regulations.	

Ref	Conformance with the Standard	Yes	Part	No	Notes	Areas to be addressed
	1310 Requirements of the Quality Assurance and Improvement Programme		P		The reviews of conformance, including this one, have all been internal self-assessments. The PSIAS require at least one external assessment every five years; this is to be arranged. Preliminary discussions have been held with other local authority internal audit services with a view to setting up a system of peer review.	Arrangement of an external assessment by a professionally competent external assessor for the annual review in either 2016-17 or 2017-18. QAIP ref 3.
	1311 Internal Assessments	Y			We may need to develop new performance targets and indicators in the new business environment of increased externally traded audit work.	
	1312 External Assessments			N	Not done yet, and therefore no assessment of the professional competence of the external assessor. All this is planned.	Arrangement of an external assessment by a professionally competent external assessor for the annual review in either 2016-17 or 2017-18. QAIP ref 3.
	1320 Reporting on Quality Assurance and Improvement Programme		P		The QAIP has not been reported upon until this report to Audit & Risk Committee 02/12/2015. Broad results of assessments and statements of conformance have been included in IA Annual Reports 2013-14 and 2014-15.	QAIP reported to Committee 02/12/2015.
	1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'	N/A			This wording has not hitherto been used by IA. See QAIP, Appendix 2 below.	Once the QAIP has been completed, IA will conform as stated. QAIP ref 3.
	1322 Disclosure of Non-conformance	Y			None identified beyond those items mentioned in this report. None are fundamental.	
4	Performance Standards					
4.1	2000 Managing the Internal Audit Activity	Y			There is nothing in the IA Charter or IA plans or the Council's assurance framework that was not fulfilled by IA in 2014-15.	
	2010 Planning	Y			IA planning is risk-based, by way of reference to the Council's risk registers, consultation with all directors and by means of quarterly plans that enable emerging risks to be accommodated.	

Ref	Conformance with the Standard	Yes	Part	No	Notes	Areas to be addressed
	2020 Communication and Approval	Y			All IA plans (annual and quarterly) and update reports (half-yearly and annual) are reported to senior management and the Audit & Risk Committee as 'the Board'. These identify any constraints such as resource shortages.	
	2030 Resource Management	Y			Constraints on audit planning and resources are reported to senior management and the Audit & Risk Committee.	
	2040 Policies and Procedures		P		There is an audit manual but it has largely been superseded by the detailed guidance built in to the Pentana audit IT system supplemented by information available online via the Council's intranet.	Review of the IA Manual, to determine whether to update or whether to abandon in favour of the audit work guidance in the Pentana system plus general information now available on the intranet. A collation of policies and protocols (as opposed to detailed operational procedures) for IA may be appropriate, however. QAIP ref 4.
	2050 Coordination		P		The Council's assurance framework refers to other sources of assurance and IA works in close coordination with the external auditor. Assurance mapping is not done in any comprehensive way by IA but it may be developed under the partnership agreement with Lincolnshire Internal Audit, where the process is well established. Implementation at Leicester would need senior management agreement.	Exploration of the potential for assurance mapping. IA is working in partnership with Lincolnshire County Council, who have developed such a process and this may assist in developing assurance mapping here. QAIP ref 5.
	2060 Reporting to Senior Management and the Board	Y			There are regular, roughly quarterly, update reports to senior management and the Audit & Risk Committee. Respective reports cover both IA and Risk Management; the latter include 'horizon-scanning' for emerging risks. As the Head of Internal Audit & Risk Management is responsible for both functions, there is a high degree of coordination between the two.	

Ref	Conformance with the Standard	Yes	Part	No	Notes	Areas to be addressed
	2070 External Services Provider and Organisational Responsibility for Internal Auditing	N/A			Not applicable. The IA service is entirely in-house.	
4.2	2100 Nature of Work	Y			The requirements of the definition of IA (see above at the head of Appendix 1) are clearly the essential purpose of IA and underpin the way in which Leicester City Council IA operates.	
	2110 Governance	Y			IA fulfils the requirements as written, except to the extent that IA is not intended to take the place of service management in ensuring effective organisational performance management and accountability. IA takes a leading role in reviewing and updating the governance processes by way of the annual review of the assurance framework and the local Code of Corporate Governance and coordinating the production of the Council's Annual Governance Statement. The Head of Internal Audit & Risk Management coordinates the Audit & Risk Committee's work programme, i.e. its timetable of reports and training, involving all relevant parties. Most such reports are also taken to senior management and this is coordinated by the Head of Internal Audit & Risk Management. IA does not do this more generally, however; nor should it as that is management's role.	
	2120 Risk Management	Y			The required activities fall within the remit of the Head of Internal Audit & Risk Management in his risk management role. As IA reports to the Head of Internal Audit & Risk Management, there has not been a recent detailed IA review of the RM function. However, the proactive approach taken by RM and the close working with IA mean that IA can derive a high level of assurance on the identification and management of risk and its alignment with the objectives of the Council. IA activity is risk-based and reference is made to the relevant risk registers both in audit planning and operational audits. Though relevant to IA, the risk of fraud is covered specifically by the Corporate Investigations Team, which currently sits outside IA. There is regular liaison between the two functions.	

Review of Conformance to the Public Sector Internal Audit Standards – 2015

Ref	Conformance with the Standard	Yes	Part	No	Notes	Areas to be addressed
	2130 Control	Y			Evaluation of the adequacy, effectiveness, design and operation of controls in place is the principal function of IA.	
4.3	2200 Engagement Planning	Y			All audits have agreed terms of reference or an engagement letter (e.g. schools) covering the objectives, scope, timing and reporting. Arrangements are in place for planning audit engagements for organisations other than the City Council under separate trading agreements; for example, Lincolnshire County Council.	
	2210 Engagement Objectives	Y			The objectives of each audit engagement are agreed at the start of the audit. Whether they include all the items listed in the Standards depends on the individual audit.	
	2220 Engagement Scope	Y			The scope of each audit engagement is agreed at the start of the audit. Whether all the items listed in the Standards are included depends on the individual audit.	
	2230 Engagement Resource Allocation	Y			Audits are allocated to staff according to skills, knowledge and availability.	
	2240 Engagement Work Programme	Y			The requirements for audit work programmes are largely set out in the work plans and steps in the Pentana audit IT system.	
4.4	2300 Performing the Engagement	Y			Work is performed in the way specified by the Standard, as follows:	
	2310 Identifying Information	Y			Sufficient, reliable, relevant and useful information is identified subject to IA's general principle of 'we report as we find'; if necessary information is not available, IA will report the fact.	
	2320 Analysis and Evaluation	Y			IA conclusions are based on appropriate analysis and evaluation of the information available. Auditors are alert to the risks of such things as fraud, error and conflict of interests on the part of audit clients when conducting audits. Results of audit work are documented; usually in electronic form, to which access is restricted. IA is bound by the Council's corporate records retention policy.	
	2330 Documenting Information	Y			Documenting of evidence – usually now electronic – is fundamental to the audit process. It is the policy of IA that all audits are performed to the re-performance standard (i.e. such that another competent auditor could re-perform the test and come to the same conclusion) and all audits are subject to supervisory review.	

Review of Conformance to the Public Sector Internal Audit Standards – 2015

Ref	Conformance with the Standard	Yes	Part	No	Notes	Areas to be addressed
	2340 Engagement Supervision	Y			All audits are subject to supervisory review and sign-off by means of the structured approach enforced by the Pentana audit IT system. Evidence is retained.	
4.5	2400 Communicating Results	Y			All audits result in a report of some kind, either a formal report or a memo or email. There is also a closing meeting unless the client declines the opportunity for this. Reports are mostly by exception, i.e. only adverse findings are reported in detail.	
	2410 Criteria for Communicating	Y			Audit reports are based on standard templates that include all of the Standard's requirements. Audit clients have the opportunity to discuss findings and recommendations prior to finalisation. Recommendations are graded according to materiality based on risk. Each report gives an overall opinion in the form of a level of assurance or other statement.	
	2420 Quality of Communications	Y			Supervisory review processes are in place to ensure that IA reports are accurate, objective, clear, concise, constructive, complete and timely.	
	2421 Errors and Omissions	Y			There are processes to ensure that IA reports do not contain errors or omissions, including supervisory review and the opportunity for clients to confirm factual accuracy by means of closing discussions or draft reports. If an error were identified in an IA report, a corrected report would be issued.	
	2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'	Y			Individual audit reports do not say this, and we do not see the need. In overall terms, IA operates in conformance with the PSIAS and this is specifically stated, as required, in the IA Annual Report.	
	2431 Engagement Disclosure of Non-conformance	N/A			The situation has not arisen and is not anticipated where non-conformance with the PSIAS affects a specific audit engagement. Full conformance with PSIAS across the entire audit service is the aim and no specific engagement would be considered to fall outside the Standards in whole or in part.	

Ref	Conformance with the Standard	Yes	Part	No	Notes	Areas to be addressed
	2440 Disseminating Results	Y			Distribution of IA reports to client management follows agreed protocols. All reports are available to the external auditor. The outcomes of all except externally traded audits are reported in summary to the Audit & Risk Committee, with particular attention drawn to those identifying material concerns. Reports are not divulged to anyone else without the client's permission.	
	2450 Overall Opinion	Y			The IA annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control is set out in the IA Annual Report. It makes clear that it refers to work completed within the financial year in question and is based solely on IA work done including any assurance derived from other sources. Any qualification of the opinion would be specified but this has never arisen.	
4.6	2500 Monitoring Progress	Y			Implementation of IA recommendations is followed up by IA, usually by means of re-testing the exceptions previously identified and reporting on the outcome. Any significant non-response or non-implementation is reported to the Audit & Risk Committee. The IA opinion (level of assurance) on the audited activity is not revised as the follow-up testing is concentrated on the previous adverse findings, not the whole system. However, many audits include follow-up of previous recommendations and the degree of implementation will influence the ensuing level of assurance.	
4.7	2600 Communicating the Acceptance of Risks	N/A			The situation has never arisen where client management has accepted an unacceptable level of risk. Under the IA Charter, IA reserves the right to escalate such matters to more senior management, the Audit & Risk Committee or the City Mayor.	

APPENDIX 2
Leicester City Council Internal Audit
Quality Assurance and Improvement Programme (QAIP)

Introduction

Under the Public Sector Internal Audit Standards (ref 1300): the Quality Assurance and Improvement Programme (QAIP) is ‘*designed to enable an evaluation of the internal audit activity’s conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement*’.

Set out below is the QAIP for Leicester City Council Internal Audit for 2015-16.

Conformance with the Definition of Internal Auditing and the PSIAS:

This has been subject to a detailed self-assessment against all aspects of the Standards and the results are summarised in Appendix 1 above. All are deemed to be sufficiently achieved subject to the following exceptions or opportunities to strengthen conformance that have been identified:

No.	PSIAS Ref	Standard	Action needed	Action taken or planned	Notes
1	3.1	1000 Purpose, Authority and Responsibility	The IA Charter needs to be updated for the new <i>Accounts and Audit Regulations 2015</i> .	An update of the IA Charter is on the agenda of the Audit & Risk Committee 02/12/2015.	
2	3.3	1230 Continuing Professional Development (CPD)	Performance and Development reviews have been deferred awaiting the implementation of the organisational review of IA in November 2015.	Staff appraisals will resume once the review of IA has been implemented.	
3	3.4	1310 Requirements of the Quality Assurance and Improvement Programme 1312 External Assessments 1321 Use of ‘Conforms with the International Standards for the Professional Practice of Internal Auditing’	Arrangement of an external assessment by a professionally competent external assessor for the annual review in either 2016-17 or 2017-18.	Identification and engagement of a professionally competent external assessor.	Some discussion has taken place about options for a peer-review by another local authority.
4	4.1	2040 Policies and Procedures	Review of the IA Manual, to determine whether to update or whether to abandon in favour of the audit work guidance in the Pentana system plus general information now available on the intranet. A collation of policies and protocols (as opposed to detailed operational procedures) for IA may be appropriate, however.	Review of IA Manual to determine continuing need in present form.	

APPENDIX 2
Leicester City Council Internal Audit
Quality Assurance and Improvement Programme (QAIP)

No.	PSIAS Ref	Standard	Action needed	Action taken or planned	Notes
5	4.1	2050 Coordination	Exploration of the potential for assurance mapping.	IA is working in partnership with Lincolnshire County Council, who have developed such a process and this may assist in developing assurance mapping here.	

The QAIP process involves ongoing monitoring of the performance of the internal audit activity. In practice, this means:

Internal Assessment

Continuing assessment and quality assurance includes the following:

- A structured process for conducting audits, largely governed by procedural steps specified within the Internal Audit IT database system (Pentana) for the various types of audit work. The steps and methods themselves are subject to continuing review and update.
- Agreement of terms of reference or equivalent at the outset of every audit.
- Documented supervisory review of all audit work.
- Review and approval of all draft and final audit reports by the Audit Manager or nominated deputy.
- Feedback received via client satisfaction survey questionnaires at the end of each audit.
- All Internal Audit staff are subject to the Council’s code of conduct and other conditions governing ethical conduct including independence, objectivity and impartiality. This includes measures to avoid conflicts of interest.

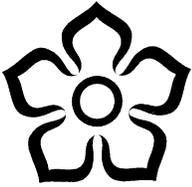
Periodic assessment includes the following:

- Annual review of conformance to the Public Sector Internal Audit Standards. The outcome of the 2015 review is given above.
- Quarterly and annual reporting to senior management and the Audit & Risk Committee on the performance of Internal Audit and the outcomes of audit work including the annual audit opinion.
- Annual review of the Internal Audit Charter and the Internal Audit Plan and Strategy.
- Reliance on Internal Audit work by the external auditor, with particular reference to coverage of the main financial systems.
- Annual review by the Director of Finance of the effectiveness of the system of internal audit.

External Assessment

Under the PSIAS (ref 1321), *‘External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.’*

This requirement came into force in 2013 and for Leicester City Council has not yet taken place. As identified in the table above, an external assessment will need to be undertaken by March 2018. The outcome of this will be reported to the Audit & Risk Committee in accordance with the Standards.



Leicester
City Council

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee

2nd December 2015

Internal Audit – 3rd and 4th Quarter Operational Plans 2015-16

Report of the Director of Finance

1. Purpose of Report

1.1. Finance Procedure Rule 7.2.1 states that:

‘The Head of Audit shall prepare and agree with the Director of Finance an Annual Audit Operational Plan which will set out the intended work of Internal Audit over the coming year. The plan shall be based on an objective assessment of need arising from an analysis of risk and shall be approved, but not directed, by the Audit Committee.’ (sic)

1.2. The Internal Audit Plan for 2015-16 has been prepared on the basis of broad areas of audit coverage rather than detailed lists of specific audits. It was considered by all Directors via the Corporate Management Team and was approved by the Audit & Risk Committee on 31st March 2015.

1.3. In addition, the terms of reference of the Audit & Risk Committee include:

‘To consider, challenge and approve (but not direct) Internal Audit’s strategy and plan and monitor performance on an annual basis.’

1.4. This report presents to the Committee the detailed operational audit plans for the third and fourth quarters of the financial year 2015-16. It has been agreed by the Corporate Management Team and the Finance Management Team.

2. Recommendations

2.1. The Audit & Risk Committee is asked to note the Internal Audit operational plans for the third and fourth quarters of 2015-16, attached at Appendices A and B respectively.

3. Report

3.1. Rather than presenting a detailed list of specific audits, the annual audit plan is grouped into areas of audit. The intention is that, given the continuing uncertainties the Council currently faces, the audit plan can be readily adjusted to reflect changes

in risks and priorities while maintaining a sufficiency of audit coverage for each of the relevant areas.

- 3.2. The generic annual plan is then translated into detailed quarterly plans as the year progresses, setting out Internal Audit's intended work for each forthcoming quarter. These plans take into account emerging risks and requests for audit involvement alongside seasonal or other external factors that influence the timing of audit work. For example, grant certification audits are determined by the submission deadlines of the relevant funding agency.
- 3.3. As well as providing internal audit services to the City Council, Internal Audit is providing or planning to provide audit services to other local authorities on a traded basis. This generates income that supplements the Council's budget provision for the Internal Audit team and thereby helps to maintain a sufficient spread of audit coverage including specialist areas. The most significant traded activity is with Lincolnshire County Council and it is anticipated that this partnership arrangement will develop further. However, as this audit plan covers the City Council only, no further detail of work done for other external clients is provided here.
- 3.4. The detailed operational plan for the third quarter (Q3) of 2015-16 is attached at Appendix A. The following are worthy of note:
 - a) As it coincides with the new academic year, Q3 sees a resumption of **schools** audit visits supplemented by a programme of follow-ups of schools audits done in 2014-15. This work will include repeat audits of the Pupil Referral Units to review progress made since the last audits were completed in 2014.
 - b) Under the broad heading of **other operational risks**, Internal Audit will be starting some assurance work on the action plan prepared in response to the Ofsted review of Children's Services.
 - c) Verification work continues in connection with the **Regional Growth Fund** (RGF) payments to businesses via the Leicester & Leicestershire Enterprise Partnership (LLEP), for which the City Council is the accountable body.
 - d) Provision is also made for **follow-up** of previous audit recommendations by means of independent confirmation that corrective actions have been demonstrably made to address previously identified weaknesses in controls.
 - e) Though not specifically identified in the audit plan for Q3, **IT audit** will chiefly consist of completion of existing planned work and follow-up of previous audits. The technical IT Auditor left the Council in October for an opportunity elsewhere and a replacement is being sought at the time of writing. Accordingly, no specific IT audits are listed for Q3.
- 3.5. The detailed operational plan for the fourth quarter (Q4) of 2015-16 is attached at Appendix B. The following are worthy of note:
 - a) Subject to successful recruitment of a technical IT auditor (see paragraph 3.4(e) above), **IT audit** work is expected to resume on the security testing of

new and enhanced IT systems. In particular, two service developments in **Customer Services** are due for such work.

- b) Audit reviews of compliance with NICE¹ guidance for **Public Health** will continue. There are numerous categories of guidance and the specific topic is to be agreed at the time of writing.
- c) Continuation in the spring term of the programme of audits of **schools** including follow-ups of previous visits.
- d) Certification audit work on **grant** claims.
- e) As in Q3, there will be continued work on **Regional Growth Fund** grant payment verifications on behalf of the LLEP.
- f) **Follow-up work** on various previously completed audits will continue.

3.6. It should be borne in mind that the quarterly plans refer to audits due to be started. Inevitably, they are not all completed within the quarter so there will be residual work to complete audits started in previous quarters.

3.7. In identifying the audits for the quarterly plans, due regard is had to the generic areas of audit set out in the annual audit plan and the need to ensure sufficient coverage of each by the end of the financial year.

3.8. The move to quarterly planning is intended to align Internal Audit's work as closely as possible to current priorities and circumstances. Nonetheless, urgent requirements may still arise that cannot wait until the next quarterly plan and have to be accommodated immediately on the basis of risk to the Council.

4. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

4.1. Financial Implications

There are no direct financial implications arising from this report. However, as a result of the work carried out there would be an expectation that implementing recommendations made by Internal Audit will improve the effectiveness, efficiency and economy of service delivery, with potential for consequential reductions in cost or improvements in quality.

Colin Sharpe, Head of Finance, x37 4081

4.2. Legal Implications

The provision of 'an effective internal audit' is a statutory requirement under regulation 5(1) of the Accounts and Audit Regulations 2015. The whole audit process is also intended to give assurance that all the activities audited have in place satisfactory arrangements to ensure compliance with relevant law and regulation applicable within the scope of the particular audit review.

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

¹ National Institute for Health and Care Excellence

4.3. Climate Change Implications

This report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

Louise Buckley, Senior Environmental Consultant, 37 2293

5. Other Implications

Other Implications	Yes/No	Paragraph/References within the Report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	Yes	Whole report and particularly 3.4(e), 3.5(a) and Appendix B: IT audit. Part of the purpose of Internal Audit is to give assurance on the controls in place to prevent fraud and other irregularity such as breach of data security.
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	
Risk Management	Yes	The whole report concerns the Internal Audit process, a main purpose of which is to give assurance to Directors and the Audit & Risk Committee that risks are being managed appropriately by the business.

6. Background Papers – Local Government Act 1972

6.1. Files held by Internal Audit.

7. Consultations

7.1. The audit plan has been prepared in consultation with the Strategic and Operational Directors; Finance Management Team (which includes all Heads of Finance) and the Head of Information Assurance.

8. Report Author

8.1. Steve Jones, Audit Manager, Internal Audit, Financial Services, x37 1622 (0116 454 1622). Steve.jones@leicester.gov.uk

Set out below are the individual audits expected to be started in the third quarter of 2015-16.

This is subject to:

- Client or process availability and readiness for audit
- Internal Audit resources
- Urgent commissioned work, either for the City Council or on an income-generating basis for external organisations.

