Leicester
City Council

MEETING OF THE AUDIT AND RISK COMMITTEE

DATE: **WEDNESDAY, 21 MARCH 2018**
TIME: **5:30 pm**
PLACE: **Meeting Room G.01, Ground Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ**

Members of the Committee

Councillor Dawood (Chair)
Councillor Westley (Vice-Chair)
Councillors Alfonso, Bajaj, Dr Chowdhury, Hunter and Dr. Moore

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

Information for members of the public

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

Further information

If you have any queries about any of the above or the business to be discussed, please contact Anita James, **Democratic Support on (0116) 454 6358 or email Anita.James2@leicester.gov.uk** or call in at City Hall, 115 Charles Street.

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PUBLIC SESSION

AGENDA

FIRE / EMERGENCY EVACUATION

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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 previous meeting of the Audit and Risk Committee held on 6 December 2017 have been circulated, and Members will be asked to confirm them as a correct record.

4.   EXTERNAL AUDIT PLAN 2017-18

The External Auditor (KPMG) will provide a verbal update to the meeting on how they will deliver their financial statements audit work for Leicester City Council.

**5.   ANNUAL REPORT - CERTIFICATION OF CLAIMS   Appendix B
       AND RETURNS (GRANTS)**

The External Auditor (KPMG) submits an Annual Report that summarises the results of work carried out on the Council's 2016-17 grant claims and returns.

6.   PROCUREMENT PLAN 2018-19   **Appendix C**

The Director of Finance submits the draft Council Procurement Plan 2018-19 as required by the Contract Procedure Rules.

**7.   REGULATION OF INVESTIGATORY POWERS ACT   Appendix D
       2000 - BI-ANNUAL PERFORMANCE REPORT JULY
       2017- DECEMBER 2017**

The City Barrister and Head of Standards submits a report providing details on the performance of the Council in authorising Regulatory Investigation Powers

Act (RIPA) applications, from 1 July 2017 – 31 December 2017.

8. **FINANCIAL AND ACCOUNTING DEVELOPMENTS**   **Appendix E**
    UPDATE

    The Director of Finance submits a report updating on key changes currently affecting the Council and which might impact on the work of the Audit & Risk Committee.

9. **RISK MANAGEMENT AND BUSINESS CONTINUITY**   **Appendix F**
    STRATEGY AND POLICIES 2018

    The Director of Finance submits a report presenting the revised Risk Management and Business Continuity Policy Statement and Strategies.

    Members will be recommended to approve the updated: Corporate Risk Management Policy Statement and Strategy; and the Corporate Business Continuity Management Policy Statement and Strategy.

10. **ANNUAL REVIEW OF THE COUNCIL'S ASSURANCE**   **Appendix G**
    FRAMEWORK, LOCAL CODE OF CORPORATE
    GOVERNANCE AND THE AUDIT & RISK
    COMMITTEE'S TERMS OF REFERENCE

    The Director of Finance and the City Barrister and Head of Standards submit a joint report to seek approval of updates to the assurance and corporate governance processes at the City Council and to note the position with the Audit & Risk Committee's Terms of Reference.

    Members will be recommended to approve the Assurance Framework and the Local Code of Corporate Governance.

    Members will also be recommended to request a further report on revisions to the Audit & Risk Committee's Terms of Reference following publication of new national guidance.

11. **THE INTERNAL AUDIT CHARTER**   **Appendix H**

    The Director of Finance submits a report detailing a new Internal Audit Charter following the regular annual review and updates.

    Members will be recommended to approve the Internal Audit Charter and agree that it accurately reflects the terms of reference of the internal audit function provided by Leicestershire County Council Internal Audit Service.

12. **INTERNAL AUDIT PLAN 2018-19**

    The Head of Internal Audit & Assurance will give a verbal update to the meeting on the Internal Audit Plan for the financial year 2018-19.