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Audit	Lead Department and Division	Audit area	Scope	Notes
Schools financial audits (3 schools in Q3)	Education & Children's Services (Learning Services)	Schools	Routine audits of the financial management arrangements at the schools against the higher-priority areas of the <i>Keeping Your Balance</i> good practice guidance issued by Ofsted and the Audit Commission.	6 audits planned in total: 3 in Q3 and 3 in Q4.
Schools - follow-ups of previous visits (9 schools)	Education & Children's Services (Learning Services)	Schools	Evidence-based follow-ups of previous school audits to assess the extent to which past recommendations have been implemented.	These follow-ups will be of a mixture of full <i>Keeping Your Balance</i> financial audits and SFVS spot-checks undertaken in 2014-15.
Pupil Referral Units - Primary (including follow-up of previous audit)	Education & Children's Services (Learning Services)	Schools	Review of the financial management arrangements for the primary PRUs using the criteria set out in the Schools Financial Value Standard (SFVS). This will include follow-up of recommendations made in the last audit in 2014.	This was initiated as a follow-up of previous recommendations. However, in view of Audit & Risk Committee interest and management changes, it is likely that this audit will be re-performed in full.
Pupil Referral Units - Secondary (including follow-up of previous audit)	Education & Children's Services (Learning Services)	Schools	Review of the financial management arrangements for the secondary PRUs using the criteria set out in the Schools Financial Value Standard (SFVS). This will include follow-up of recommendations made in the last audit in 2014.	This was initiated as a follow-up of previous recommendations. However, in view of Audit & Risk Committee interest and management changes, it is likely that this audit will be re-performed in full.

Audit	Lead Department and Division	Audit area	Scope	Notes
Ofsted review of Children's Services – review of action plan	Education & Children's Services (Social Care & Safeguarding)	Other operational risks	Independent internal review of action planned in a selection of high-priority areas in response to the Ofsted recommendations. This will be the first phase of audit work to be done in stages over the remainder of the current financial year and into 2016-17.	Audit & Risk Committee interest.
School Centred Initial Teacher Training (SCITT)	Children's Services (Learning Services)	Grant certification audit	Grant certification in line with the funding guidance.	This audit is done at the request of the City's lead school for the SCITT process.
LLEP Regional Growth Fund payments (RGF3 and RGF4) (continued)	City Development & Neighbourhoods (LLEP)	Grant certification audit	<p>The Leicester & Leicestershire Enterprise Partnership (LLEP), for which the City Council is the accountable body, makes payments to businesses from the Regional Growth Fund to support investment and job creation by those businesses.</p> <p>The LLEP team requested Internal Audit support in the independent verification of grant-funded expenditure by the businesses supported.</p>	<p>This is a continuation of a major programme of work that started in 2014-15.</p> <p>The audit time needed for this work depends upon the volume of work involved, which is not yet known at the time of writing as it will be undertaken on a case-by-case basis. It is significant, however, in view of the number of cases and the deadlines imposed by the DCLG.</p>
Follow-up audits - other	Various	Follow-up audits	Evidence-based follow-up of past audit recommendations to assess progress made in implementation.	Audit recommendations are agreed with service management in order to strengthen the controls in operation to protect the Council's interests. This work is intended to ensure that agreed actions are demonstrably put into effect.

Set out below are the individual audits expected to be started in the fourth quarter of 2015-16.

This is subject to:

- Client or process availability and readiness for audit
- Internal Audit resources
- Urgent commissioned work, either for the City Council or on an income-generating basis for external organisations.

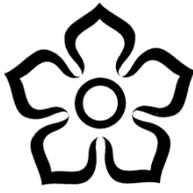
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Audit	Lead Department and Division	Audit area	Scope	Notes
IT security pen-tests - various as required	Corporate Resources (Information Services)	IT Audit	Technical IT audit testing of the security of new and upgraded IT systems and applications.	This is a continuing requirement as systems developments take place and is therefore dependent on the readiness of the systems and agreement with the lead officers. Individual systems to be tested are therefore subject to confirmation. Continuation of this service is also subject to the successful recruitment to the ICT Auditor post as the current postholder left the Council in October 2015.
Customer Relationship Management (CRM) system	Corporate Resources (Finance)	IT Audit	IT security review of the new CRM system. This is due to go live in January in the Customer Services Centre for managing face-to-face and telephone dealings with the public. The second stage, a customer portal and self-service solution, is due to be introduced in April 2016.	This audit depends on the successful recruitment of a technical IT auditor.

Audit	Lead Department and Division	Audit area	Scope	Notes
Customer Services - Payment Kiosks	Corporate Resources (Finance)	IT Audit	Customer service kiosks have been installed in the Customer Services Centre and more are planned for libraries and leisure centres. The audit will review the IT security arrangements so as to give assurance that the kiosks cannot be manipulated by malicious users.	This audit depends on the successful recruitment of a technical IT auditor.
Public Health – compliance with NICE Guidance	Adult Social Care, Health & Housing (Public Health)	Public Health	Reviews of compliance with National Institute for Health and Care Excellence (NICE) guidance. The specific topic is to be agreed with the Director of Public Health.	This is part of a programme of audits being undertaken during 2015-16.
Schools financial audits (3 schools in Q4)	Education & Children’s Services (Learning Services)	Schools	Routine audits of the financial management arrangements at the schools against the higher-priority areas of the <i>Keeping Your Balance</i> good practice guidance issued by Ofsted and the Audit Commission.	6 audits planned in total: 3 in Q3 and 3 in Q4.
Schools - follow-ups of previous visits (9 schools)	Education & Children’s Services (Learning Services)	Schools	Evidence-based follow-ups of previous school audits to assess the extent to which past recommendations have been implemented.	These follow-ups will be of a mixture of full <i>Keeping Your Balance</i> financial audits and SFVS spot-checks undertaken in 2014-15.

Audit	Lead Department and Division	Audit area	Scope	Notes
Troubled Families Programme	Children's Services (Children, Young People and Families)	Grant certification audit	Sample testing of the claim covering September to December 2015.	The DCLG financial framework for the Troubled Families Programme identifies the role of Internal Audit in verifying the results achieved through the scheme. This is to be done by reference to the Council's Troubled Family Outcomes Plan. The claims are submitted periodically and require audit work prior to submission.
Broadband UK (BDUK) interim grant certification	City Development & Neighbourhoods (Planning, Transportation & Economic Development)	Grant certification audit	Sample check of Broadband vouchers issued under this national scheme to help local businesses obtain superfast broadband internet access.	This is the first testing-based audit of a sample of vouchers issued. It follows a review of the system in place for assessing and issuing the vouchers. It will be followed in 2016-17 by a certification audit for the remainder of financial year 2015-16.
LLEP Regional Growth Fund payments (RGF3 and RGF4) (continued)	City Development & Neighbourhoods (LLEP)	Grant certification audit	<p>The Leicester & Leicestershire Enterprise Partnership (LLEP), for which the City Council is the accountable body, makes payments to businesses from the Regional Growth Fund to support investment and job creation by those businesses.</p> <p>The LLEP team requested Internal Audit support in the independent verification of grant-funded expenditure by the businesses supported.</p>	<p>This is a continuation of a major programme of work that started in 2014-15.</p> <p>The audit time needed for this work depends upon the volume of work involved, which is not yet known at the time of writing as it will be undertaken on a case-by-case basis. It is significant, however, in view of the number of cases and the deadlines imposed by the DCLG.</p>
Follow-up audits	Various	Follow-up audits	Evidence-based follow-up of past audit recommendations to assess progress made in implementation.	

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Leicester
City Council

WARDS AFFECTED: ALL

Audit and Risk Committee

2 December 2015

Risk Management and Insurance Services Update Report

Report of the Director of Finance

1. Purpose of Report

To provide the Committee with the regular update on the work of the Council's Risk Management and Insurance Services team's activities.

2. Summary

The Committee has agreed a reporting schedule to keep it informed of:-

- Risk management activity within the Council;
- Information about the work of the Council's Risk Management and Insurance Services (RMIS) team; and,
- Information about other on-going initiatives in the Council to control risks it faces in the delivery of its services.

3. Recommendations

The Committee is recommended to:

- 3.1 Receive the report and note its contents.
- 3.2 Make any recommendations or comments it sees fit either to the Executive or Director of Finance.

4. Report

4.1 The Risk Management and Insurance Services team have responsibility for three critical functions:

- Risk Management Support and Advice;
- Insurance; and
- Business Continuity Support and Advice.

- 4.2 This report provides an update, in the previously agreed format, on work carried out by the RMIS team since the last meeting. It assures you, where possible, that risks within the business continue to be managed effectively.

4.2.1 Risk Management Support and Advice

The Council maintains a Strategic Risk Register and an Operational Risk Register. These registers contain the most significant unmitigated risks which the Council is managing and they are owned by Strategic and Divisional Directors respectively. Whilst there are other key risks, in the view of Directors, these are sufficiently mitigated for them not to appear in these registers.

The Risk Registers as at the 31 July were presented to the last meeting of this Committee and those as at the 31 October, due to timings for this meeting and scheduling of reporting to Corporate Management team, will be presented to the Committee's meeting in February.

The 2015 RMIS training programme, the aim of which is helping staff to understand and manage their risks more effectively, delivered the planned 15 sessions plus an extra 25 ad hoc sessions to departmental staff. Around 930 staff attended these sessions in total.

The 'Identifying and Assessing Operational Risk' course (26 separate sessions) alone attracted 658 staff since the Chief Operating Officer made this course mandatory in October 2014. Based on the cost of attending an ISO31000 compliant risk management training session in Birmingham, those sessions alone 'saved' the Council £329,000 in external training costs.

The 2016 RMIS training programme will be launched to the business on later this month. The training sessions (an annual programme of events running since January 2011) continue to be supported by the business areas, with any falling attendances being brought to the attention of the Strategic and Divisional Directors by the Head of Internal Audit and Risk Management. The Directors have, and continue to, fully support the work of the team. For the benefit of members the planned programme is attached as Appendix 1.

4.2.2 Insurance and Claims

A summary report of claims against the Council received in the current financial year, 1 April to 31 October 2015 is attached as Appendix 2. This shows both successful and repudiated claims, breaking these down into business areas and type of claim i.e. slips and trips, potholes etc. Members should remember that one claim may be reported in more than one policy category –

for example a Motor claim may also have a Personal Injury or Public Liability claim too, and that for new claims a value may not have been applied whilst initial investigations conclude.

The figures in brackets represent claims in those areas in the same period last year. The year on year figures continue the downward trend seen over the past few years, this time being down 1%. We still feel that there are benefits of handling these claims in-house as fewer are being paid and those that are paid are being settled, on the whole, at lower levels and much quicker – hence avoiding inflated Legal fees.

Since the last report to the Committee, the Council has had one case go to Court, with a further claim discontinued during the litigation process. The Court case was successfully defended with our solicitors praising the highways officer for his hard work and diligence in securing the evidence required. This allowed us to return £100,000 to reserves. In the withdrawn claim, we were able to return a further £33,500 to reserves.

Loss Reduction Fund – For the period 1 April 2015 to 31 October 2015 RMIS received 13 bids for assistance from the fund for a total of £76,843. Of these bids, 4 applications were approved and the fund provided an amount of £10,443 to business areas. In addition, there are 8 bids for a total of £62,276 currently held awaiting further information.

4.2.3 Business Continuity/Emergency Planning updates

Since the last update report for the Committee there have been no significant events affecting the Council that required formal intervention by the Corporate Business Continuity team.

4.2.4 Key Risk Issues arising within the Business

The key significant risk issues arising within the business remain as reported to the last meeting of this Committee. Those surrounding the trade unions' potential for, and actual, industrial action across areas of the public sector remain and the risk of adverse weather conditions causing disruption to service delivery.

The Head of Internal Audit and Risk Management continues to Chair meetings of the Leicestershire Multi-Agency Business Continuity Group (the Leicester and Leicestershire regional business continuity network group) where the risks for group members arising from any strike action, and the group member's response to deal with these incidents, are reviewed. He shall, again, co-ordinate the Council's response with the support of the Chief Operating Officer.

Critical areas considered most at risk of disruption remain – schools – because of the impact on LRF partners and their staff if they fail to open; highways – emergency repairs and response to adverse weather conditions; and, housing – emergency repairs and maintenance.

4.2.5 Horizon Scanning – events in other Public Sector agencies and the Private sector that may impact upon the Council.

The 2015 CIPFA (Chartered Institute of Public Finance and Accountancy) and ALARM - the Public Risk Management Association Risk Management Benchmarking results have been issued and are enclosed (in draft) as Appendix 3. The Committee may recall that LCC has taken part in the benchmarking exercise every year since it began in 2010.

This year’s report (regrettably, as last year, it has not been possible to get a ‘short’ version of this report) shows that in the seven assessed areas the Council has been rated higher than last year in three of those areas (remembering that in three of those areas we had reached the highest level). The Council has now achieved the highest rating in four areas compared to three last year.

The Head of Internal Audit and Risk Management will continue to send to and/or discuss with relevant managers and directors any issues and the potential impacts they may have on the Council.

5. Financial, Legal Implications

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

6. Other Implications

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

7. Report Author/Officer to contact:

Tony Edeson, Head of Internal Audit and Risk Management, Financial Services - Ext 37 1621

6 November 2015

Appendix X - Insurance Claims Data

LEICESTER CITY COUNCIL - Insurance Claims Received 1 April 2015 - 31 October 2015

Claims received and being dealt with

Incidents	Total Claims	Repudiated	In Progress	Paid	Amount Paid
30	441 (398)	120 (126)	269 (150)	52 (32)	£74,005 (£48,621)

Breakdown by Area and Type of Claim													
Division			Responsible Director			Claim Type					Total Number	£ Value	
						Employers Liability	Public Liability	Prof/Officials Indemnity	Personal Injury	Motor			
Local Services & Enforcement			John Leach				4	38		11	36	89 (70)	44966
Plan, Trsport & Economic Dev.			Andrew L Smith					86		57	32	175 (174)	14492
Children, Young People and Families			Clair Pyper						2		2	4 (8)	1539
Housing			Ann Branson				7	76		45	80	208 (156)	8392
Adult Soc Care & Safeguarding			Ruth Lake				1	1		1	1	4 (4)	
Del, Comms & Pol Governance			Miranda Cannon					1		1		2 (1)	838
Information & Cust Access			Alison Greenhill									0 (1)	
Property			Mark Lloyd				1	3		1	1	6 (8)	3378
Comm and Business Dev			Vacant									0 (0)	
Learning Services (incl Schools)			Jane Winterbone				1	7	1	7	1	17 (16)	50
Finance			Alison Greenhill				2			2		4 (0)	
Legal Services			Kamal Adatia									0 (0)	
Culture & Neighbourhood Svcs			Liz Blythe					4		5	1	10 (9)	350
City Public Health & Health Imp			Rod Moore									0 (0)	
Care Svcs & Commissioning			Tracie Rees								1	1 (2)	
Total			Total				16	216	3	130	155	520 (449)	74005

Last 12 months rolling repudiation rate - 77%

Last 12 months year on year numbers - down 1%

Alarm CIPFA Risk Management Benchmarking Club 2015

DRAFT REPORT

Leicester City Council

compared with

21 Other Club Members

Draft Report: Important Information

1) Purpose of Report:

First and foremost it gives you quick feedback. Whilst the quantity and quality of data is improved in the final report the big picture is unlikely to change substantially.

Secondly, it gives you a chance to check your responses and then to submit amendments should you wish to change your data.

2) Submitting Amendments:

If you wish to send in any amendments/alterations simply resubmit your questionnaire containing the updated information.

Please can you send in any amendments to **benchmarking@cipfa.org** by **31st October 2015**.

3) Please Note:

This is a draft report from our point of view as well!

If you have any suggestions for improvements or ways we could make it more useful for you please don't hesitate to contact us.

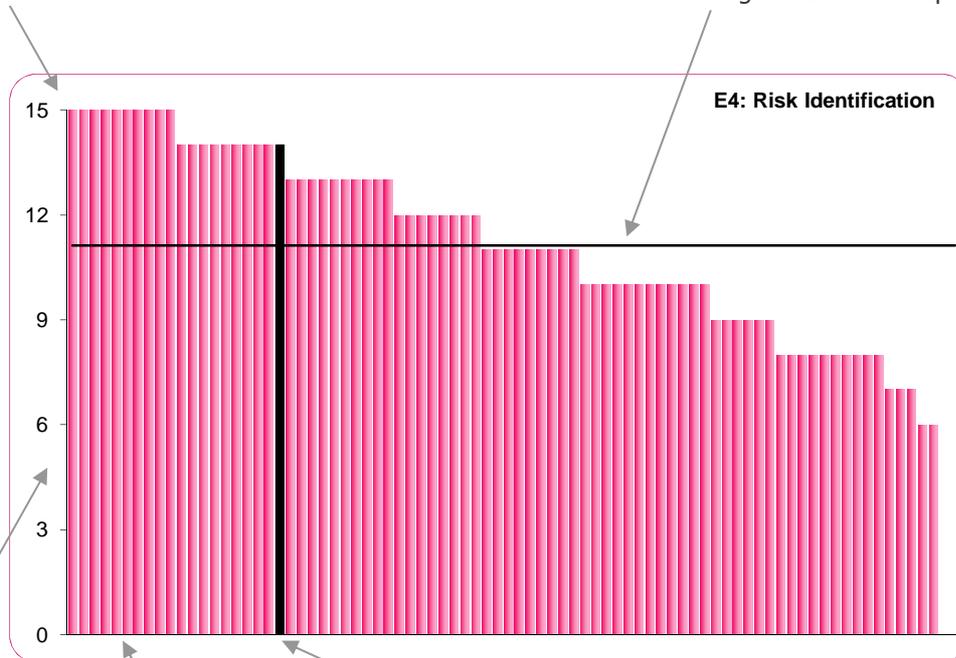
We will be sending out the comparator request forms on the **31st October 2015**. These enable you to select the group of organisations to be compared with in your final reports.

If you have any queries please contact **David Gerrard** on 020 7543 5763.

Understanding Our Charts

The scale is set so the top of the scale is the **maximum possible score**.

The **horizontal line** shows the average score for the organisations compared.



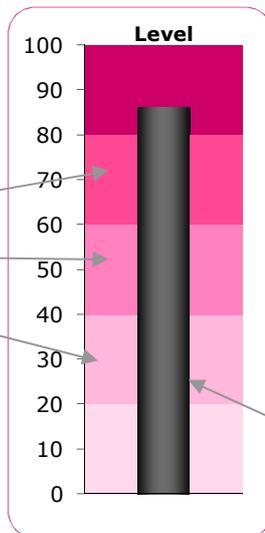
The y-axis shows the score.

Each bar represents an organisation's score.

The black bar represents your organisation's score.

Summary bars are provided for the section totals

The shaded areas represent the different maturity bands (Awareness, Happening, Working, Embedded & Integrated, Driving)



The black bar represents your organisation's score.

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* Section J will only be printed for organisations that were members last year.

Introduction

Welcome to your 2015 Risk Management benchmarking report. This is the sixth year of this Benchmarking Club and we hope members have found it useful and felt that the changes made have made the exercise simpler and better.

The exercise has been designed as a performance improvement tool. It's about helping you raise the standards of risk management within your organisation. It is based on Alarm's National Performance Model for Risk Management in Public Services, published in 2009. This is available to download from www.alarm-uk.org.

This Benchmarking Club was initially conceived by an Alarm Special Interest Group, comprising of professional, practising risk managers, and developed into its final version in collaboration with leading risk management consultants, Det Norske Veritas (DNV).

The National Performance Model is based on the highly respected tool developed by HM Treasury in 2002, "Risk Management Assessment Framework", itself having its genesis in an EFQM approach. It breaks down risk management activity into seven strands:

- Leadership and management
- Policy and strategy
- People
- Partnerships and shared resources
- Processes
- Risk handling and assurance
- Outcomes and delivery

Under each strand, a series of questions have been developed which members have answered. These answers are weighted to reflect their relative impact on performance and collated into a final "score" for each section. This identifies the level of maturity the organisation has reached. This report provides the initial findings of yours and comparator organisations.

We expect that you will be using the results contained within this report as the basis of the evidence that you will use to provide your organisation with assurance of the standard of risk management that it has reached, along with comparison with others within the public sector.

Summary

Here is an overview of your results in each area. Please see later sections for breakdowns of these results.

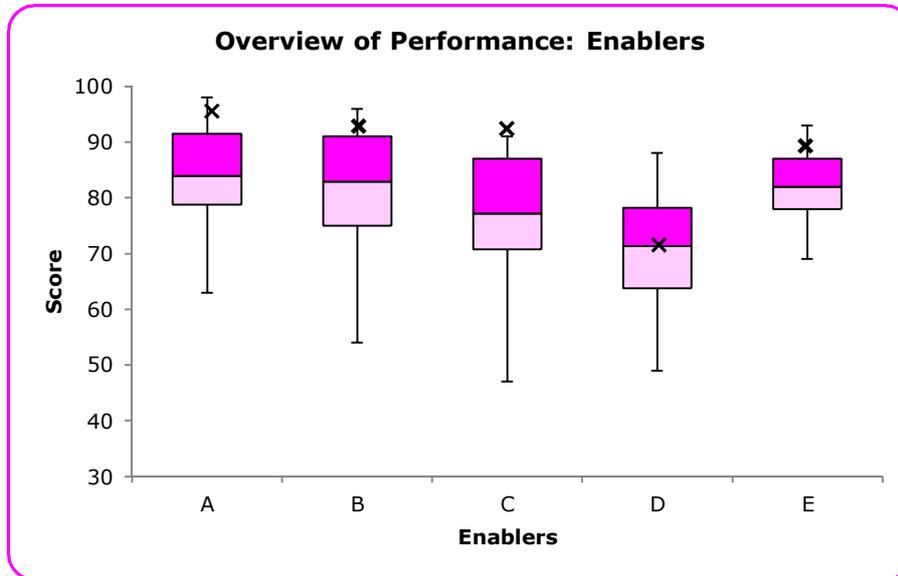
Enablers	Leadership & Management	Awareness	Happening	Working	Embedded & Integrated	Driving
	Policy & Strategy	Awareness	Happening	Working	Embedded & Integrated	Driving
	People	Awareness	Happening	Working	Embedded & Integrated	Driving
	Partnerships & Shared Resources	Awareness	Happening	Working	Embedded & Integrated	Driving
	Processes	Awareness	Happening	Working	Embedded & Integrated	Driving
Results	Risk Handling & Assurance	Awareness	Happening	Working	Embedded & Integrated	Driving
	Outcomes & Delivery	Awareness	Happening	Working	Embedded & Integrated	Driving

Level Guide:

Awareness	<20%
Happening	20 - 45%
Working	45 - 70%
Embedded & Integrated	70 - 85%
Driving	85%+

The graphs below portray a general overview of performance for Enablers and Results for your organisation, compared with the all other members of the Risk Management Club. The graphs show the minimum score, lower quarter, average, upper quarter and maximum score. The member position is marked with a black "x".