13.   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 the consideration of the following report in accordance with the provisions of Section 100A (4) of the Local Government Act 1972, as amended, because it involved the likely disclosure of "exempt" information, as defined in the Paragraph detailed below of Part 1 of Schedule 12A of the Act, and taking all 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.

**14.   INTERNAL AUDIT UPDATE REPORT - 2017/18 - TO   Appendix I
END OF JANUARY 2018**

The Director of Finance submits a report presenting a summary of internal audit work completed during the financial year 2017-18 to end of January 2018.

15.   ANY OTHER URGENT BUSINESS

Leicester
City Council

<u>Minutes of the Meeting of the</u>
<u>AUDIT AND RISK COMMITTEE</u>

Held: WEDNESDAY, 6 DECEMBER 2017 at 5:30 pm

P R E S E N T :

<u>Councillor Dawood (Chair)</u>

Councillor Alfonso   Councillor Dr Chowdhury
Councillor Bajaj   Councillor Hunter

* * *   * *   * * *

29. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Dr Moore and Councillor Westley.

Councillors Hunter and Bajaj gave apologies that they would be leaving the meeting at 6.30pm due to other commitments.

30. DECLARATIONS OF INTEREST

There were no declarations of interest.

31. MINUTES OF THE PREVIOUS MEETING

It was noted that there were a number of minor amendments required as follows:

Item 22 1st paragraph referred to "ISO 260" this should read "ISA 260" the ISA standing for Internal Standard on Auditing.

Item 22 Page 2 4th bullet point currently read "New rules had been introduced…which gave auditors flexibility in how they presented.." the word "auditors" should be amended to read "the authority".

Item 22 Page 2 5th bullet should read 2016/17 not 2018/19.

Item 22 Page 2 8th bullet point stated "A qualified opinion had been given in the report's conclusion…", the words "in 2015/16" should be inserted so that the

statement read "A qualified opinion had been given in 2015/16."

RESOLVED:

> That subject to the amendments referred to above the minutes of the meeting held on 28 September 2017 be confirmed as a correct record.

32. CHAIRS ANNOUNCEMENTS

The Chair referred to Outstanding Related Party Transactions Disclosure for 2016/17 as discussed at the previous meeting by the External Auditor and Members.

The Chair indicated that he had written to Councillor Porter on 7th November and informed Councillor Porter that he would be publicly named at the next public meeting of the Audit and Risk Committee for repeatedly failing to provide information to ensure the Council's accounting processes had and were seen to have integrity.

It was noted that Councillor Porter had not responded to the letter on 7th November or previous letters/emails regarding this matter.

Members of the Committee discussed whether there were other sanctions and the Chief Accountant, Finance confirmed that advice had been taken from the Monitoring Officer and acted upon leading to this public announcement.

The Chair commented that it was important to show good governance and that was being applied consistently and effectively in the interests of openness and transparency.

33. EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2016/17

The External Auditor submitted an annual audit letter which summarised the key findings from the 2016/17 audit of Leicester City Council, and audit fee.

5.43pm Councillor Bajaj left the meeting

John Cornett, (External Auditor KPMG) presented the report and highlighted the financial challenges being faced by the authority.

Attention was drawn to Appendix 2 of the report setting out the Audit Fees for the 2016/17 audit.

It was noted that the report reflected well on the authority and there were no high priority recommendations, although of the seven medium priority recommendations from the prior year three had not yet been fully implemented.

Members of the Committee queried the statement that suggested the authority had £172m in earmarked reserves at year end and it was clarified that this consisted of reserves for specific priorities for example £36m ring-fenced, the

General Fund stood at £15m which was the minimum balance recommended for contingency.

RESOLVED:
>   That the External Auditor's Annual Letter 2016/17 be noted.

34.   APPOINTMENT OF EXTERNAL AUDITOR'S FOR 2018/19 (INCLUDING GRANT CLAIMS)

The Director of Finance submitted a report providing an update on the process to appoint the Council's external auditors for the audit year from 2018-19.