Overview of the Performance: Enablers



Enablers:

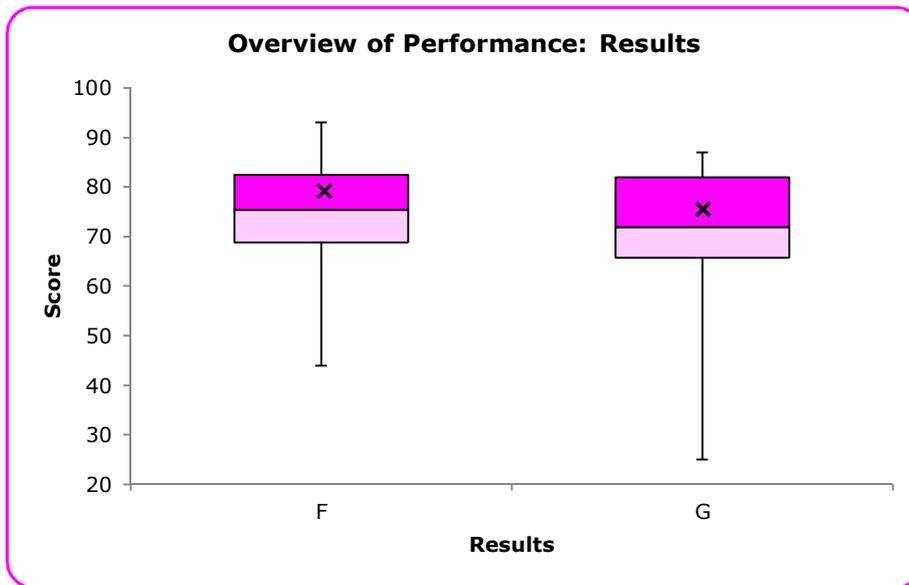
A - Leadership & Management
B - Policy & Strategy
C - People
D - Partnerships & Shared Resources
E - Processes

Enablers Level Guide:

Awareness	<20%
Happening	20 - 45%
Working	45 - 70%
Embedded & Integrated	70 - 85%
Driving	85%+

Performance: Enablers					
	A	B	C	D	E
Your Organisation	94	93	91	72	88
Minimum Score	63	54	47	49	69
Lower Quarter	79	75	71	64	78
Average	84	83	77	71	82
Upper Quarter	92	91	87	78	87
Maximum Score	98	96	91	88	93

Overview of the Performance: Results



Results:

F - Risk Handling & Assurance
G - Outcomes & Delivery

Results Level Guide:

Awareness	<20%
Happening	20 - 45%
Working	45 - 70%
Embedded & Integrated	70 - 85%
Driving	85%+

Performance: Results		
	F	G
Your Organisation	82	78
Minimum Score	44	25
Lower Quarter	69	66
Average	75	72
Upper Quarter	83	82
Maximum Score	93	87

Section A: Leadership & Management

Do Senior Management and the Executive Board support and promote risk management?

This section is concerned with:

- Risk judgements
- Clear direction
- Risk appetite
- Understanding key risks
- Accountability and responsibility
- Driving improvement
- Challenge to levels of risk acceptance
- Stakeholder engagement

The questions deal with:

- Information and decision making
- Escalation and reporting systems

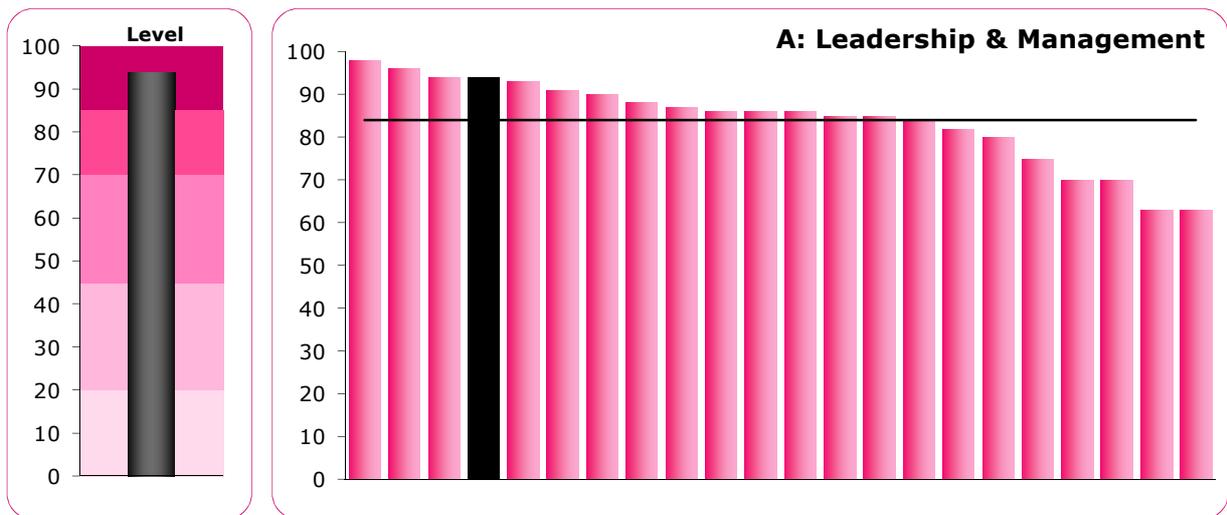
- Accountability and management responsibility
- Leading risk management implementation

There should be evidence to demonstrate the extent to which the leadership of the organisation:

- Uses risk management to develop effective policies at the policy making stage.
- Uses risk management to achieve better outcomes
- Provides clear direction on the management of risk

- Enables unanimity on the key strategic risks
- Sets the criteria/arrangements for the organisation's appetite for taking risks
- Encourages innovation through well-managed risk taking
- Supports staff when things go wrong (i.e. avoids a blame culture)
- Ensures clear accountability for managing risk
- Drives implementation of improvements in risk management
- Uses the principles of good governance to manage risks

Assessed Level: Driving



Score provided: 94 Average score: 83.9

Summary of Behavioural Progress toward Leadership & Management Maturity

Level 1 Awareness	Level 2 Happening	Level 3 Working	Level 4 Embedded & Integrated	Level 5 Driving
Senior management are aware of the need to manage uncertainty and risk and have made resources available to improve.	Board/Councillors and senior managers take the lead to ensure that approaches for addressing risk are being developed and implemented.	Senior managers take the lead to apply risk management thoroughly across the organisation. They own and manage a register of key strategic risks and set the risk appetite.	Risk management is championed by the CEO. The Board and senior managers challenge the risks to the organisation and understand their risk appetite. Management leads risk management by example.	Senior management uses consideration of risk to drive excellence through the business, with strong support and rewards for well-managed risk-taking.

Leadership & Management

A - Leadership and Management

Score provided: 94
 Maximum score: 100
 Average score: 83.9

A1 - Information and decision making

Score provided: 28
 Maximum score: 32
 Average score: 26.1

A2 - Escalation and reporting systems

Score provided: 12
 Maximum score: 12
 Average score: 10.7

A3 - Accountability and management responsibility

Score provided: 30
 Maximum score: 32
 Average score: 28.4

A4 - Leading risk management implementation

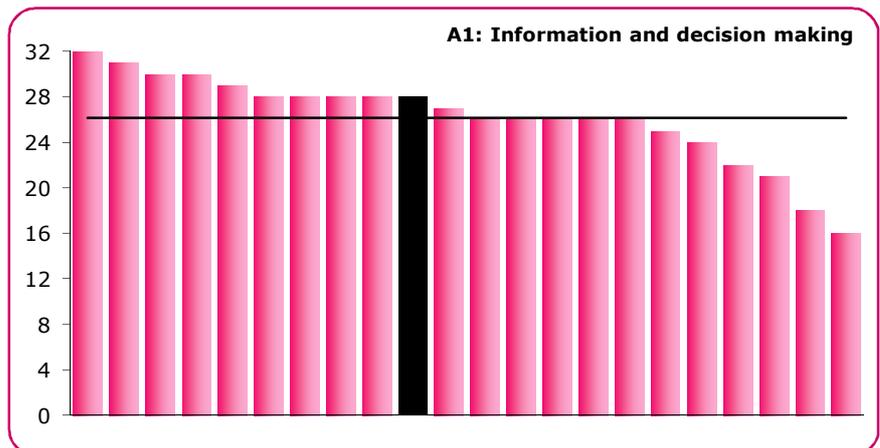
Score provided: 24
 Maximum score: 24
 Average score: 18.7

A1 - Information and decision making

This subsection explores the extent to which senior management are aware of the significant risks that face the organisation, ensure that appropriate actions are taken to manage those risks and use risk information to guide major decision making.

Number of questions: 3

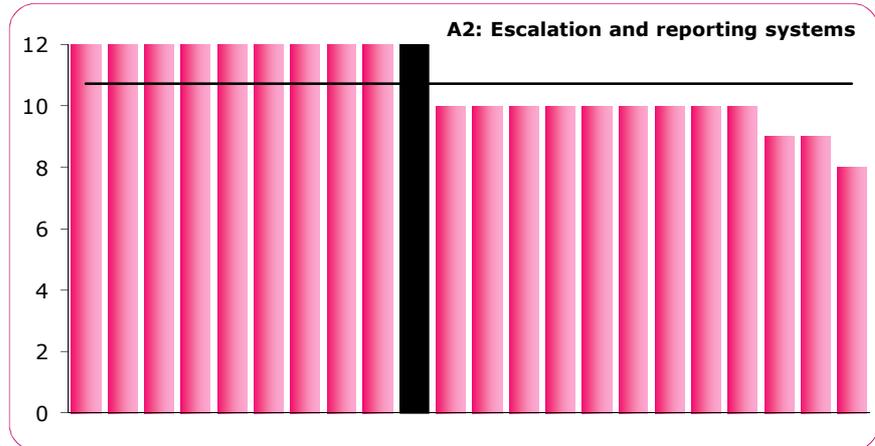
Score provided: 28
 Maximum score: 32
 Average score: 26.1



A2 - Escalation and reporting systems

This subsection measures that senior management ensures that the organisation has an appropriate escalation process in place for risk, that its risk management policy is kept up to date, implemented and effective.

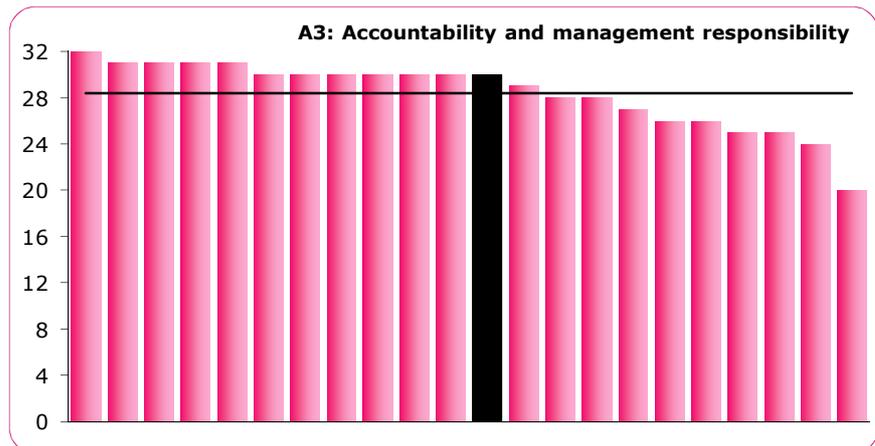
Number of questions: 1
Score provided: 12
Maximum score: 12
Average score: 10.7



A3 - Accountability and management responsibility

This subsection tests that senior management have ensured that clear responsibilities are outlined for risk management and that appropriate oversight of risk management activities is in place.

Number of questions: 3
Score provided: 30
Maximum score: 32
Average score: 28.4



A4 - Leading risk management implementation

This subsection explores the extent to which senior management is proactive in supporting and encouraging risk management and encouraging well managed risk taking across the organisation.

Number of questions: 2
Score provided: 24
Maximum score: 24
Average score: 18.7



Leadership & Management: Question details

- For further details on the questions (guidance and instructions) please see the questionnaire.

A1 - Information and decision making

(1) Does the Executive Team / Senior Leaders have a good understanding of and regularly review the key risks facing the organisation and their likely implications for service delivery?

Score: 10 Max: 10 Average: 8.8

(2) Does the Executive Team / Senior Leaders ensure that mitigating actions are implemented for significant risks where appropriate?

Score: 10 Max: 12 Average: 9.5

(3) Does the Executive Team / Senior Leaders have and use appropriate risk information to guide all major decisions?

Score: 8 Max: 10 Average: 7.9

A2 - Escalation and reporting systems

(4) Does the Executive Team / Senior Leaders conduct regular reviews of the effectiveness of the risk management framework, and does this include at least an annual review of the risk management policy to ensure it remains appropriate and current?

Score: 12 Max: 12 Average: 10.7

A3 - Accountability and management responsibility

(5) To what extent do Senior Leaders oversee the risk management culture and are these responsibilities reviewed annually?

Score: 9 Max: 10 Average: 8.7

(6) How well do Board Members / Elected Members and the Executive Team / Senior Leaders effectively challenge the risk analysis and evaluation?

Score: 9 Max: 10 Average: 8.7

(7) To what extent has the remit of the Risk Management function/Risk Manager been determined, including the provision of adequate resources to deliver a 'fit for purpose' risk management framework?

Score: 12 Max: 12 Average: 10.9

A4 - Leading risk management implementation

(8) Are the Executive Team / Senior Leaders, Board Members / Elected Members, Trustees, Ministers, etc. proactive in supporting and encouraging risk management, and does the leadership of the organisation encourage and support innovation through well managed risk taking?

Score: 12 Max: 12 Average: 8.8

(9) To what extent are there mechanisms in place for the organisation to learn lessons from risk events?

Score: 12 Max: 12 Average: 9.9

Section B: Policy & Strategy

Are there clear strategies and policies for risk?

This section is concerned with:

- A strategic approach to the management of risk and increasing its effectiveness
- Policies

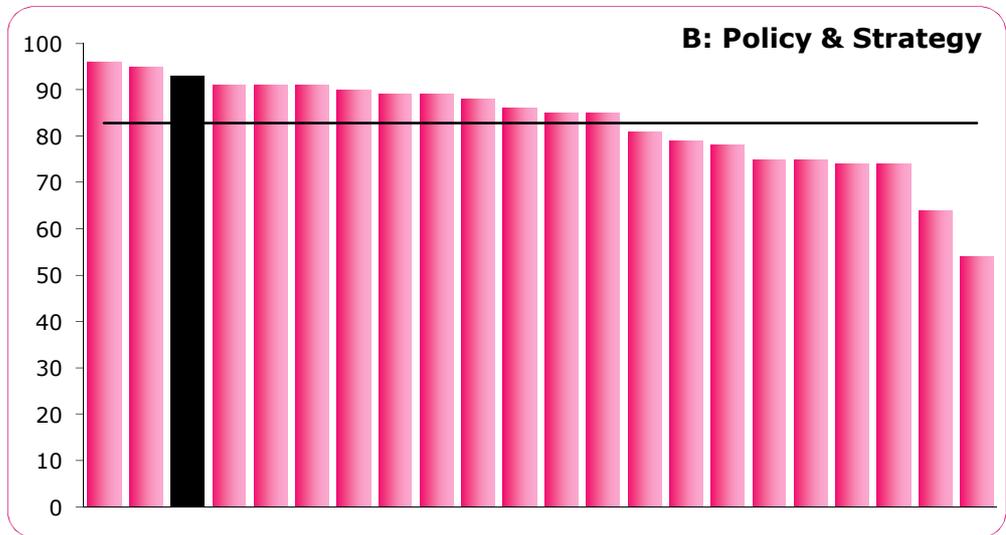
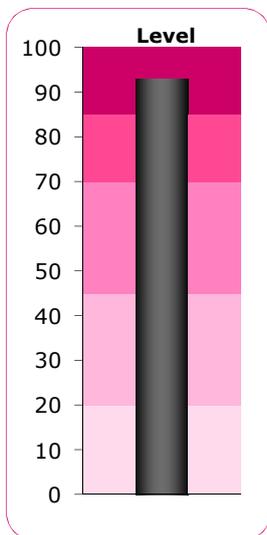
The questions deal with:

- Risk management policy (including risk appetite)
- Strategy

For this section, you should have evidence to demonstrate the extent to which the organisation has:

- Set a clear direction for the scope and priorities of its risk management
- Set the organisation's requirements of risk management as part of its overall approach to governance
- Designed and implemented a risk management framework

Assessed Level: Driving



Score provided: 93 Average score: 82.9

Summary of Behavioural Progress toward Strategy & Policy Maturity

Level 1 Awareness	Level 2 Happening	Level 3 Working	Level 4 Embedded & Integrated	Level 5 Driving
<p>The need for a risk strategy and risk-related policies has been identified and accepted.</p> <p>The risk management system may be undocumented with few formal processes present.</p>	<p>Risk management strategy and policies drawn up, communicated and being acted upon.</p> <p>Roles and responsibilities established, key stakeholders engaged.</p>	<p>Risk management principles are reflected in the organisation's strategies and policies.</p> <p>Risk framework is reviewed, developed, refined and communicated.</p>	<p>Risk handling is an inherent feature of policy and strategy making processes.</p> <p>Risk management system is benchmarked and best practices identified and shared across the organisation.</p>	<p>Risk management capability in policy and strategy making helps to drive organisational excellent.</p>

Policy & Strategy

B - Policy & Strategy

Score provided: 93
 Maximum score: 100
 Average score: 82.9

B1 - Risk management policy

Score provided: 56
 Maximum score: 60
 Average score: 49.6

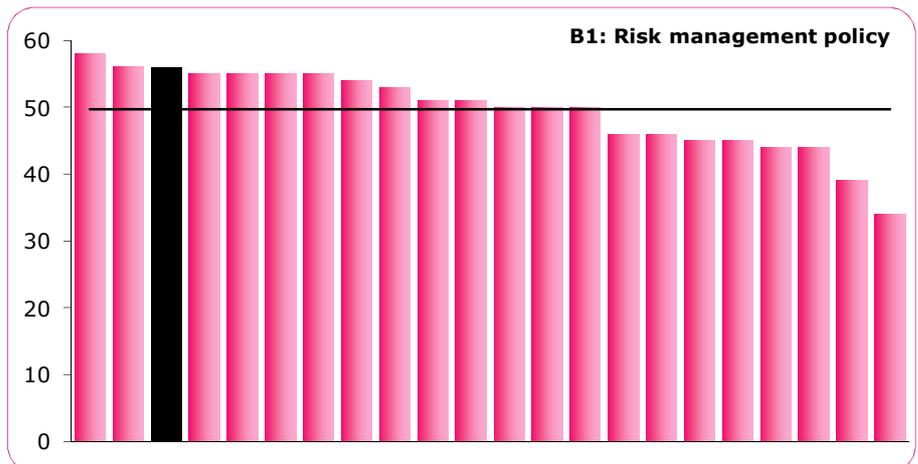
B2 - Strategy

Score provided: 37
 Maximum score: 40
 Average score: 33.2

B1 - Risk management policy

This subsection tests the extent to which the organisation's risk management policy conforms to a recognised and acceptable standard, including specifying its risk appetite (i.e. the levels of risk that it is prepared to accept).

Number of questions: 2
 Score provided: 56
 Maximum score: 60
 Average score: 49.6



B2 - Strategy

This subsection explores the extent to which the organisation has a strategic approach to risk management and a whether a plan/do/review cycle is in place.

Number of questions: 1
 Score provided: 37
 Maximum score: 40
 Average score: 33.2



Policy & Strategy: Question details

- For further details on the questions (guidance and instructions) please see the questionnaire.

B1 - Risk management policy

(10) Is there a risk policy that:

- has been approved by appropriate officers and members
- provides a clear and concise outline of the organisation's requirements for risk management
- provides a description of where risk management is positioned as part of the organisation's overall approach to governance
- specifies the accountabilities and responsibilities for managing risk
- specifies the processes, methods and resources available to be used for risk management
- specifies the way in which risk management performance will be measured and reported?

Score:	38	Max:	40	Average:	35.3
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(11) Does the risk management policy specify the organisation's risk appetite, and does this generally encourage managed risk taking throughout the organisation?

Score:	18	Max:	20	Average:	14.4
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B2 - Strategy

(12) How well does the risk management strategy support the aims and objectives of the organisation, by delivering successful outcomes and using risk management to facilitate sufficient planning, implementation, monitoring and reviewing?

Score:	37	Max:	40	Average:	33.2
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Section C: People

Are people equipped and supported to manage risk well?

This section is concerned with:

- Culture
- Roles and responsibilities
- Skills, training and guidance
- Communications

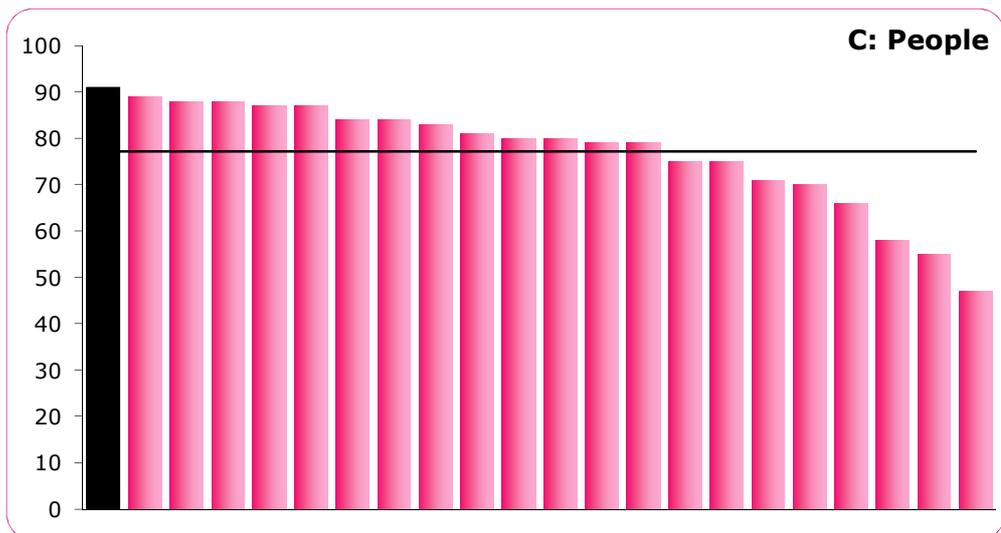
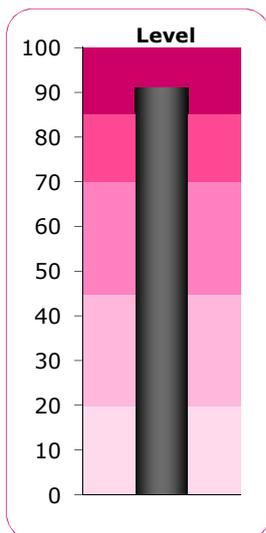
The questions deal with:

- Risk management culture
- Responsibility
- Skills and guidance - capability
- Communication

For this section, you should have evidence to demonstrate the extent to which there is:

- A risk-aware culture as opposed to a risk-averse culture at all levels within the organisation
- Responsibilities for risks are allocated to individuals to manage
- There are arrangements to ensure appropriate risk management awareness, knowledge, experience and skills among:
 - Governors/Executive Members
 - Senior Management
 - Staff

Assessed Level: Driving



Score provided: 91 Average score: 77.1

Summary of Behavioural Progress toward People Maturity

Level 1 Awareness	Level 2 Happening	Level 3 Working	Level 4 Embedded & Integrated	Level 5 Driving
Key people are aware of the need to understand risk principles and increase capacity and competency in risk management techniques through appropriate training.	Suitable guidance is available and a training programme has been implemented to develop risk capability.	A core group of people have the skills and knowledge to manage risk effectively and implement the risk management framework. ----- Staff are aware of key risks and responsibilities.	People are encouraged and supported to take managed risks through innovation. ----- Regular training and clear communication of risk is in place.	All staff are empowered to be responsible for risk management. ----- The organisation has a good record of innovation and well-managed risk taking. ----- Absence of a blame culture.

People

C - People

Score provided: 91
Maximum score: 100
Average score: 77.1

C1 - Culture

Score provided: 23
Maximum score: 25
Average score: 18.8

C2 - Responsibility

Score provided: 19
Maximum score: 20
Average score: 16.6

C3 - Skills and guidance - capability

Score provided: 33
Maximum score: 35
Average score: 27.0

C4 - Communications

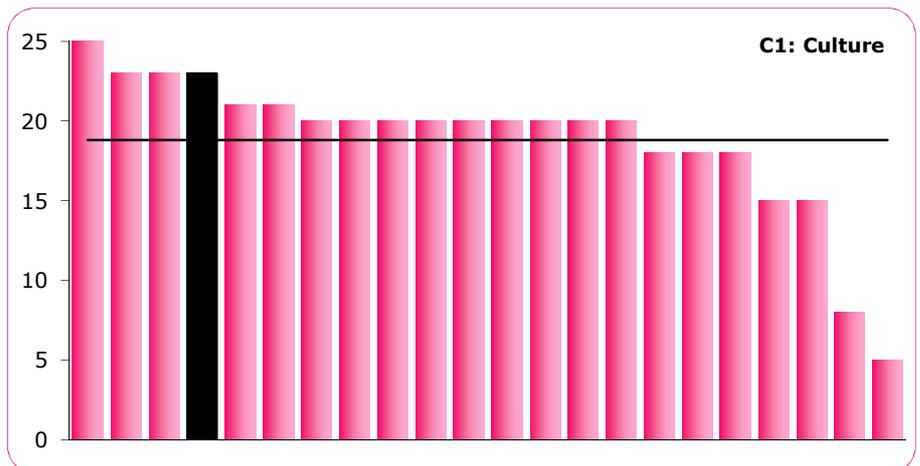
Score provided: 16
Maximum score: 20
Average score: 14.7

C1 - Culture

This subsection examines the risk management culture of the organisation, how risk issues are raised, the organisation's appetite for change and how it responds to incidents.

Number of questions: 1

Score provided: 23
Maximum score: 25
Average score: 18.8



C2 - Responsibility

This subsection checks whether the organisation has provided its staff with appropriate delegation and responsibility for handling risks.

Number of questions: 2

Score provided: 19

Maximum score: 20

Average score: 16.6



C3 - Skills and guidance - capability

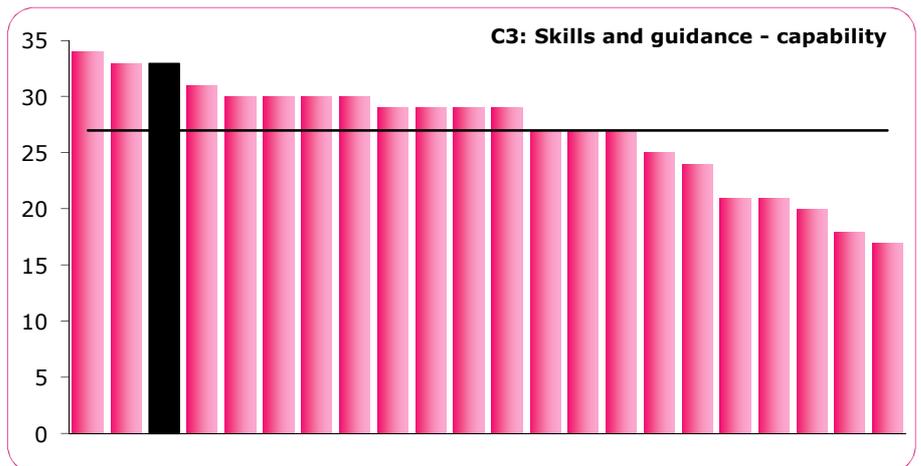
This subsection tests the levels of training and guidance that are in place to ensure that people have the right levels of skills and competencies to manage the risks they face.

Number of questions: 2

Score provided: 33

Maximum score: 35

Average score: 27.0



C4 - Communication

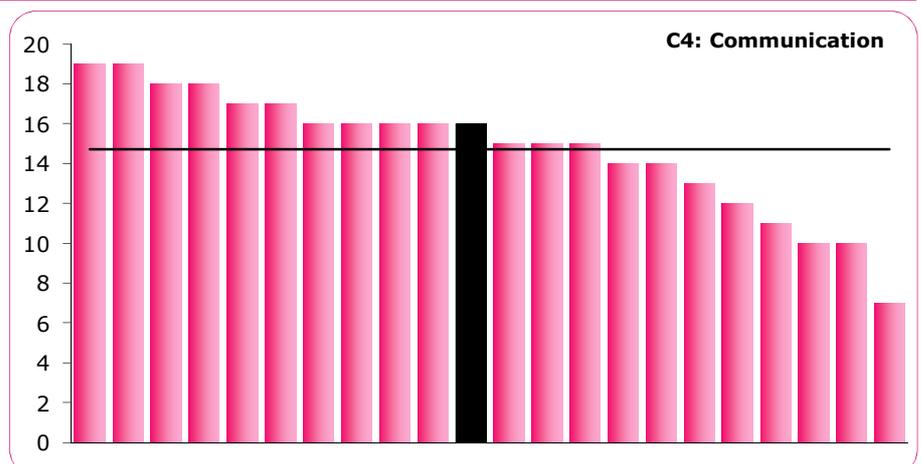
This subsection explores how risk information is communicated across the organisation.

Number of questions: 2

Score provided: 16

Maximum score: 20

Average score: 14.7



People: Question details

- For further details on the questions (guidance and instructions) please see the questionnaire.

C1 - Culture

(13) To what degree are staff at all levels encouraged to report incidents, challenge practices and raise risk issues?

Score: 23 Max: 25 Average: 18.8

C2 - Responsibility

(14) To what degree do staff have properly delegated, clear and appropriate responsibility for day-to-day and specialist risk management, investigation of incidents, business continuity management and managing risks/opportunities, controls and contingencies?

Score: 15 Max: 15 Average: 12.5

(15) To what extent is there evidence that people are clear when risks and opportunities should be referred elsewhere or escalated (e.g. line management, Audit Committee, Risk Committee, Board etc.) for consideration, and how effective are these arrangements?

Score: 4 Max: 5 Average: 4.1

C3 - Skills and guidance - capability

(16) To what extent are the arrangements in place to ensure staff receive assessment of their development needs and appropriate guidance and training, both internal and external, to rapidly address any risk management training, in terms of both induction and continuing development needs effective?

Score: 28 Max: 30 Average: 23.5

(17) Do Board Members / Elected Members, Trustees etc. receive appropriate risk management training to help them understand and discharge their responsibilities, for the level of risk they are facing?

Score: 5 Max: 5 Average: 3.5

C4 - Communications

(18) Is key risk management information communicated to the appropriate parts of the organisation, and is there a reliable communications strategy in place so that if risks materialise, those affected by the potential impact fully understand and have confidence in the remedial action that the organisation may need to take?

Score: 8 Max: 10 Average: 7.9

(19) Are staff aware of the significant risks, as appropriate to their role and the level of risk they face in that role and to what extent is there evidence that this influences their behaviour and decision making?

Score: 8 Max: 10 Average: 6.8

Section D: Partnerships & Shared Resources

Are there effective arrangements for managing risks with partners?

This section is concerned with:

- Managing risk to and within partnerships
- Area specific risks
- Shared risks
- Risk faced by the community
- Local resilience
- Partnership guidance
- Joint risk registers
- Resources available to manage risk effectively

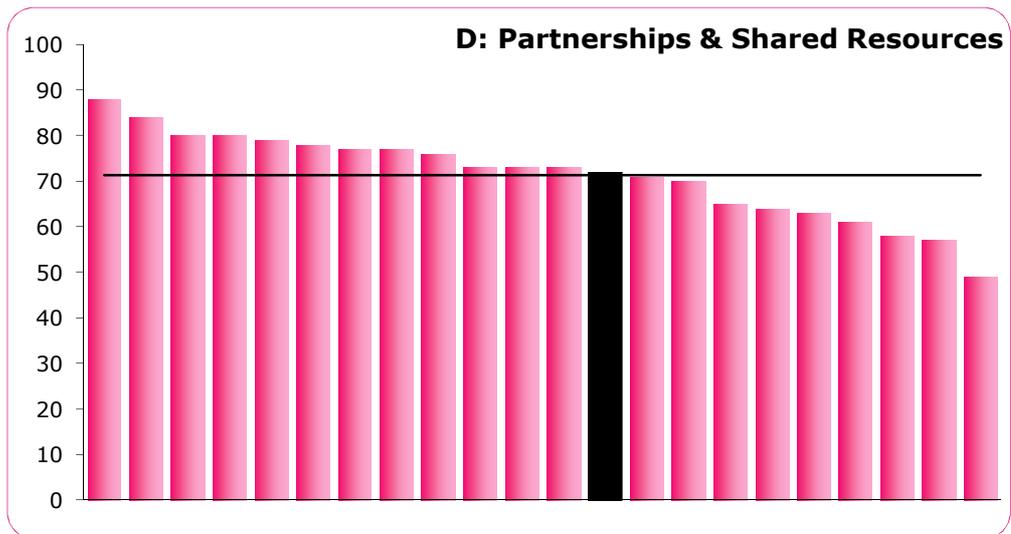
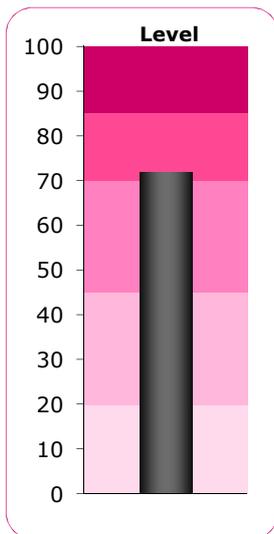
The questions deal with:

- Partnerships and shared services
- Risk finance
- Tools

For this section, you should have evidence to demonstrate the extent to which:

- There are agreed mechanisms for identifying, assessing and managing risks in each key partnership
- There is a common risk language which creates shared understanding of the key partnerships' risk appetite
- There are appropriate mechanisms for provision and testing of contingency arrangements
- There are appropriate mechanisms for identifying and addressing the implications of sharing risk amongst those best placed to manage them

Assessed Level: Embedded & Integrated



Score provided: 72 Average score: 71.3

Summary of Behavioural Progress toward Partnerships & Resources Maturity

Level 1 Awareness	Level 2 Happening	Level 3 Working	Level 4 Embedded & Integrated	Level 5 Driving
Key people are aware of areas of potential risk in partnerships and the need to allocate resources to manage risk.	Approaches for addressing risk with partners are being developed and implemented. Appropriate tools are developed and resources for risk identified.	Risk with partners and suppliers is well managed across organisational boundaries. Appropriate resources are in place to manage risk.	Sound governance arrangements are established. Partners support one another's risk management capacity and capability.	Clear evidence of improved partnership delivery through risk management and that key risks to the community are being effectively managed.

Partnerships & Shared Resources

D - Partnerships & Shared Resources

Score provided: 72
 Maximum score: 100
 Average score: 71.3

D1 - Partnerships and shared services

Score provided: 33
 Maximum score: 50
 Average score: 31.3

D2 - Finance

Score provided: 24
 Maximum score: 30
 Average score: 23.3

D3 - Tools

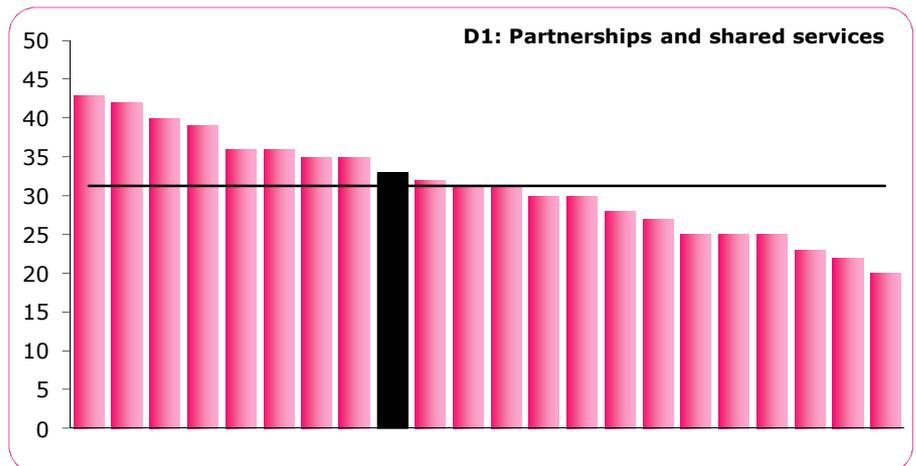
Score provided: 15
 Maximum score: 20
 Average score: 16.7

D1 - Partnerships and shared services

This subsection examines how the organisation ensures that its partnership and shared service work is undertaken with appropriate consideration of risk and that formal risk management arrangements are in place including a common approach to risk management.

Number of questions: 2

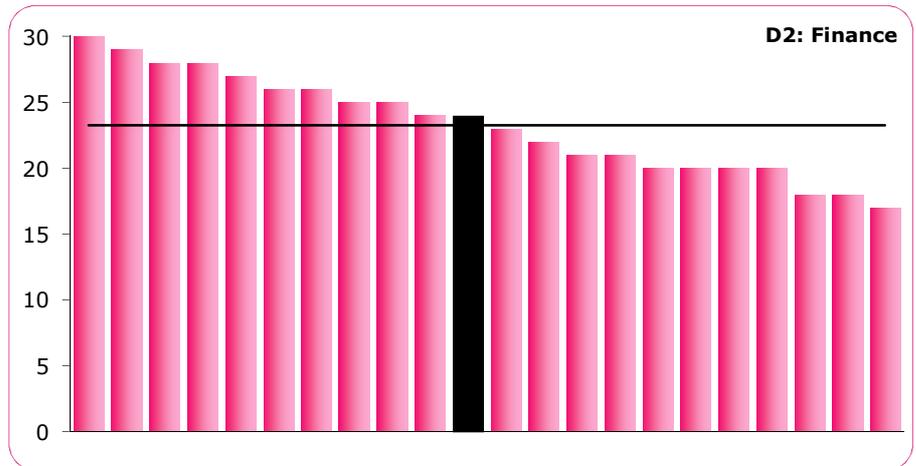
Score provided: 33
 Maximum score: 50
 Average score: 31.3



D2 - Finance

This subsection looks at the risk regarding financing arrangements for the organisation, both to ensure that sufficient resources are available to deliver its risk management strategy and to protect itself against insurable losses.

Number of questions: 2
Score provided: 24
Maximum score: 30
Average score: 23.3



D3 - Tools

This subsection recognises that organisations manage their risks through a number of different tools and processes. These may include, but not be limited to, risk registers. It measures the extent to which a range of appropriate tools and process are available to the organisation to manage risk.

Number of questions: 1
Score provided: 15
Maximum score: 20
Average score: 16.7



Partnerships & Shared Resources: Question details

- For further details on the questions (guidance and instructions) please see the questionnaire.

D1 - Partnerships and shared services

(20) Are all key partnerships formally identified and are there consistent and common approaches to managing risks with partners, which cut across organisation boundaries?

Score: 15 Max: 20 Average: 13.1

(21) Are your partnerships managing risks effectively, i.e.:

- Has the extent to which risks can be transferred to or shared with organisations best placed to manage and / or carry them (both public and private), been assessed?

- Is there an agreed protocol that defines when risk identification and assessments should be carried out jointly, and clearly establishes accountability and capacity maintained to monitor performance and take early action in the event of difficulty?

Score: 18 Max: 30 Average: 18.1

D2 - Finance

(22) Are sufficient budgetary resources provided to fund the implementation of the risk management strategy, and are additional budgetary resources provided when additional risk activities are cost-effective?

Score: 14 Max: 20 Average: 15.1

(23) Have active risk management measures, supported by appropriate resources, been taken to minimise insurable risks?

Score: 10 Max: 10 Average: 8.1

D3 - Tools

(24) Does the organisation have appropriate tools for:

1. Collecting risk information?
2. Analysing risk information?
3. Recording risk information?
4. Communicating risk information?

Score: 15 Max: 20 Average: 16.7

Section E: Processes

Does the organisation have effective risk management processes to support the business?

This section is concerned with:

- Embedding risk management in organisational management processes
- Identification and evaluation criteria
- Risk controls
- Action planning and reporting
- Use of risk management in strategic and financial planning, policy making and review, performance, and project and contract management
- Use of risk management in decision making
- Risk management integration into key business processes

The questions in this section deal with:

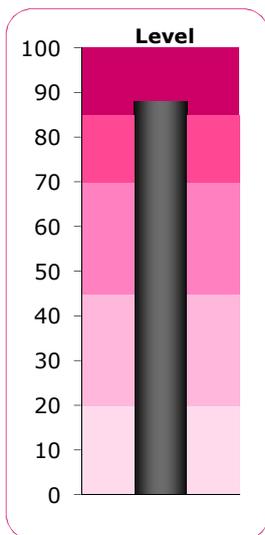
- Links to business/service processes
- Risk identification and analysis
- Risk response
- Risk reporting and review
- Information risk
- Service continuity

For this section, you should have evidence to demonstrate the extent to which risk management contributes to the success of the following business processes in your organisation:

- Policy making
 - Performance management
 - Governance arrangements
 - Financial management;
- and the extent to which:

- Risk processes support a lessons learnt culture
- There is an effective business continuity framework in place to support service delivery

Assessed Level: Driving



Score provided: 88 Average score: 82

Summary of Behavioural Progress toward Processes Maturity

Level 1 Awareness	Level 2 Happening	Level 3 Working	Level 4 Embedded & Integrated	Level 5 Driving
Some stand-alone risk processes have been identified and are being developed. ----- The need for service continuity arrangements has been identified.	Risk management processes are being implemented and reported upon in key areas. ----- Service continuity arrangements are being developed in key areas.	Risk management processes used to support key business processes. ----- Early warning indicators and lessons learned are reported. ----- Critical services supported through continuity plans.	A framework of risk management processes in place and used to support service delivery. ----- Robust business continuity management system in place.	Management of risk and uncertainty is well-integrated with all key business processes and shown to be a key driver in business success.