The Committee was reminded that previously Council had been recommended to procure the external audit contract using PSAA following a sector led procurement option which was approved by Council on 24 November 2016. Following the sector led procurement process the appointment proposed was Grant Thornton.

The Director of Finance confirmed there was no conflict of interest in the appointment of Grant Thornton and the proposed audit fees moving forward would potentially save £34k fees a year.

Members expressed some concerns that a reduction in fees might lead to a reduction in audit scope or quality. Officers responded that the external auditors would still be subject to certain standards and their standards did not allow them to rely on internal audit work although they could take account of that and it was acknowledged there might be more demand on the authority to do audit related work.

It was noted that in terms of the quality of work from auditors, there were a number of arrangements in place that monitored auditors. Audit suppliers were required to be subject to external audit review and annual/national reports were published so there would be processes in place to assess the quality of work done by the external auditors.

The Chair suggested there be further discussion at the next meeting in March to consider any differences in the audit expectations and how the transition from current auditor to Grant Thornton would be approached.

RESOLVED
1.   That the proposed appointment of Grant Thornton as external auditor for the Council's annual accounts and grants claims from 2018/19 be noted.
2.   That there be further discussion at the next meeting in March to consider any differences in the audit expectations and how the transition from current auditor to Grant Thornton would be approached.

35.   COUNTER FRAUD UPDATE REPORT 2017/18

The Director of Finance submitted a report providing information on Financial Services counter-fraud activities between 1st April 2017 and 30th September

2017.

Stuart Limb, Corporate Investigations Manager presented the report which included an update on statistical information on fraud cases and progress within the teams dealing with fraud.

Members of the Committee discussed the report during which the following comments were made:

- The prosecutions referred to in the report excluded those relating to Trading Standards.
- There was a range of penalties following successful prosecution which varied depending on severity and financial loss from a fine to custodial sentence.
- In relation to "Right to Buy" applications, computer software from the intelligence hub had been utilised and credit checks were conducted to ensure those applying were registered. Other checks were carried out on the sources of funds. Of the few cases with issues identified purchase would be refused and if there was documentary evidence that would be taken forward for prosecution. Where there was not sufficient evidence steps were taken to secure the property and put back into use for people/families in need.
- In terms of sub-letting the Corporate Investigations team were working with the Housing team proactively every month to sample check resident/tenants, as well as engaging with housing staff and other teams such as the gas safety team (who carried out annual checks on properties) to raise concerns about resident status.
- Although this report did not provide comparative figures from the previous 6 months there were comparative figures provided in the annual report which was considered at the June meeting.

The Chair thanked the Corporate Investigations Manager for the report.

RESOLVED:
    That the contents of the report be noted.

36. PROCUREMENT PLAN HALF YEARLY UPDATE REPORT

The Director of Finance submitted a mid-year update report on the Council's Procurement Plan 2017/18.

Neil Bayliss, Head of Procurement presented the report and briefly outlined the constitutional framework of the procurement plan. The procurement plan listed forthcoming procurement activity above EU thresholds anticipated in the coming year. It was noted that the thresholds were due to change in January 2018 but new figures had not yet been published although it was expected there would likely be an increase of around 10%.

6.23pm Councillor Hunter left the meeting.
The Democratic Support Officer confirmed that the meeting was quorate with 3 Members of the Committee present.

The main headings in the report were summarised and Members were asked to note the forthcoming procurement activity.

In response to comments by Members of the Committee it was noted that:
- 52 procurement exercises out of 105 had not started. There were several reasons for this such as delayed procurement of new contracts because existing contracts were expiring and had options to extend, there were also examples where funding was not received or was reprioritised.
- All anticipated procurement for the financial year was included in the plan to give as much notice to suppliers and the market of what our intentions and plans are.
- Decorating allowance scheme was due for retendering, this equated to £200k per annum and the value given was over the whole contract. The allowance rates were set in the Housing Revenue Account budget report and were not high.
- Bus shelters – The provider would provide and maintain the shelters and generate advertising income with a net payment to the Council.
- In relation to solar panels clearly there were environmental benefits but installation would usually only proceed where the payback period from reduced energy costs was reasonable, or where the solar panel schemes were funded by external grants.