Processes

E - Processes

Score provided: 88
Maximum score: 100
Average score: 82.0

E1 - Links to business/service processes overview

Score provided: 25
Maximum score: 30
Average score: 24.8

E2 - Risk identification and analysis

Score provided: 26
Maximum score: 30
Average score: 24.9

E3 - Risk response

Score provided: 15
Maximum score: 15
Average score: 12.0

E4 - Risk reporting and review

Score provided: 4
Maximum score: 5
Average score: 4.4

E5 - Information risk

Score provided: 8
Maximum score: 10
Average score: 8.1

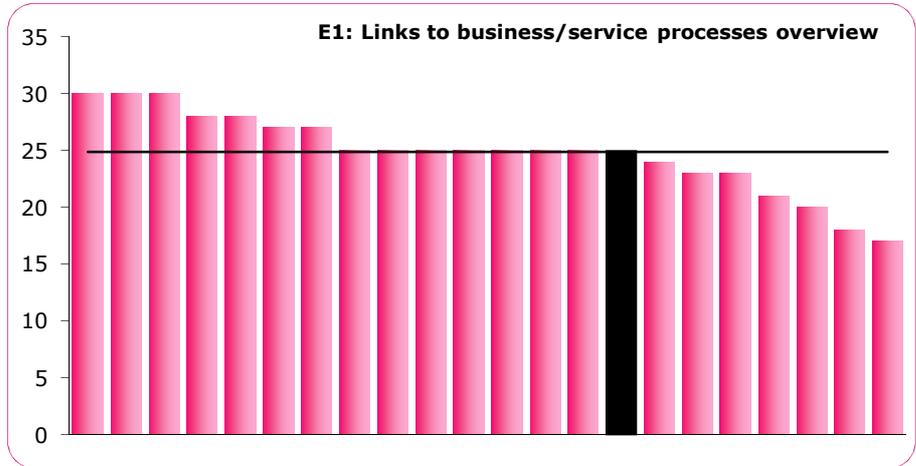
E6 - Service continuity

Score provided: 10
Maximum score: 10
Average score: 7.7

E1 - Links to business/service processes overview

This subsection explores how far risk management is embedded into a number of key business processes, such as decision and policy making, strategic planning, performance management and policy implementation, financial planning and major investment decisions.

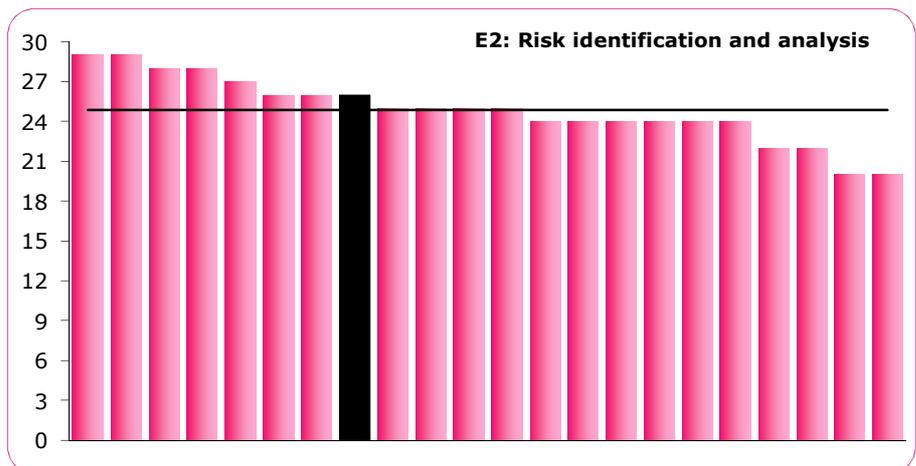
Number of questions: 1
 Score provided: 25
 Maximum score: 30
 Average score: 24.8



E2 - Risk identification and analysis

This subsection tests that the risk identification process meets the requirements of recognised risk management standards and that an the analysis of risk is appropriate.

Number of questions: 1
 Score provided: 26
 Maximum score: 30
 Average score: 24.9



E3 - Risk response

This subsection tests that the risk response process meets the requirements of recognised risk management standards.

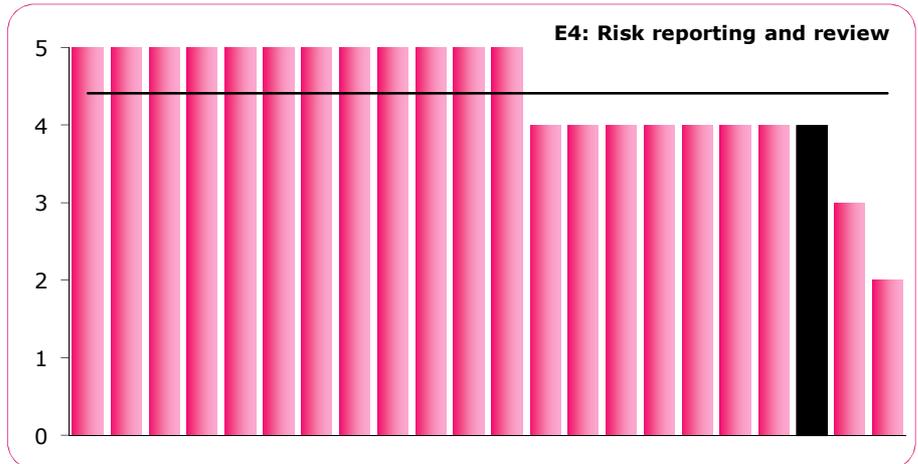
Number of questions: 2
 Score provided: 15
 Maximum score: 15
 Average score: 12.0



E4 - Risk reporting and review

This subsection tests that the risk reporting and review processes meet the requirements of recognised risk management standards.

Number of questions: 1
Score provided: 4
Maximum score: 5
Average score: 4.4



E5 - Information risk

This subsection checks that appropriate arrangements for effective management of information risk and control processes are in place.

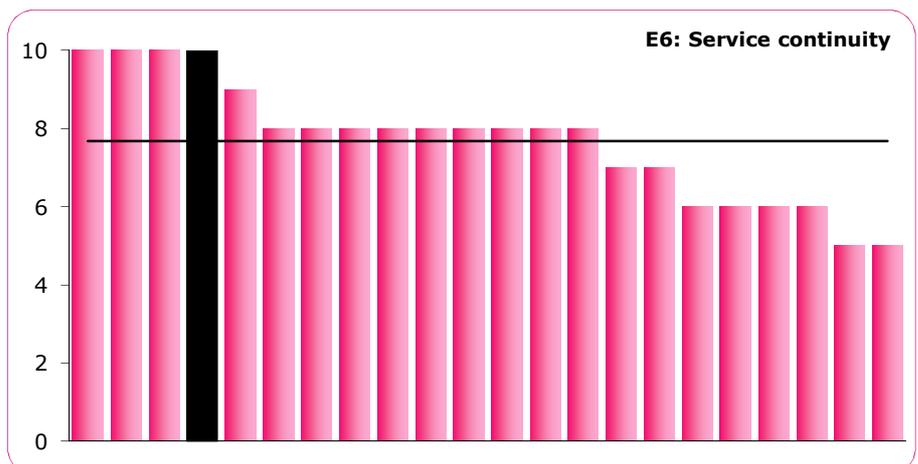
Number of questions: 1
Score provided: 8
Maximum score: 10
Average score: 8.1



E6 - Service continuity

This subsection checks to ensure that an effective business continuity management system is in place as an essential part of the organisation's risk mitigation arrangements.

Number of questions: 1
Score provided: 10
Maximum score: 10
Average score: 7.7



Processes: Question details

- For further details on the questions (guidance and instructions) please see the questionnaire.

E1 - Links to business/service processes overview

(25) Are there formal links between risk management and other key business processes, for example decision making, major investment decisions, strategic planning, financial planning, policy making, review and implementation, and performance management?

Score: 25 Max: 30 Average: 24.8

E2 - Risk identification and analysis

(26) Are all significant risks and existing control and contingency measures identified:

- to reflect the internal and external context?
- within clear risk assessment boundaries pre-identification?
- to take account of different procedures, tools and techniques?
- to link to the achievement of corporate, departmental or service objectives?
- allowing the causes and consequences of risk to be identified?

Is 'horizon scanning' carried out to identify emerging risks and is the identification of opportunities embedded within the organisation? Are risk evaluation criteria applied consistently across all categories of risk, with evaluation carried out in terms of 'likelihood' and 'impact'? Are risks ranked for (if appropriate) gross risk, net risk and target risk?

Score: 26 Max: 30 Average: 24.9

E3 - Risk response

(27) Are there adequate early warning indicators in place to alert people to the potential impacts of risks - that are acted upon, with a mechanism to check that such indicators remain fit for purpose?

Score: 2 Max: 2 Average: 1.5

(28) Do the options for mitigating the risk include consideration of avoidance, modification, transfer and retention of risk (and, in the case of opportunities, seeking to exploit) and are the key risk control and contingency measures regularly assessed to see if they are in place and effective?

Score: 13 Max: 13 Average: 10.6

E4 - Risk reporting and review

(29) Are the key outputs from the risk management process:

1. Communicated to all relevant people?
2. Reviewed (at a later date) to ensure they remain valid, reflect changes in the context, and support better informed decisions?

Score: 4 Max: 5 Average: 4.4

E5 - Information risk

(30) Are the appropriate arrangements in place to respond to Information Risk?

Score: 8 Max: 10 Average: 8.1

E6 - Service continuity

(31) Is there an effective Business Continuity Management System in place?

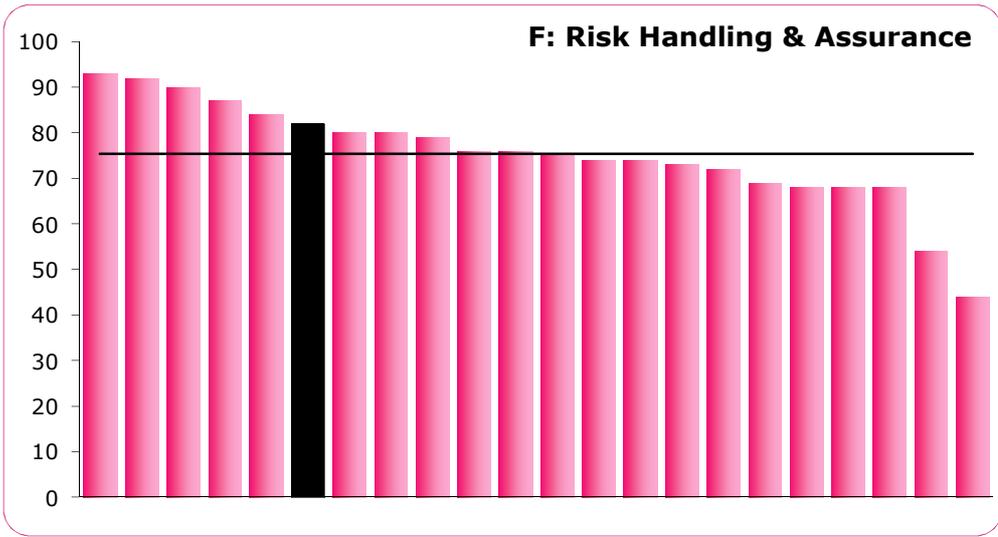
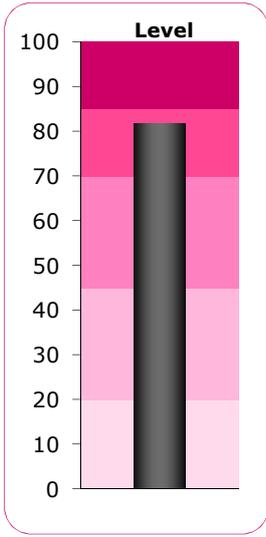
Score: 10 Max: 10 Average: 7.7

Section F: Risk Handling & Assurance

Are risks handled well and does the organisation have assurance that risk management is delivering successful outcomes and supporting creative risk taking?

<p>This section is concerned with:</p> <ul style="list-style-type: none"> • Successfully seizing opportunities • Considered risk-taking • Supporting innovation • Challenges to preconceptions of risk • Assurance of the organisation's level of compliance against the risk management strategy 	<p>The questions deal with:</p> <ul style="list-style-type: none"> • Risk handling • Assurance <p>For this section, you should have evidence to demonstrate the extent to which risk management-related activity has contributed to:</p> <ul style="list-style-type: none"> • Delivering innovation • Effective anticipation and management of strategic risks • Effective decision making 	<ul style="list-style-type: none"> • Effective policy making • Effective handling of cross-cutting issues • Effective review of business planning and target setting • Effective management of risks to the public • Effective risk allocation • Better management of risks to delivery • Greater efficiency/reduced costs • Information integrity and asset security
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Assessed Level: Embedded & Integrated



Score provided: 82 Average score: 75.4

Summary of Behavioural Progress toward Risk Handling & Assurance Maturity

Level 1 Awareness	Level 2 Happening	Level 3 Working	Level 4 Embedded & Integrated	Level 5 Driving
No clear evidence that risk management is being effective.	Some evidence that risk management is being effective. ----- Performance monitoring and assurance reporting being developed.	Clear evidence that risk management is being effective in all key areas. ----- Capability assessed within a formal assurance framework and against best practice standards.	Evidence that risk management is being effective and useful for the organisation and producing clear benefits. ----- Evidence of innovative risk taking.	Clear evidence that risks are being effectively managed throughout the organisation. ----- Considered risk taking is part of the organisational culture.

Risk Handling & Assurance

F - Risk Handling & Assurance

Score provided: 82
 Maximum score: 100
 Average score: 75.4

F1 - Risk handling

Score provided: 48
 Maximum score: 60
 Average score: 41.5

F2 - Assurance

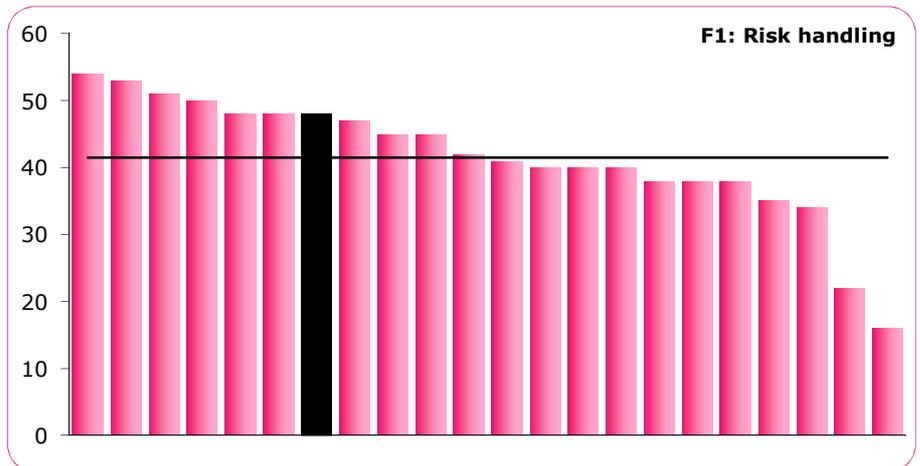
Score provided: 34
 Maximum score: 40
 Average score: 33.9

F1 - Risk handling

This subsection questions the extent to which risks are effectively handled across the organisation, particularly in terms of cost effectiveness and including arrangements with partner organisations.

Number of questions: 3

Score provided: 48
 Maximum score: 60
 Average score: 41.5

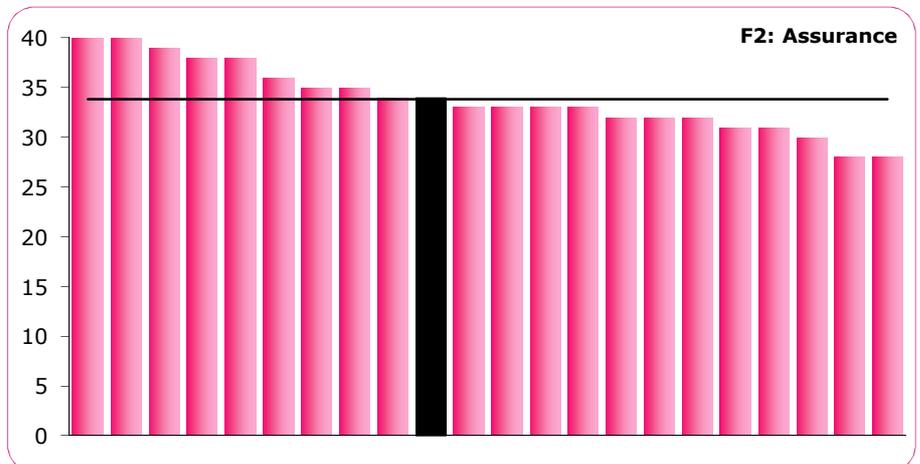


F2 - Assurance

This subsection explores the arrangements that the organisation has in place to ensure that it can provide itself with assurance that risks are well managed.

Number of questions: 3

Score provided: 34
 Maximum score: 40
 Average score: 33.9



Risk Handling & Assurance: Question details

- For further details on the questions (guidance and instructions) please see the questionnaire.

F1 - Risk handling

(32) Has the organisation established arrangements for escalation of risks to ensure that it and Board Members / Elected Members, Trustees, Ministers etc. have appropriate, up-to-date information on risks?			
Score:	10	Max:	10 <i>Average:</i> 8.5
(33) Can you evidence that all strategic risks are managed effectively - without incurring disproportionate risk management costs or experiencing excessive losses? Are there arrangements to ensure that opportunities are taken and managed cost effectively - without incurring disproportionate risk management costs or experiencing excessive losses?			
Score:	25	Max:	30 <i>Average:</i> 19.0
(34) Is there evidence that staff, particularly managers, are confident with risk and use it to deliver the outcomes the organisation wants?			
Score:	13	Max:	20 <i>Average:</i> 14.0

F2 - Assurance

(35) To what extent does assurance information cover all significant risks, key controls and their effectiveness?			
Score:	14	Max:	20 <i>Average:</i> 16.4
(36) Is an assessment of the performance of the organisation's risk management arrangements reported and to what extent is risk information disclosed to stakeholders?			
Score:	10	Max:	10 <i>Average:</i> 8.2
(37) Is there a detailed statement, that is independently reviewed, about whether risk management is effective and carried out as approved, and is the framework regularly and independently reviewed?			
Score:	10	Max:	10 <i>Average:</i> 9.3

Section G: Outcomes & Delivery

Does risk management contribute to achieving outcomes?

This section is concerned with:

- Risk management efforts making a contribution to successful outcomes
- Learning from best practice and continuous improvement

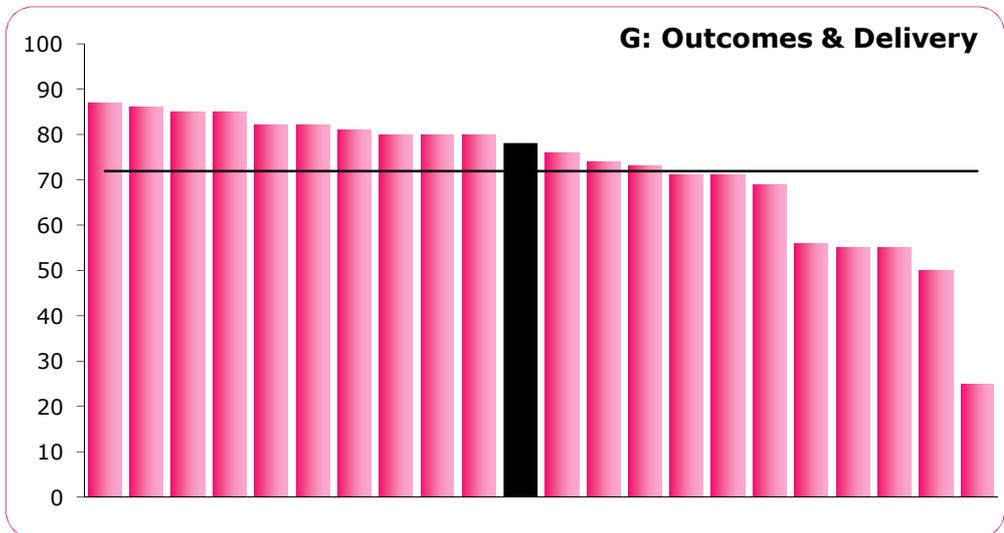
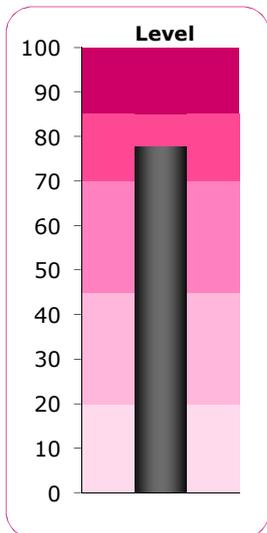
The questions deal with:

- Risk management contribution to overall performance
- Risk management contribution to specific outcomes

In this section you should have evidence to demonstrate the extent to which risk management action contributes to:

- Successful delivery of improved outcomes for local people/the community
- Meeting planned financial outcomes
- Increased public confidence that risks are well-managed
- The high reputation of the organisation
- Successful innovation

Assessed Level: Embedded & Integrated



Score provided: 78 Average score: 71.9

Summary of Behavioural Progress toward Outcomes & Delivery Maturity

Level 1 Awareness	Level 2 Happening	Level 3 Working	Level 4 Embedded & Integrated	Level 5 Driving
No clear evidence of improved outcomes.	Limited evidence that risk management is being effective in, at least, the most relevant areas.	Clear evidence that risk management is supporting the delivery of key outcomes in all relevant areas.	Clear evidence of significantly improved delivery of relevant outcomes and evidence of positive and sustained improvement.	Risk management arrangements clearly acting as a driver for change and linked to plans and planning cycles.

Outcomes & Delivery

G - Outcomes & Delivery

Score provided: 78
 Maximum score: 100
 Average score: 71.9

G1 - Risk management contribution to overall performance

Score provided: 48
 Maximum score: 60
 Average score: 42.6

G2 - Contribution to specific outcomes

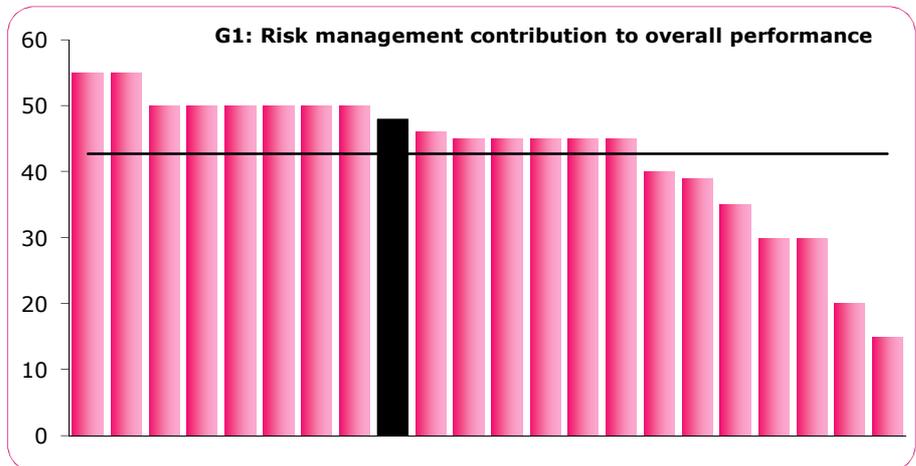
Score provided: 30
 Maximum score: 40
 Average score: 29.2

G1 - Risk management contribution to overall performance

This subsection measures the extent to which the organisation can demonstrate that its risk management arrangements are making a positive contribution to overall performance and service delivery.

Number of questions: 1

Score provided: 48
 Maximum score: 60
 Average score: 42.6

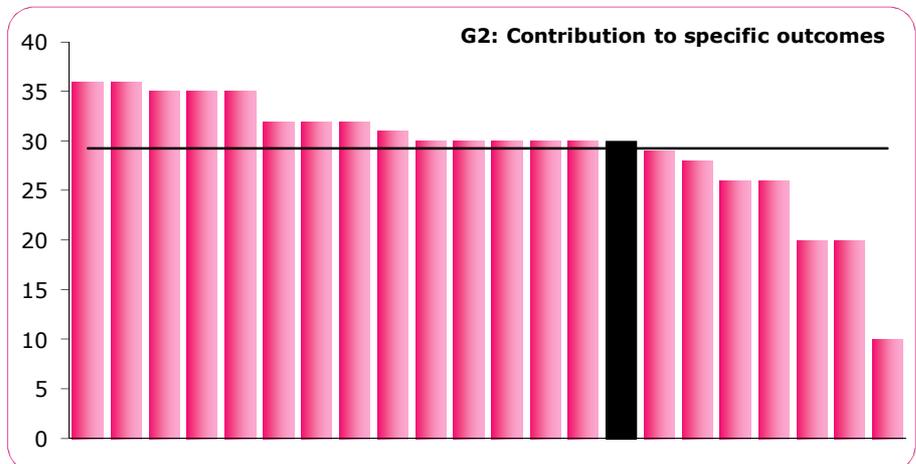


G2 - Contribution to specific outcomes

This subsection asks for evidence of examples of risk management arrangements having a direct positive effect on the delivery of annual or strategic objectives.

Number of questions: 1

Score provided: 30
 Maximum score: 40
 Average score: 29.2



Outcomes & Delivery: Question details

- For further details on the questions (guidance and instructions) please see the questionnaire.

G1 - Risk management contribution to overall performance

(38) Is there demonstrable evidence that risk management is contributing to better:

- delivery outcomes
- better financial outcomes
- supporting the reputation of the organisation?

Score:	48	Max:	60	Average:	42.6
--------	----	------	----	----------	------

G2 - Contribution to specific outcomes

(39) Is there demonstrable evidence that risk management approaches are having a beneficial effect on how risks to the public are being managed?

Score:	30	Max:	40	Average:	29.2
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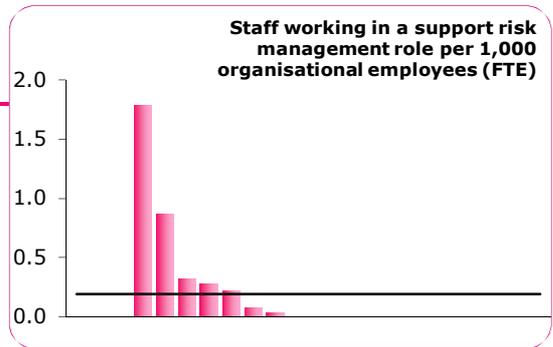
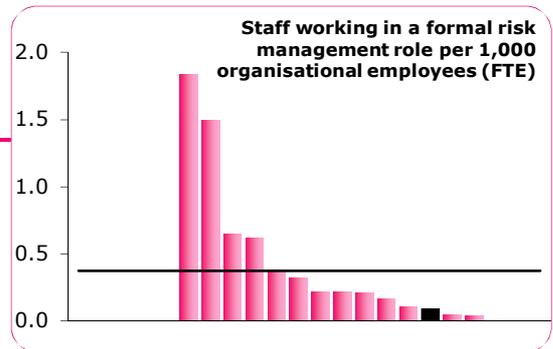
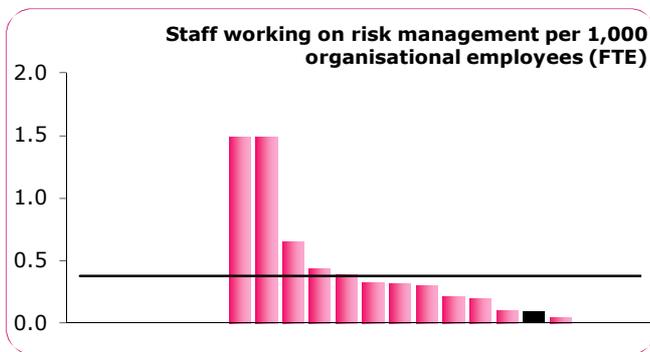
Section H: Resources

In the questionnaire we collected data relating to levels of staffing. As there is no common framework or definition of risk management work, and the quantity of work is relatively small it is not easy to produce like-for-like comparisons. Many authorities entered into the spirit and provided best estimates and we hope they find the analysis useful.

Please note, the figures will be available in the club database and members can review these figures along with the context supplied with the associated text questions.

We hope this analysis supplied here is of interest, however please treat this with common sense, it is not a VFM judgement and it is not good or bad to be at either end of the graphs.

Level of resourcing: Measured as FTE staff working on Risk Management per 1,000 Organisational Employees (FTE)



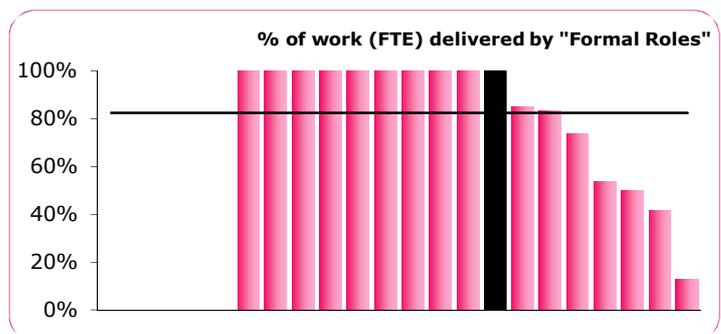
Employees Structure (FTE)	Number	Per 1,000 FTE	Average per 1000 FTE
Formal risk management role	1.20	0.09	0.38
Support risk management role	0.00	0.00	0.19
Staff involved in risk management	1.20	0.09	0.38

Formal Roles vs Support Roles

Formal Roles relate to staff working specifically for a Risk Management team / function.

Support roles relate to Risk Champions, Risk Committee Members and other people with specific risk roles.

Formal vs Support Roles (FTE)	Number
Formal risk management role	1.20
Staff involved in risk management	1.20
% of work delivered by "Formal Roles"	100%
Average	82%



Resources: Question details

- For further details on the questions (guidance and instructions) please see the questionnaire.

41 - Size of the organisation

(41) How many FTEs were on your organisation's payroll as at 31/03/2015?
(Please exclude school based staff if your organisation is an LEA).

Total: 13,000

42 C - Estimate of risk management resourcing (staffing)

(42c) Structure as at 01/04/2015

Totals	Head Count	FTE	Estimated Staff Cost (£'k)
Formal risk management role	2.0	1.2	£54 k
Support risk management role	0.0	0.0	£0 k
Staff involved in risk management	2.0	1.2	£54 k
Average			
Average	Head Count	FTE	Estimated Staff Cost (£'k)
Formal risk management role	1.9	1.2	£39 k
Support risk management role	4.2	0.5	£19 k
Staff involved in risk management	6.1	1.7	£58 k

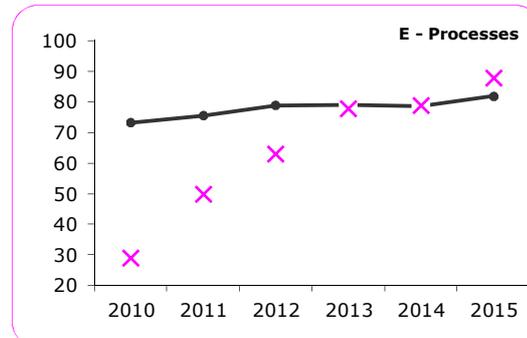
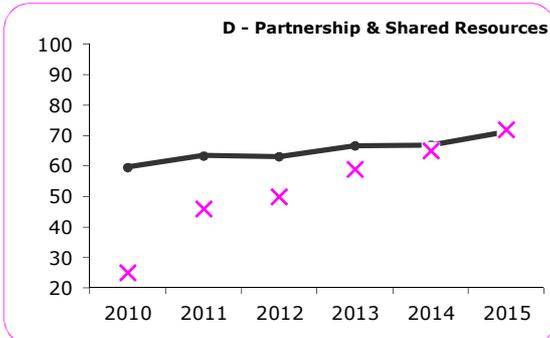
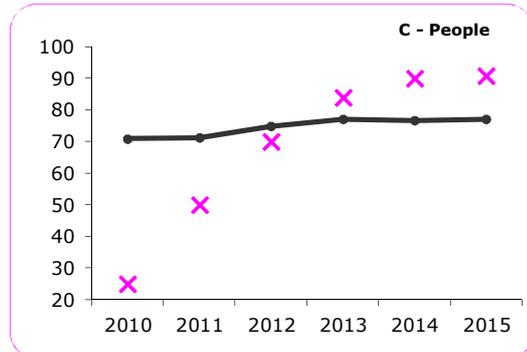
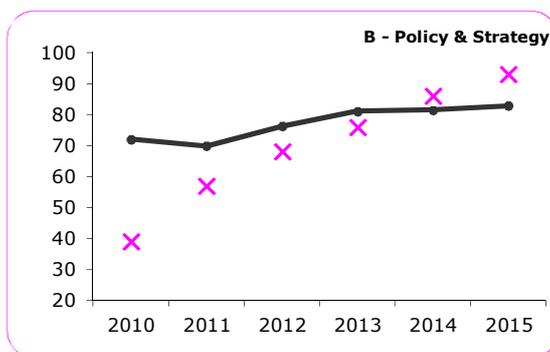
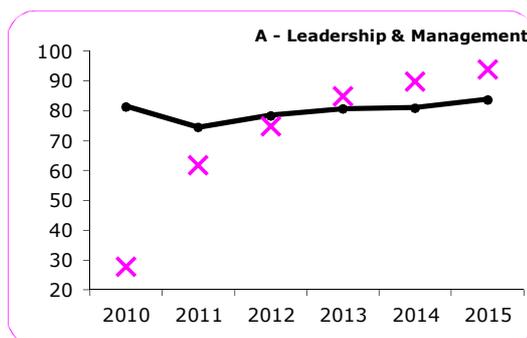
Section I: Timeseries Analysis

The 2014 averages are the actual club averages. For previous years, the averages shown here are scaled up or down from the 2014 figure based on the average rate of change in each year. This is calculated using data from members who supplied figures in consecutive years, otherwise the simple average in each year would be distorted by changes in the composition of the club from year to year.

Timeseries Analysis: Enablers

Timeseries Analysis: Enablers						
	2010	2011	2012	2013	2014	2015
A - Leadership & Management	28	62	75	85	90	94
<i>Average</i>	82	75	78	81	81	84
B - Policy & Strategy	39	57	68	76	86	93
<i>Average</i>	72	70	76	81	82	83
C - People	25	50	70	84	90	91
<i>Average</i>	71	71	75	77	77	77
D - Partnership & Shared Resources	25	46	50	59	65	72
<i>Average</i>	60	63	63	67	67	71
E - Processes	29	50	63	78	79	88
<i>Average</i>	73	76	79	79	79	82

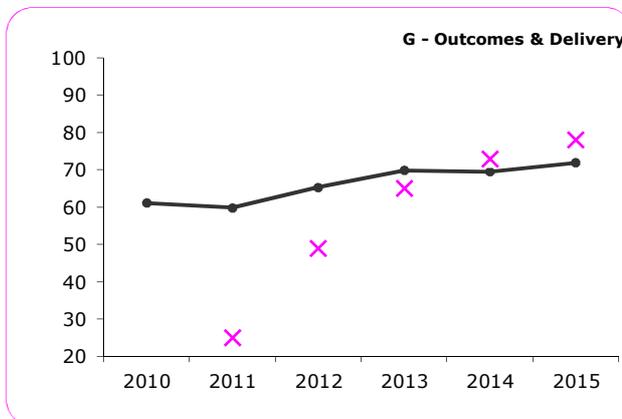
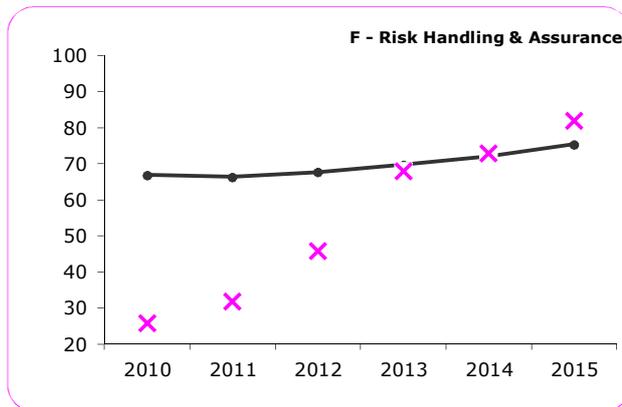
KEY:
 Club average
 Leicester



Timeseries Analysis: Results

Timeseries Analysis: Results						
	2010	2011	2012	2013	2014	2015
F - Risk Handling & Assurance	26	32	46	68	73	82
<i>Average</i>	67	66	68	70	72	75
G - Outcomes & Delivery	16	25	49	65	73	78
<i>Average</i>	61	60	65	70	69	72

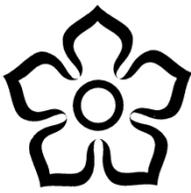
KEY:
 Club average
 Leicester



Section J: Comparison to Previous Year

This page provides a quick comparison to the scores provided by your Organisation last year. The "Direction of Travel" is shown in the last column.

	Question Number	Maximum Score	Leicester		Direction of travel
			2014 Scores	2015 Scores	
Leadership & Management	1	10	10	10	=
	2	12	9	10	↑
	3	10	8	8	=
	4	12	12	12	=
	5	10	9	9	=
	6	10	8	9	↑
	7	12	12	12	=
	8	12	10	12	↑
	9	12	12	12	=
	Total	100	90	94	↑
Policy & Strategy	10	40	35	38	↑
	11	20	15	18	↑
	12	40	36	37	↑
	Total	100	86	93	↑
People	13	25	22	23	↑
	14	15	15	15	=
	15	5	4	4	=
	16	30	28	28	=
	17	5	5	5	=
	18	10	8	8	=
	19	10	8	8	=
Total	100	90	91	↑	
Partnerships & Resources	20	20	14	15	↑
	21	30	15	18	↑
	22	20	12	14	↑
	23	10	10	10	=
	24	20	14	15	↑
Total	100	65	72	↑	
Processes	25	35	Max score changed		↓
	26	30	24	26	↑
	27	2	2	2	=
	28	13	13	13	=
	29	5	4	4	=
	30	5	Max score changed		↓
	31	10	10	10	=
Total	100	53	55	↑	
Enablers Total		500	384	405	↑
Risk & Handling	32	10	10	10	=
	33	30	20	25	↑
	34	20	12	13	↑
	35	20	12	14	↑
	36	10	9	10	↑
	37	10	10	10	=
Total	100	73	82	↑	
Outcomes & Delivery	38	60	48	48	=
	39	40	25	30	↑
	Total	100	73	78	↑
Results Total		200	146	160	↑



Leicester
City Council

WARDS AFFECTED
All

Appendix L

FORWARD TIMETABLE OF CONSULTATION AND MEETING

Audit and Risk Committee – Comment

2 December 2015

Executive - Decision

10 December 2015

Audit and Risk Committee - Note

10 February 2016

Corporate Risk Management Strategy 2016

Report of the Director of Finance

1. Purpose of Report

- 1.1. To advise the Committee of the support and agreement of the Corporate Management Team for the updated Risk Management Strategy and Policy Statement as contained in this report.

2. Recommendations (or OPTIONS)

- 2.1. The Committee is recommended to:-
- Note that Corporate Management Team approved the 2016 Corporate Business Continuity Management Policy Statement and Strategy at Appendix 1;
 - Note that the Executive will be asked to agree the Policy and Strategy in December;
 - Note that this Committee will be advised of the completion of this process in February.

3. Report

- 3.1. The Council's original Risk Management Strategy and Policy was approved by Cabinet on 30 November 2009, with subsequent updates being approved in 2010, 2011, 2012, 2013 and 2014 (the latter three by the Executive). Throughout each of these years satisfactory progress has been made improving and strengthening risk management arrangements within the Council's many, diverse business units. The strategy has now been reviewed again to reflect any improvements still necessary and to confirm the procedures/processes that are now in place to support risk management across the Council.
- 3.2. Effective risk management is essential for organisations and their partners to achieve strategic objectives and improve outcomes for local people. Good risk management looks at, and manages, both positive and negative aspects of risk. It is not about being risk averse, but is the process whereby the Council methodically addresses the risks attaching to its activities with the aim of achieving sustained benefit within each activity and across the portfolio of all activities. The Council's risk management process should allow this 'positive risk taking' to be evidenced.

- 3.3. Positive risk taking' is a process of weighing up the potential benefits and impacts of exercising a choice of action over another course of action. This entails identifying the potential risks involved, and developing plans and controls that reflect the positive potentials and stated priorities of the Council. It then involves using available resources and support to achieve desired outcomes, and to minimise any potential 'harmful' impacts. It is certainly not negligent ignorance of potential risks but, usually, a carefully thought out strategy for managing a specific risk or set of circumstances. The Council's policy calls this being 'risk aware' – we know what the risk is; we know what the impact may be; we know how likely it is to happen; we have in place controls to reduce the potential impact or the likelihood of its occurrence; and, there is visibility of these risks being managed (through the risk management process).
- 3.4. The challenge remains to continue to integrate risk management into the Council's culture, its everyday business operations and those of its contractors and partners. After all, risk management is just one (if very significant) part of the overall management duties of all managers.
- 3.5. The Council should now be positioned where every project/programme should have a risk assessment/log; the Project Assurance Team continues to audit project compliance; the Risk Management and Insurance Services team provide regular, risk management training sessions (following the Strategy review here last year, since October 2014 these have become mandatory for every staff member that has to complete a risk assessment); and, every Divisional Director should have risk on their Head of Service 121s and SMT agendas at least once a quarter to review their Divisional risks prior to submitting their Divisional Risk Register to the Corporate Management Team (and then the Audit and Risk Committee) via the Head of Internal Audit and Risk Management each quarter.
- 3.6. Earlier this year an independent review of our Risk Management Strategy and Policy and it's supporting documentation concluded 'It is our opinion that the Risk Management Policy Statement is adequate and provides a concise statement of fact. The overall process adopted by Leicester City Council largely reflects the HSE's approach to risk assessments. The Risk Management Policy statement clearly articulates the purpose of the risk management process established by Leicester City Council and is supported at senior level. The Risk management Strategy and associated toolkits form a comprehensive suite of documents which can be used to manage a wider range of risk situations. It is our informed opinion that all risk assessments can be completed as detailed in the Risk management Strategy, and that the documentation reviewed can be used as standard templates'. This, along with the interest being shown in our process both at home and abroad, is positive assurance we are on the right track.
- 3.7. Notwithstanding this, there is still further progress to be made. Incidents still occur and there are areas of concern when conversations with staff and management make it clear that areas remain of the current risk management processes that need review to ensure the Council is able to demonstrate an acceptable level of compliance (specifically embedding the risk process within Divisions to gain assurance that all risks are being properly identified, controlled and reported). Several of these instances have been brought to Directors attention through the year as part of the Governance process by which the Risk Registers are presented and discussed at Corporate Management Team every quarter.