RESOLVED:
That the contents of the report and recommendations to the Executive be noted.

37. RISK MANAGEMENT UPDATE

The Director of Finance submitted a report providing the regular update on the work of the Council's Risk Management Services team's activities.

Sonal Devani, Manager, Risk Management presented the report and gave details of the council risk exposure as at 31 October 2017, both strategic and operational risk registers compiled and updates provided by directors of each division.

Members of the Committee were invited to make their observations.

In response to comments it was noted that the service areas responsible for any emerging risks such as the challenge with universal credit, cyber security and Grenfell Tower impacts were using their risk registers to manage those and implementing controls before risks became significant., e.g. housing had ensured following Grenfell Tower that all high rise blocks had fire risk assessments, weekly inspections had been implemented, fire alarms fitted, new tenants briefed, cladding checked etc so the service was proactive in mitigating risk.

In terms of cyber security it was noted that attempts are made to hack the

authority's system. There was an emphasis on staff training and awareness with policies and processes in place to supplement a range of technological defences.

The Chair thanked the Manager, Risk Management for the report.

RESOLVED:
> That the contents of the report be noted.

38.   DRAFT OF THE COMMITTEE'S ANNUAL REPORT TO COUNCIL 2016-17

The Director of Finance submitted a draft annual report of the Audit and Risk Committee to Council for the municipal year 2016-17.

Colin Sharpe presented the report and it was noted that the committee terms of reference approved by council required that an annual report be compiled. National guidance produced by CIPFA also considered it best practice for the committee to demonstrate its effectiveness and significant contribution to good governance of the council in an annual report.

Members noted the slight change to the format of the report and that a summary approach had been adopted rather than specific details.

The Chair thanked officers for the report.

RESOLVED:
> That the Annual Report of the Audit & Risk Committee to Council covering the municipal year 2016-17 be approved and submitted to Council.

39.   REVIEW OF THE COMMITTEE'S FORWARD WORKPLAN

The Director of Finance presented a report seeking the Audit & Risk Committee's view on the scope of its future work plan and to signal a review of its terms of reference.

It was noted that:
- the Audit & Risk Committee met four times per annum and its work plan was framed in light of the terms of reference approved by Council.
- CIPFA was expected to issue new guidance shortly on the purpose of audit committees.
- the intention was to review the current TOR linking them to the audit committee standards expected to be met and to present a draft TOR at the March meeting before submission to annual council in May.

The Chair asked that a pre-draft TOR be sent to Members of the Committee before the March meeting to enable their input into the draft.

The Members of the Committee welcomed the review of TOR.

RESOLVED:
1. That the contents of the report be noted,
2. That the current Terms of Reference (TOR) for the Audit & Risk Committee be reviewed,
3. That a pre-draft TOR be sent to Members of the Audit & Risk Committee before the March meeting for their input to the draft,
4. That the draft TOR be presented to the March meeting for consideration before submission to annual council in May 2018.

40. INTERNAL AUDIT PLAN Q3 AND Q4 2017/18

The Director of Finance submitted a report detailing the operational audit plan for the third quarter and remainder of the financial year 2017-18.

Neil Jones, Head of Assurance Services, Leicestershire County Council outlined the report and set out the operational plan for the remainder of 2017-18.

The Chair thanked officers for the report.

RESOLVED:

That the Internal Audit Plan for the remainder of 2017/18 be noted.

41. PRIVATE SESSION

RESOLVED:

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

Paragraph 3
Information relating to the financial or business affairs of any particular person (including the authority holding that information).

APPENDIX – Summary of Internal Audit Work for 2017-18 to end of September 2017.

42. SUMMARY OF INTERNAL AUDIT WORK FOR 2017-18 TO END OF SEPTEMBER 2017

The Director of Finance submitted a report summarising the Internal Audit work completed in the first seven months of the financial year 2017-18.