- 3.8. Thankfully, there are no major incidents to report here this year as there was last year, but through the work done in the business areas by the RMIS team we are aware that some areas of the council are still (in year six of this Policy cycle) not fully compliant with the Council's Risk Management Strategy and Policy. In particular the following weaknesses have been identified during the recent past:
- Risk assessments are still being completed that are not aligned to Policy (wrong form; wrong scoring methodology);
 - Risk assessments are being completed by staff who haven't attended the mandatory risk management training – evidenced by assessments that are poorly written and worded;
 - Third party risk assessments are not always obtained nor considered and, where they are obtained, it is often used as the only risk assessment;
 - The cost of risk is not always clear, leading to inappropriate indemnity limits being sought from third parties.
- 3.9. Last year I reported that 'as a consequence of one of the significant incidents, the Chief Operating Officer, in an e-mail to the Union representatives and the Health & Safety and Risk Management & Insurance Services (RMIS) teams has advised that the 'Identifying and Assessing Operational Risk' training session should now be mandatory for all staff who have to complete a risk assessment as part of their day to day duties. The Council's Health and Safety Policy will now clearly state that any advice on risk management should come from the RMIS team and not any other areas of the Council's assurance/governance functionality'.
- 3.10. The RMIS team, acknowledging that there were many staff, managers and supervisors who are carrying out risk assessments that had not been on the training, more than doubled the planned number of sessions available to staff in 2015. Where numbers were sufficient, bespoke training sessions have been delivered to teams in their own environment. In total, 20 courses have been delivered to around 500 staff in the calendar year to date. A commendable feat when you consider there are no full time Risk Management staff and one that could not have been delivered without the support of the Directors and their teams.

4. Summary

4.1. The key deliverables in this year's Strategy include:-

- Ensuring the Risk Management Framework at LCC continues to reflect the organisational structure, and that risks affecting the delivery of the Council's priorities and its objectives are properly identified, assessed, managed, monitored and reported;
- Continuance of the process whereby Divisional Directors (and now their Heads of Service) have individual risk registers feeding through to the Council's Operational Risk Register, which is reviewed by the Corporate Management Team, led by the Chief Operating Officer, supported by the Head of Internal Audit and Risk Management;
- Improving Divisional engagement with risk management processes to further embed a culture within the Council where risk is anticipated and managed proactively – that is, it becomes part of the daily process. It is not a quarterly 'form filling' exercise, but

should be seen to 'add value'. A risk assessment should be completed and/or updated for each project or contract being let, as a minimum;

- Increasing recognition of the benefits that can be achieved, operationally and strategically, with effective and embedded risk management;
- Continuing to support the operational service areas in the development and improvement of their individual risk registers by identifying and delivering training support and guidance. This may be delivered by the Risk Management and Insurance Services team and/or by external risk consultants from Zurich Municipal (funded through the Insurance Contract);
- Directors and Managers continuing to identify staff requiring risk management training through the appraisal and job specification process. As highlighted above, this is a key deliverable for Directors and their teams in 2015 to better protect the Council. It is, after all, the business areas that 'own' and should manage their risks; and
- Emphasising that Risk Management and Insurance Services (along with Internal Audit) continue to be perceived across the Council as 'Risk Advisors' who will assist managers in scoping and managing their risk exposure to enable the implementation of innovative schemes. These areas do not (and should not) manage the Council's risks.

4.2 The work of the Risk Management and Internal Audit teams should continue to provide an independent assurance about the adequacy of risk management. These teams may also be used by management as 'expert' internal consultants to assist with the development of strategic and operational risk management processes. Both teams have a wide ranging view of the whole of the Council's activities and already have some form of assessment to inform their planning of systems and processes to be reviewed and audited.

4.3 As this is now the fifth year of this process, changes to the Strategy and Policy are limited. However, the following updates have been made:

- There are no changes to the Policy statement in the Strategy;
- The final bullet within 'Section 2 'Aims and Objectives' has been added;
- Paragraph 4 has been amended to carry a definition of risk;
- Paragraph 14 has had the word 'only' added, to assist in avoidance of loss of insurers indemnity (which arose from the incident described at paragraph 3.9 above);
- Paragraph 15 has had several superfluous words removed;
- Paragraph 18 has been amended so that it simplifies the process and matches 'plain English' requirements;
- Paragraph 22, first bullet, has been amended to reflect the work done by RMIS since 2014 to help produce risk registers at Head of Service level;

- Appendix 1A now also includes the scoring 'guidance' used by officers when carrying out their risk assessments.

- 4.4 Finally, as this is a summary of the past 12 months achievements in risk management, it should be noted that the Head of Internal Audit and Risk Management, as the ALARM Risk Manager of the Year, delivered a presentation on Enterprise Risk Management (the 'official' title for our process) to over 1700 delegates at the PRIMA International Risk Managers Conference in Texas; to 1200 UK ALARM delegates at their Learning and Development Forum in Birmingham, both in June; and to 200 delegates at ALARM Scotland in Edinburgh, during their Forum in October. Such has been the interest nationwide within Local Government circles in what we have done here, that this has been requested by the ALARM South West group for their regional conference in February.
- 4.5 Following the events in paragraph 4.4, the Head of Internal Audit and Risk Management is working (long distance) with 28 US State Authorities that wish to adopt our process and has contracted (income of c£7,500) to deliver this process with the Risk Manager and Strategic Director, Risk at an English Metropolitan Borough Council. There are also 36 other UK Local Authorities that are in negotiations for the same service. This is not only a reflection of the hard work and enthusiasm of the risk management staff but also of the great support provided by the members of this Board and your staff who put these risk management processes into practice.

5. FINANCIAL IMPLICATIONS

5.1. Financial Implications

5.1.1 The cost of risk falls into two categories:

- The direct cost - paying premiums to insurance companies, meeting insured claims, encouraging low cost risk improvement initiatives, supporting essential risk control measures, and associated administration of the risk management function. For 2014/15 this is estimated to be about £5m.
- The indirect cost – mainly the service disruption associated with incidents. This cost is extremely difficult to quantify on most occasions, but in a 'worst case scenario' may amount to a sum as much as, or in excess of, the direct costs. As an example, the insurance 'cost' for the Catherine School fire (a fairly low level incident that led to partial, not total, loss of asset) was around £5M.

5.1.2 Whilst our insurance arrangements protect the Council from catastrophic loss in any given year without additional charge in that year, any overall deterioration in the Council's loss experience will have an impact on premiums for future years. It is never possible to eliminate the cost of loss, however, low incident rates can be maintained, and by proper attention to risk control and the prevention of incidents, the financial impact can be managed.

5.1.3 With the Council looking to adopt a 'Risk Aware' approach rather than 'Risk Averse' (and integrating risk management into the Council's culture and day-to-day practice), it is in a better position to identify opportunities that may benefit the Council (including financial) where associated risks are managed rather than avoided altogether.

5.1.4 By building risk awareness into the root of all business cases and proposals to the Executive and the Corporate Management Team – ensuring these reports make it clear that risk has been considered and a risk assessment (in line with the Strategy and Policy) is present, driving risk management from both a top down and bottom up approach, and maintaining and periodically reviewing the relevant risk registers (Operational and Strategic) the Council is also putting itself in a better position to highlight unacceptable risk (individually or collectively) and take appropriate action where necessary to minimise the risk of potential losses (including financial).

5.1.5 In terms of risk financing, the Council currently maintains an insurance fund and only externally insures for catastrophe cover. As referred to in Appendix 2 (Risk Management Strategy 2014), this balance between external/internal cover needs to be reviewed (and documented) on an annual basis taking into account the market conditions and claims experience.

(Alison Greenhill, Director of Finance)

6. Other Implications

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

7. Report Authors

- 7.1. Tony Edeson, Head of Internal Audit and Risk Management – 37 1621.
Sonal Devani, Manager, Risk Management – 37 1635.

Appendix 1 – Risk Management Strategy and Policy Statement 2016

Risk Management Policy Statement 2016

Our approach to the management of risk

Risk management is all about managing the Council's threats and opportunities. By managing the Council's threats effectively we will be in a stronger position to deliver the Council's objectives. It is acknowledged that risk is a feature of all business activity and is a particular attribute of the more creative of its strategic developments. The Council accepts the need to take proportionate risk to achieve its strategic obligations, but expects that these are properly identified and managed. By managing these opportunities in a structured process the Council will be in a better position to provide improved services and better value for money.

The Council will undertake to:-

1. Identify, manage and act on opportunities as well as threats to enable the Council to achieve its objectives and integrate risk management into the culture and day to day working of the Council.
2. Manage risk in accordance with best practice and comply with statutory requirements.
3. Ensure that a systemic approach to risk management is adopted as part of Divisional Planning and Performance Management.
4. Anticipate and respond to changing social, environmental and legislative requirements.
5. Keep up to date and develop our processes for the identification/management of risk.
6. Have in place a defined outline of individual roles and responsibilities to manage risk.
7. Raise awareness of the need for risk management to those involved in developing the Council's policies and delivering services.
8. Demonstrate the benefits of effective risk management through:-
 - Cohesive leadership and improved management controls;
 - Improved resource management – people, time, and assets;
 - Improved efficiency and effectiveness in service and project delivery;
 - Better protection of employees, residents and others from harm;
 - Reduction in losses leading to lower insurance premiums; and,
 - Improved reputation for the Council;
9. Ensure risk assessments (identification of, and plans to manage, risk) are an integral part of all papers; plans; and, proposals to the Executive and the Corporate Management Team.
10. Recognise that it is not possible, nor desirable, to eliminate risk entirely, and so have a comprehensive insurance programme that protects the Council from significant financial loss following damage or loss of its assets.

Andy Keeling
Chief Operating Officer

Sir Peter Soulsby
City Mayor

INTRODUCTION

1. This Risk Management Strategy is a high level document that seeks to promote identification, assessment and response to key risks that may adversely impact the achievement of the Council's aims and objectives. This strategy builds on, and replaces, the 2015 Risk Management Strategy. Through the continued development of these strategies, the maturity of the Council's risk management will be reflected in a more enabled and proactive culture of embracing innovative opportunities and managing risks.

AIMS and OBJECTIVES

2. The aims and objectives of Leicester City Council's Risk Management Strategy are:-
 - To provide the Executive, Members and senior officers with regular risk management reports that give a comprehensive picture of the Council's risk profile;
 - To assist the Council and its partners to adopt a "fit for purpose" methodology towards identification, evaluation and control of risks and to help ensure those risks are reduced to an acceptable level – the 'risk appetite';
 - To ensure that transparent and robust systems are in place to track and report upon existing and emerging risks which potentially could cause damage to the Council or have an effect on the achievement of objectives;
 - To help further integrate risk management into the culture and day to day working of the Council and ensure a cross divisional/operational approach is applied;
 - To provide reliable information on which to base the annual strategic and operational risk and governance assurance statements;
 - To ensure a consistent approach in the identification, assessment and management of risk ('the risk cycle') throughout the organisation.

ROLES and RESPONSIBILITIES

3. Given the diversity of services and the wide range of potential risks, it is essential that responsibility for identifying and taking action to address potential risks is clear. No one person or group should perform risk management. Commitment and involvement of staff at every level is needed to effectively carry out risk management. Although different staff/managers will have specific duties to assist in this process, it is important that they all know and understand their role. This staff involvement may also take in views and comments from other Divisional teams who may have experience of managing similar risks.

RISK DEFINITION AND APPETITE

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

"Risk is the effect of uncertainty on objectives"

5. When discussing risk management it is easy to give the impression that all risks must be eliminated. However, risk is a part of everyday life and taking risks may also be a route to success, if managed properly. Elimination of all risk is not practicable. Risk appetite is the amount of risk an organisation is prepared to accept, tolerate or be exposed to at any point in time. Appendix 1A below attempts to demonstrate the Council's risk appetite. All of the risks that sit below the black line, the Council is prepared to tolerate. This does not mean that we do not plan for their occurrence, but that we should have considered their occurrence, and where

appropriate, given some thought to what we would do if that risk materialises. An example of this would be total loss of a building by fire. This is a typical 'high impact' but 'low likelihood' risk that cannot realistically be managed day to day, beyond normal management responsibilities; but which (should it occur) would be dealt with through the activation of an effective Business Continuity Plan and Insurance cover – both significant mitigants to that risk.

6. Risk appetite needs to be considered at all levels of the organisation – from strategic decision makers to operational deliverers. The Authority's risk appetite is the amount of risk that it is prepared to take in order to achieve its objectives. Defining the Authority's risk appetite provides the strategic guidance necessary for decision-making. The Authority's risk appetite is determined by individual circumstances. In general terms, the Authority's approach to providing services is to be innovative and to seek continuous improvement within a framework of robust corporate governance. This framework includes risk management that identifies and assesses risks appertaining to decisions being considered or proposed.
7. Decisions on whether to proceed with such proposals are part of the challenge process and are only taken after the careful assessment of the identified risks and an analysis of the risks compared to the benefits. As such, risk appetite should be considered for every proposal and risk rather than an over-arching concept for the entire Authority. There will be areas where a higher level of risk will be taken in supporting innovation in service delivery. These will be offset by areas where it maintains a lower than cautious appetite - for example, in matters of compliance with law and public confidence in the Authority. Risk appetite can therefore be varied for specific risks, provided this is approved by appropriate officers and/or Members. However, in all circumstances:
 - The Authority would wish to manage its financial affairs such that no action will be taken which would jeopardise its ability to continue as a going concern; and
 - The Authority would wish to secure the legal integrity of its actions at all times.

Despite this, at times the Authority may be forced to take risks beyond its choosing to comply with central government directives or to satisfy public expectations of improved services.

8. Local Authorities are, historically, risk averse. The aim of most local authorities is that key strategic and operational risks are well controlled, minimising the likelihood of an occurrence. However, it is recognised that there are costs involved in being too risk averse and avoiding risk, both in terms of bureaucracy and opportunity costs.
9. Leicester City Council's approach is to be risk aware rather than risk averse, and to manage risk. As set out in its Risk Management Policy Statement, it is acknowledged that risk is a feature of all business activity and is a particular attribute of the more creative of its strategic developments. Directors and Members are not opposed to risk; however, they are committed to taking risk with full awareness of the potential implications of those risks and in the knowledge that a robust plan is to be implemented to manage them. The Council's risk management process allows this 'positive risk taking' to be evidenced.
10. 'Positive risk taking' is a process of weighing up the potential benefits and impacts of exercising a choice of action over another course of action. This entails identifying the potential risks involved, and developing plans and controls that reflect the positive potentials and stated priorities of the Council. It then involves using available resources and support to achieve desired outcomes, and to minimise any potential 'harmful' impacts. It is certainly not negligent ignorance of potential risks but, usually, a carefully thought out strategy for managing a specific risk or set of circumstances.

11. However, having an effective risk management framework does not mean that mistakes and losses will not occur. Effective risk management means that unacceptable risks are highlighted, allowing appropriate action to be taken to minimise the risk of potential loss. The principle is simple, but this relies upon a number of individuals acting in unity, applying the same methodology to reach a soundly based conclusion. However, it is recognised that risk management is judgemental, and is not infallible. Incidents will still happen, but the Council will be in a better position to recover from these incidents with effective risk/business continuity management processes in place.

RISK FINANCING

12. Risk Financing is the process which determines the optimal balance between retaining and transferring risk within an organisation. It also addresses the financial management of retained risk and may best be defined as money consumed in losses, funded either from internal reserves (such as the Insurance Fund) or from the purchase of 'external' insurance (such as the catastrophe cover provided by the Council's external insurers).

13. Leicester City Council's strategy for Risk Financing is to maintain an insurance fund and only externally insure for catastrophe cover. The Council's strategy is to review the balance between external/internal cover on an annual basis in the light of market conditions and claims experience. This balance will be influenced by the effectiveness of the risk management process embedded at the Council and the process is managed by the Risk Management and Insurance Services team on behalf of the Director of Finance.

RISK MANAGEMENT PROCESS

14. This outlines the process which managers and staff should use to identify, assess, control, monitor and report their risks. Risk Management is intended to help managers and staff achieve their objectives safely and is not intended to hinder or restrict them. The process ensures that risk management is approached consistently across all of the many diverse activities of the Council.

15. There are five key steps in the risk management process. These stages are covered in greater detail in the Risk Management Toolkit – a step-by-step guide to risk management at Leicester City Council - which is available to all members, managers and staff via the RMIS Interface site. The risk management process is also explained in detail in the 'Identifying and Assessing Operational Risk' training course, which is now mandatory for staff that complete risk assessments and teaches staff to:-

- **Identify** - Management identify risks through discussion as a group, or discussion with their staff. The Risk Management and Insurance services team are available to support this process either by attending or facilitating risk 'workshops' or delivering risk identification and mitigation training to managers and their business teams in advance of their own sessions;
- **Assess/Analyse** - Management assess the likelihood of such risks occurring and the impact on the Council/their objectives using only the Council's approved risk assessment form and the 5x5 scoring methodology;
- **Manage** - Management determine the best way to manage their risks e.g. terminate, treat, transfer, tolerate or take the opportunity (see paragraph 18 below);
- **Monitor** – Management should monitor their risks and the effectiveness of their identified management controls;

- **Review** - Management ensure identified risks are regularly reviewed. This will normally be managed by means of a Risk Register (see sections 18 – 24 below for more detail).

16. The Strategic objectives of the Council and individual Divisional Operational objectives provide the starting point for the management of risk. Managers should not think about risk in the abstract, but consider events that might affect the Council's achievement of its objectives. Strategic risks are linked to Strategic objectives and Operational risks linked to Divisional service delivery objectives and day to day activities need, as a minimum, to be identified and monitored. This is best done by the effective use of Risk Assessments/Registers.
17. Risk Management is driven both top down and bottom up, to ensure risks are appropriately considered. To do this, all managers need to encourage participation in the process, through regular discussions/review with their staff. The Risk Management process seeks to work with and support the business and **not** add a layer of bureaucracy.

MANAGE THE RISKS

18. Once risks have been identified and assessed by management, those managers should determine how their identified risks are to be dealt with – a process commonly known as the five T's:-

- **Terminate** or avoid the activity or circumstance that gives rise to the risk e.g. stop doing something or find a different way of doing it;
- **Treat** the risk e.g. take actions to reduce the likelihood that the risk event will materialise or better manage the consequences if it does. This is the most common option for a local authority;
- **Transfer** the risk, e.g. pass the risk to another party through insurance or by contracting with a third party to deliver on your behalf. This reduces the impact if a risk event occurs;
- **Tolerate** the risk. By taking an informed decision to retain risks, monitor the situation and bear losses out of normal operating costs. Typically this method will be used when the cost of treating the risk is a lot more than the cost arising should the risk occur;
- **Take the Opportunity**. This option is not an alternative to the above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk. There are two considerations here:
 - Consider whether or not at the same time as mitigating a threat, an opportunity arises to exploit positive impact. For example, if a large sum of capital funding is to be put at risk in a major project, are the relevant controls good enough to justify increasing the sum at stake to gain even greater advantage?;
 - Consider also, whether or not circumstances arise which, whilst not generating threats, offer positive opportunities. For example, a drop in the cost of goods or services frees up resource which may be able to be redeployed.

REVIEWING THE RISKS

20. It is important that those risks that have been identified as needing action are subject to periodic review, to assess whether the risk of an event or occurrence still remains acceptable and whether or not further controls are needed. If not, appropriate action(s) should be determined and noted. The frequency of reviews to be decided by management, depending on the type and value of the risks identified (see also 22 below). Currently at Leicester City Council, the significant Strategic and Operational Risks are reviewed and reported on a quarterly basis.

RISK EXPOSURE AND TRACKING

21. After evaluating the measures already in existence to mitigate and control risk, there may still be some remaining exposure to risk (residual risk). It is important to stress that such exposure is not necessarily wrong, what is important is that the Council knows what its key business risks are; what controls are in place to manage (mitigate) these risks; and, what the potential impact of any residual risk exposure is. It is also important that the Council can demonstrate that risk management actions (the mitigating controls identified by managers as being needed) in the operational and service areas are implemented, remain appropriate and are working effectively.
22. Significant operational risks should continue to be logged and monitored using the operational risk registers. It is the responsibility of each Divisional Director to ensure that operational risks are recorded and monitored via a risk register. The Risk Management and Insurance Services (RMIS) team produce a pro-forma risk assessment/register that **must** be used by all business areas. The 'scoring' of these risks **must** also be carried out using the Council's 5x5 risk matrix as this ensures compliance with both best practice and the risk management standard ISO31000. These registers and the risks identified are aligned to the Council's operating structure. The process for reviewing and reporting Operational Risks at Leicester City Council should be:
- At least quarterly (during January, April, July and October) Divisional Directors should review and agree risks during their 121 with each of their Heads of Service (HoS). Following work since mid-2014 by the Manager, Risk Management, all HoS should have a risk register for their services in place by June 2016 which will allow this process to function properly. The HoS should then have in place a mechanism allowing their direct reports to flag risk issues with them and will have to consider/decide whether their direct reports too should compile a risk register.
 - Divisional Directors will take the most significant of their HoS service area risks (if any) and add them to their Divisional Operational Risk Register (DORR). The complete DORR should then be agreed by their Divisional Management Team;
 - Divisional Directors should, as appropriate, review and discuss their DORRs during their 121 with their Strategic Director at least quarterly (see 24 below);
 - Once agreed, the DORRs are then submitted to Risk Management and Insurance Services (RMIS) on, or before, the first working day of February, May, August and November;
 - The RMIS staff will then review (for obvious errors) all of the Divisional Operational Risk Registers and compile the Council's Operational Risk Register with the most significant of these risks (currently those with a risk score of 15 or above);
 - The Head of Internal Audit and Risk Management will then submit the Council's Operational Risk Register to the Corporate Management Team for agreement and final approval; and to the Audit and Risk Committee for noting.
23. These most significant risks identified by the Divisional Directors feed into the Council's Operational Risk Register which is managed by the Corporate Management Team. They are accountable for ensuring that all operational risks are identified against service delivery objectives; that plans are implemented to control these exposures; and that key risks are included within individual service plans.
24. The Strategic Directors have created, manage and monitor a Strategic Risk Register for those risks which may affect achievement of the Council's strategic objectives. The most significant of these risks, those that may threaten the Council's overall strategic aims, form this register which is reviewed and updated by those Directors each quarter. Responsibility for these risks rests with named Strategic Directors. As part of the overall process of escalation, each Strategic Director should also have risk on their 121 agenda with their Divisional Directors at least

quarterly as one of the significant Strategic Risks is a serious failing of the management of Operational Risks by their Divisional Directors.

25. The RMIS team facilitate and support this process and will continue to maintain the Operational and Strategic Risk Registers, using the input from each Divisional Operational Risk Register and the Strategic Risk Register. These registers will be reported quarterly to the Corporate Management Team and the Audit and Risk Committee. As part of this process, bespoke training needs may be identified and the RMIS team will provide training and support upon request.
26. All risks identified, both operational and strategic, will need to be tracked and monitored by regular, quarterly reviews of the risk registers (at the quarterly 121's mentioned above). This will ensure that any changes in risks are identified for action; there is an effective audit trail; and, the necessary information for ongoing monitoring and reports exists.

PARTNERSHIP RISK

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

RISK MANAGEMENT TRAINING

28. Since January 2010, risk management training has been delivered, and continues to be offered to all staff (and Members) to explain risk management methodology. An annual programme of training (covering risk, insurance and business continuity planning) remains available to all staff, managers and Members. However, Directors and managers should still identify those staff that need this training through the staff appraisal process (existing staff) and through the jobs specification process (new staff). Appropriate training will be provided by the Risk Management and Insurance Services team, within the resources available. As mentioned above, in October 2014, Corporate Management Team made this training mandatory for staff that have to carry out a risk assessment.

REVIEW OF RISK MANAGEMENT STRATEGY AND POLICY

29. This Risk Management Strategy and the associated Policy Statement are intended to assist in the development/integration of risk management from now until December 2016.
30. All such documents and processes will remain subject to periodic review. The next planned review to occur in Quarter 4 2016. This allows any changes in process to be aligned to the Council's financial year end.

RISK MANAGEMENT AT LEICESTER CITY COUNCIL

31. A continuing robust risk management process needs to continue to be applied to all our activities during the next 12 months and beyond. To achieve this we need to identify our priority exposures, address these, incorporate appropriate risk management strategies and risk improvements into our service delivery in line with the Council's priorities, monitoring and reviewing emerging risk to determine how it affects those priorities and to account for changes in

our operations and to enable us to make well-informed decisions. Risk must be considered as an integral part of Divisional planning, performance management, financial planning and strategic policy-making processes. The cultural perception of risk management has to continue changing from a 'have-to-do' to a 'need-to-do'.

32. The Head of Internal Audit and Risk Management will continue to maintain a central copy of the Strategic and Operational Risk Registers, as well as the Divisional Operational Risk Registers. Internal Audit will continue to utilise these registers to produce a programme of 'process audits', which will test the maturity and embeddings of the risk strategy in the business areas – subject to resource being available. So, the Council's Risk Strategy and Policy will help Director's to report appropriately upon their risk and their risk registers will be used pro-actively to inform the Internal Audit work programme which, in turn, allows assurance to be given to both the Corporate Management Team (officers) and the Audit and Risk Committee (members) that risk is being properly identified and managed at Leicester City Council.
33. The management of risk should be included in job descriptions for all operational service area managers with responsibility and accountability for risks, and be included in every director/manager's objectives and performance appraisal discussion.
34. Directors and managers should also ensure that all stakeholders (employees, volunteers, contractors and partners) are made aware of their responsibilities for risk management and are aware of the lines of escalation for risk related issues. Risk management is most successful when it is explicitly linked to operational performance.

Appendix 1A - RISK APPETITE

Key to Table:

The numbers in the boxes indicate the overall risk score which is simply the 'Impact score' (horizontal axis) multiplied by the 'Likelihood score' (vertical axis), which is then coloured coded to reflect a 'RAG' status. The solid black line indicates what Directors consider to be the Council's 'risk appetite' (see paragraphs 4-11 above) where they are comfortable with risks that sit below and to the left of that line.

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

	IMPACT	SCORE	BENCHMARK EFFECTS
CRITERIA	<i>CRITICAL/ CATASTROPHIC</i>	5	<ul style="list-style-type: none"> Multiple deaths of employees or those in the Council's care Inability to function effectively, Council-wide Will lead to resignation of Chief Operating Officer and/or City Mayor Corporate Manslaughter charges Service delivery has to be taken over by Central Government Front page news story in National Press Financial loss over £10m
	<i>MAJOR</i>	4	<ul style="list-style-type: none"> Suspicious death in Council's care Major disruption to Council's critical services for more than 48hrs (e.g. major ICT failure) Noticeable impact in achieving strategic objectives Will lead to resignation of Strategic Director and/ or Executive Member Adverse coverage in National Press/Front page news locally Financial loss £5m - £10m
	<i>MODERATE</i>	3	<ul style="list-style-type: none"> Serious Injury to employees or those in the Council's care Disruption to one critical Council Service for more than 48hrs Will lead to resignation of Divisional Director/ Project Director Adverse coverage in local press Financial loss £1m - £5m
	<i>MINOR</i>	2	<ul style="list-style-type: none"> Minor Injury to employees or those in the Council's care Manageable disruption to internal services Disciplinary action against employee Financial loss £100k to £1m
	<i>INSIGNIFICANT/ NEGLIGIBLE</i>	1	<ul style="list-style-type: none"> Day-to-day operational problems Financial loss less than £100k

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



Leicester
City Council

WARDS AFFECTED
Type in Ward

Appendix M

FORWARD TIMETABLE OF CONSULTATION AND MEETING

Audit and Risk Committee - Comment

2 December 2015

Executive - Decision

10 December 2015

Audit and Risk Committee - Note

10 February 2016

Corporate Business Continuity Management Policy and Strategy 2016

Report of the Director of Finance

1. Purpose of Report

- 1.1. To advise the Committee of the support and agreement of the Corporate Management Team for the latest update to the Business Continuity Management Policy Statement and Business Continuity Management Strategy as contained in this report.

2. Recommendations

- 2.1. The Committee is recommended to:-

- Note that Corporate Management Team approved the 2016 Corporate Business Continuity Management Policy Statement and Strategy at Appendix 1;
- Note that the Executive will be asked to agree the Policy and Strategy in December;
- Note that this Committee will be advised of the completion of this process in February.

3. Summary

- 3.1. The Council's first Business Continuity Management Policy and Strategy was approved by Strategic Management Board on the 23 November 2010 and subsequently by Cabinet on 17 January 2011. Every year since then, the Policy and Strategy has been updated and approved by all Directors and the Executive.
- 3.2. Since that first Policy and Strategy in 2011, progress has been made improving and strengthening business continuity management arrangements culminating in a complete refresh and re-write of the Corporate Business Continuity Plan in 2012. This plan was reviewed and updated during 2013 to reflect the changes brought about by the new standard ISO22301, effective 1 November 2012. The Council's Corporate Plan and its Strategy were also independently reviewed by a post-graduate student from De Montfort University (DMU) in 2013.
- 3.3. The challenge remains to integrate business continuity management into the Council's culture, its everyday business operations and those of its contractors and partners. We are

now positioned where we have a revised and updated Corporate Business Continuity Plan (CBCP), which has been developed within an overall framework for contingency planning. This should now influence business continuity thinking in the organisation, by defining what our critical activities are and that, for those activities, a business continuity plan exists. An annual self-certification process was introduced in June 2012, whereby Directors confirm their plans had been reviewed, tested and, if appropriate, updated on an annual basis. Every critical activity plan is reviewed annually by RMIS and held securely on the BCM secure Internet site, along with the CBCP.

- 3.4. The Council continues with no full time resource corporately for Business Continuity and the activity of the Risk Management and Insurance Services team is targeted at the following key activities:-
- Continuing development of BCM at the Council to better align with current accepted best practice, Standards (ISO22301) and requirements of the Civil Contingencies Act (2004) – including a revised pro-forma being issued for staff and schools to use;
 - Ensuring that up to date, tested plans exist for all areas. Primary focus has to be the critical activities, followed by review of the remainder of the Council's activities, those deemed 'non-critical' which will continue to be reviewed and dealt with by Divisions; and,
 - Continued delivery of a specific business continuity based training programme for Senior Managers, management and their staff.

It is this latter point where the support of members and directors is most needed.

4. Report

- 4.1. A Business Continuity Management (BCM) system emphasises the importance of:
- Understanding the business needs and the necessity for establishing a BCM policy and strategy;
 - Implementing and operating controls and measures for managing the Council's overall capability to manage disruptive incidents;
 - Monitoring and reviewing the performance and effectiveness of BCM; and,
 - Continual improvement based on objective measurement.
- 4.2. The Council's BCM needs to be consistent with the International Standard (ISO22301) and ensure that its business continuity responsibilities within the Civil Contingencies Act (2004) are being met. Following work done during the last few years, the Council has a definitive base from which to build further toward alignment with the principles of the Standard.
- 4.3. In September 2011 the Cabinet Office and the British Standards Institute produced 'PAS200:2011 Crisis Management – Guidance and Good Practice' to help businesses cope with unexpected emergencies like employee deaths, corporate espionage or other natural disasters. The Council introduced a Sudden Unexpected Incident Guide (SUIG) in January 2012 as it recognised that crisis scenarios often do not need a full business continuity response. The SUIG, along with its Corporate Business Continuity Plan, allows the Council to identify the capabilities needed to develop and maintain an effective crisis response aligning to this guidance. It is disappointing that many staff still do not know of the existence of the SUIG.

- 4.4. The benefits of having a clear, unambiguous and appropriately resourced Business Continuity and Crisis Management policy and programme include:
- **Resilience** - Proactively improves resilience when faced with the disruption to the Council's ability to achieve its key objectives;
 - **Reputation** - Helps protect and enhance the Council's reputation;
 - **Business improvement** – Gives a clear understanding of the entire organization which can identify opportunities for improvement;
 - **Compliance** - Demonstrates that applicable laws and regulations are being observed;
 - **Cost Savings** - Creates opportunities to reduce the cost of business continuity management and may reduce insurance premiums;
 - **Delivery** - Provides a rehearsed method of restoring the Council's ability to supply critical services to an agreed level and timeframe following a disruption;
 - **Management** - Delivers a proven capability for managing disruptions.
- 4.5. Business Continuity Management is cross-functional by its nature. A lead BCM manager (here at Leicester City Council it is the Head of Internal Audit and Risk Management) has a policy setting, governance, quality assurance, programme management and facilitator role with, at a secondary level, individual plans to ensure continuity of the business being owned by the areas of the organisation that need to protect their service delivery.
- 4.6. In order to apply an appropriate Business Continuity strategy the Council has to identify its critical activities, resources, duties, obligations; identify its threats and risks and set its overall risk appetite – hence the facilitation role sits comfortably within Risk Management and Insurance Services (RMIS). Poorly managed incidents also leave the Council and its officers exposed to insurance claims, a function also managed within the RMIS team.
- 4.7. Work continues on achieving a cohesive incident response structure, integrated with the Emergency Management team, with close co-ordination between Business Continuity and Emergency Management teams remaining a key piece of the 2016 strategy. The Council's Head of Internal Audit and Risk Management remains Chair of the Leicestershire Multi-Agency Business Continuity Group (formerly known as the Local Resilience Forum (LRF) Business Continuity Practitioners Group, which was a sub group of the LRF General Working Group).
- 4.8. The BCM programme needs to be managed in a continuous cycle of improvement if it is to be effective. This means that formal and regular exercise, maintenance, audit and self-assessment of the BCM **culture** are essential. This ideal would be more easily realised if all of the appropriate staff within each Division attended the BCM awareness training delivered by RMIS. This needs properly formalising and managing and remains a key activity within 2016.
- 4.9. As this is now the fifth update to the original strategy and policy, changes are few and minor. There have been no changes to the policy statement and only minor changes to the following sections of the strategy:
- Section 5, second paragraph – the references to 'Gold', 'Silver' and 'Bronze' have been amended to include references to 'Strategic', 'Tactical' and 'Operational' which better reflects the language now used in the updated standard and by our partners. All such references within the rest of the plan have also been changed.

5. **FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

5.1. **Financial Implications**

5.1.1 'Rigorous BCP arrangements are essential to ensure the Council can be confident of recovering effectively from a major incident and with as little additional or abortive expense as possible'. Colin Sharpe, Head of Finance – 37 4081.

5.2. **Legal Implications**

5.2.1 'Rigorous BCM arrangements are essential to ensure the Council can be confident of ensuring it has proper cover for its legal liabilities'. Kamal Adatia, City Barrister – 37 1401

6. **Other Implications**

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

7. **Report Author**

7.1. Tony Edeson, Head of Internal Audit and Risk Management – 37 1621.
Sonal Devani, Manager, Risk Management – 37 1635.

Appendix 1 - Leicester City Council's Business Continuity Management Strategy and Policy Statement - 2016

Policy Statement - 2016

This Policy sets the direction for Business Continuity Management at Leicester City Council. Disruptive events do occur and are usually unexpected. It might be an external event such as severe weather, utility failure or pandemic flu, or an internal incident such as ICT failure, loss of a major supplier or loss of a key building.

By planning *now* rather than waiting for it to happen, we can get back to normal business in the quickest possible time. This is essential to those who rely on the Council's services and it helps our community retain its confidence in us. Planning ahead means there is less muddling through, more support for staff handling the situation and reduced potential for financial loss.

In a disruptive situation, it will not be possible to run all Council services in the usual way. Whilst all services are important, priority for recovery will be given to those which have been determined to be the most essential, the business-critical activities – those that the Board has agreed must be back up and running within 24 hours, and this is where resources will be directed first.

This enables us to fulfil our duties under the Civil Contingencies Act 2004. The Council has had plans in place for some time and its arrangements align (but not fully comply) with the principles of the International Standard for Business Continuity, ISO22301.

By the Council following the ISO22301 programme, it will improve understanding of our critical assets and processes. Central to the work are preparations to mitigate the impact of disruptive events and recover faster from them. This can be as valuable as a plan or document.

All services and all staff have responsibilities for making sure the Council continues to operate through any crisis. The Business Continuity Strategy outlines these within the overall framework for our approach.

Andy Keeling
Chief Operating Officer

Sir Peter Soulsby
City Mayor

Leicester City Council's Business Continuity Management Strategy 2016

1. Definition

Business Continuity Management (BCM) is not simply about writing a plan, or even a set of plans. It should be a comprehensive management process that systematically analyses the organisation, identifies threats, and builds capabilities to respond to them. It should become our 'culture'.

Although the immediate response to a disruption is a key component, business continuity is more concerned with maintenance and recovery of business functions following such a disruption.

2. Scope

Business Continuity Management (BCM) is a cross-functional, organisation-wide activity; accordingly the arrangements in this strategy apply to:

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

3. Requirements and Standards

In addition to making sound business sense for any organisation, the Civil Contingencies Act 2004 places a statutory duty upon the Council, as a Category 1 responder, to:

- Maintain plans to ensure that it can continue to exercise its functions in the event of an emergency so far as is reasonably practicable;
- Assess both internal and external risks – achieved through compliant risk assessment in line with the Risk Management Strategy and Policy;
- Have a clear procedure for invoking business continuity plans;
- Exercise plans and arrange training to those who implement them;
- Review plans and keep them up to date; and
- To advise and assist local businesses and organisations with their BCM arrangements.

Business Continuity Management arrangements are effective only if specifically built for the organisation. The Council's programme is aligned with the principles of ISO22301, the International Standard, and also to PAS200, a recent standard for Crisis Management. It is reinforced by reference to the Business Continuity Institute's Good Practice Guidelines.

4. Methodology

The ultimate aim is to embed Business Continuity Management within the Council's culture. Training and education is an ongoing task but awareness and capability is also a product of the structures put in place and the way we manage our programme. Key stages in such a programme are:

- **Understanding our organisation:** Intelligent, in-depth information-gathering. Understanding activities, dependencies (internal & external) and the impact of disruption on each service. Often this will be captured in a formal Business Impact Analysis. Threats are risk assessed at this stage;
- **Determining appropriate Business Continuity Strategy:** Making decisions based on analysis of data gathered. Setting recovery time objectives for services and determining resources required;
- **Developing and implementing a response:** The Business Continuity Plan which pulls together the organisation's response to a disruption and enables resumption of business units according to agreed corporate priorities. Provides strategies for use by response teams; and,
- **Exercising, maintaining and reviewing:** Testing plans, ensuring they keep pace with organisational change and are audited against defined standards.

5. Invoking the Business Continuity Plan

The Corporate Business Continuity Plan (CBCP) is triggered by serious situations such as:

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

The CBCP may be invoked by any member of the Council's Corporate Business Continuity Management Team as defined within the plan itself. The CBCP is not a plan that will allow recovery of affected services, but guides the efforts of Senior Managers to allow them to be able to recover affected services using the service area's own plans. Effectively, the CBCP covers the Council's 'Strategic' (Gold) and 'Tactical' (Silver) level responses with individual service area plans covering the 'Operational' (Bronze) level.

6. Business Continuity Management (BCM) in the community

The Council will participate in appropriate practitioner groups and work with partner agencies to promote BCM in the community and will advise and assist local organisations with their BCM arrangements. In certain circumstances this may be chargeable.

7. Principles, Responsibilities and Minimum standards

Executive

- Approve the Business Continuity Strategy.

Audit and Risk Committee

- Ensure that the Business Continuity Strategy is produced, approved by the Executive and updated regularly; and,
- Monitor effectiveness of Business Continuity Management (BCM) arrangements via reports from the Head of Internal Audit and Risk Management.

Strategic and Operational Directors

- Ensure the BCM policy, strategy and development plan is enforced and resourced appropriately;
- Participate as required in management teams within the Corporate Business Continuity Plan (CBCP);
- Ensure appropriate levels of staff sit on the 'Strategic' and 'Tactical' Recovery teams within the CBCP;
- Ensure each of their Service Areas has an effective and current BCP in place which is reviewed each year;
- Annually self-certify that effective plans exist for all their services, that these plans remain current and 'fit for purpose'; and that any testing of those plans has been carried out (with the assistance of RMIS, if required);
- Identify staff for training; and,
- Embed BCM culture into the ethos of operational management

Chief Operating Officer/BCM Champion

- During an incident, lead the Council's 'Strategic' BCM response.

Head of Internal Audit and Risk Management

- Overall responsibility for co-ordinating the BCM programme;
- During an incident, co-ordinate the Council's BCM response(s), supporting the COO as 'Strategic' lead;
- Following an incident, facilitate the 'lessons learned' session(s);
- Produce the Corporate BCM framework and key strategies;
- Make available best practice tools (e.g. templates);
- Identify training needs and arrange delivery;
- Support and advise service areas;
- Facilitate testing and exercising of the Council's BCPs when requested by Directors/their teams;
- Quality control – review BCM arrangements for services; and,
- Lead on the Council's statutory duty to promote BCM in the community.

All Heads of Service/Managers

- Lead business continuity arrangements within their area;
- Attend training commensurate with their role;
- Identify staff from their teams that have a role to play in any recovery for suitable training;
- Prepare a recovery plan covering all service delivery functions (priority for critical functions), update at least annually; and,
- Implement the agreed arrangements in the event of a disruption.

All staff

- Familiarisation with business continuity arrangements within their area;
- Attend training commensurate with their role;
- Engage with testing and exercising; and,
- Respond positively during a crisis situation.

8. Specific Roles in the Corporate Business Continuity Plan (CBCP)

Once the CBCP has been triggered, the Strategic/Gold and Tactical/Silver teams have operational control of the situation and are authorised to take all decisions necessary. The Strategic/Gold team have overall control by overseeing, directing and authorising the work of the Tactical/Silver team who are managing the response and deciding, and monitoring, the actions for the Operational/Bronze team(s) to implement.

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

Business Continuity Management Team

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

Recovery Teams

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

9. Value of Business Continuity Management (BCM)

The wider value of BCM is acknowledged as being 'no longer for high impact, low probability physical events' and is 'becoming an essential enabler of organisational resilience as part of business as usual'. (BCI Good Practice Guidelines 2013). The key benefits of embedding Business Continuity in your business are:

- Having arrangements in place to fulfil your obligations AND being more confident about the decisions you make in a crisis.
- Keeps businesses trading when they would have otherwise have probably failed due to an incident. This shows customers and suppliers you are serious about the resilience of the business, helping to significantly reduce the impact and cost of disruptions.
- Providing assurance and protection to your staff.
- Companies reputation increases, having competitive advantage.
- Insurance premium discounts, reduced excesses and doors opening to new insurance markets
- Allowing what would otherwise be unacceptable risks to be insured.

Appendix B1

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

Document is Restricted