Neil Jones, Head of Assurance Services, Leicestershire County Council presented the report which provided an overview of audit work planned and completed, significant issues identified by audit work and progress made by business areas in implementing agreed recommendations.

The Chair thanked the Head of Assurance Services, Leicestershire County Council for the report.

RESOLVED:
That the contents of the report be noted.

43. ANY OTHER URGENT BUSINESS

A Member of the Committee requested officers to provide information to the Audit and Risk Committee to help Members gain an understanding of how external auditors arrived at their value for money decision.

The Head of Finance agreed to build that topic into a training programme for Members.

There being no further business the meeting closed at 7.36pm.

KPMG

Annual Report on grants and returns 2016/17

Leicester City Council

—

February 2018

Contents

The contacts at KPMG in connection with this report are:

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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. Public Sector Audit Appointments 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, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, 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.

Document Classification: KPMG Confidential

Headlines

Introduction and background

This report summarises the results of work we have carried out on the Council's 2016/17 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2016/17 is:

– Under the Public Sector Audit Appointments arrangements we certified one claim –the Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £130.4 million.

– Under separate engagements we issued reports on two claims/returns as listed below.

– Teachers' pensions (value £24.3 million); and

– Pooling of housing capital receipts (value £17.7 million).

Certification and assurance results (Pages 4-6)

Our certification work on Housing Benefit Subsidy claim included:

– agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;

– sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;

– undertaking an analytical review of the claim form considering year-on-year variances and key ratios;

– confirming that the subsidy claim had been prepared using the correct benefits system version; and

– completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, a qualification letter was required, due to a number of recurring errors, mainly the inclusion of incorrect earnings and tax credits in benefit entitlement calculations. In accordance with the certification instruction a qualification letter was mandated as a result of identifying errors of this nature. We identified six new error categories this year mainly where benefit had been overpaid as a result of incorrect application of dependents' deduction and service charges in rent calculations. These new errors had no impact on the subsidy claimed.

Historically, we have also identified errors in relation to non-HRA cases. Our testing of the 2016/17 claim did not identify any errors in the rent liabilities calculated within non-HRA rent rebate cases and we did not identify any errors in non-HRA cases that required qualification to the subsidy claim. However, we have made a small amendment to the claim in relation to errors where we have been able to test all of the cases which demonstrated the attributes of the error.

Our work on the other grant assurance engagements resulted in no adjustments being made to the Teachers' Pensions return, although we were required to report rounding differences which amounted £38. No adjustments were necessary to the pooling of housing capital receipts return.

Recommendations (Page 8)

We have made one recommendation from our work this year regarding action to be undertaken by the Authority to address the errors identified from the audit of the Housing Subsidy Benefit claim (further detail is provided on page 5)

Fees (Page 7)

Our fee for certifying the Authority's 2016/17 Housing Benefit Subsidy grant was £52,785, which is in line with the indicative fee set by PSAA

Our fees for the other 'assurance' engagements were subject to agreement directly with the Authority and were as planned.

Summary of reporting outcomes

Overall, we carried out work on three grants and returns:

– **two were unqualified with no amendment; and**

– **one required a qualification to our audit certificate and amendment.**

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council's 2016/17 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	❶	🔴		🟠	
Other grant/return engagements					
— Teachers' Pensions return	❷				🟢
— Pooling of Housing Capital Receipts return	❸				🟢
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Summary of certification work outcomes

	This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

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Ref	Summary observations	Amendment
①	**Housing Benefit Subsidy**	- £1,846

We issued a qualification letter and agreed minor amendments to the claim.

The audit approach is mandated by PSAA and DWP. Testing involves a 'discovery sample' of 20 cases for each benefit type (total 60 cases), with further testing of each cell affected by errors found either in the current year's discovery testing or in previous years, on the basis that errors identified in the previous year may recur in the current year. This involved testing over 1000 further cases as part of the work to certify the 2016/17 claim. We also identified six new error categories this year mainly where benefit had been overpaid as a result of incorrect application of dependents' deduction and service charges in rent calculations. These new errors had no impact on the subsidy claimed.

Our work did not identify any errors in the rent liabilities calculated within non-HRA rent rebate cases and we did not identify any errors in non-HRA cases that required qualification to the subsidy claim. However, we have made a small amendment to the claim in relation to errors where we have been able to test all of the cases which demonstrated the attributes of the error.

We have identified a number of issues that have been reported for several years, including:

- Misclassification of overpayments, in all benefit types; and
- Incorrect inclusion of income, pensions and tax credits in benefit entitlement calculations.

Action is being taken to address the causes of errors, for example through training of assessors. This requires continuous commitment to training and quality to minimise the number of errors. We acknowledge that the Quality Assurance team are proactive in correcting the errors that they discover.

The Quality Assurance and Performance Manager, Revenue & Customer Support, presented a report to the Audit and Risk Committee at its meeting in August 2016. The report explained the subsidy audit process and its findings, and included the Benefits Team Improvement Action Plan to improve the accuracy of assessments and to subsequently reduce the clawback of monies against the general fund. This has included but is not limited to:

- Training and development plans for staff, particularly in relation to areas of common error;
- Monitoring of cases in year by the QA team and management of claims drill down to the error areas. Monitoring includes checking of cases before a formal assessment or payment has been made on the claim to ensure it is correct first time; and
- Changes in the process of creating and recovering overpayments to ensure more prompt recovery and fewer classification errors

Summary of certification work outcomes (cont.)

		This table summarises the key issues behind each of the adjustments or qualifications.

Ref	Summary observations	Amendment
	Housing Benefit Subsidy (cont.) We have raised a recommendation for the Authority to continue to take actions to address the matters in our qualification letter, to reduce the level of errors being repeated in subsequent years. We acknowledge that although errors continue to be identified through our work the value of loss to the authority through subsidy clawback against the general fund has reduced from £1.2m in 2012/13 to an anticipated clawback of £330k for 2016/17	
❷	**Teachers' Pensions** — We issued an unqualified assurance report. We were required to report immaterial rounding differences amounting to £38. — No amendments were made to the return.	**£0**
❸	**Pooling of Housing Capital Receipts** — We issued an unqualified assurance report. — No amendments were made to the return.	**£0**

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Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2016/17 was £63,285.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2016/17 of £52,785. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £59,237. The fees vary from year to year due to the historic basis (two year cycle) that PSAA use to set the indicative fee.

Grants subject to other engagements

The fees for our work on other grants/returns are agreed directly with the Authority. Our fees for 2016/17 were as planned. Extra fee was charged for the Pooling return in 2015/16 due to extra work undertaken and was explained in our 2015/16 grants report.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2016/17 (£)	**2015/16 (£)**
Housing Benefit Subsidy claim	52,785	59,237
Teachers' Pensions	5,500	5,500
Pooling of Housing Capital Receipts	5,000	5,700
Total fee	**63,285**	**70,437**

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Recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

Priority rating for recommendations		
① Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.	② Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	③ Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

Issue	Implication		Recommendation	Priority	Comment	Responsible officer and target date
Theme heading						
2016/17 Qualification Letter A high level of recurring errors continues to contribute to the amount of subsidy clawback each year.	By taking action to eliminate errors, the Authority could reduce the amount of subsidy clawed back.	1	Take prompt action to address matters in our housing benefits qualification letter, to reduce the level of errors being repeated in subsequent years.	🟡		

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Executive Decision Report

PROCUREMENT PLAN 2018/19

Decision to be taken by: **City Mayor**
Decision to be taken on: **22 March 2018**
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: **1 March 2018**

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 to be advertised in the coming year. This requirement aligns with the government's requirements of local authorities under the Transparency agenda.

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 obtain approval to the 2018/19 Procurement Plan and to inform the Executive 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 The Executive is recommended to:

    i) Approve the attached Procurement Plan and delegate the letting of contracts to Divisional Directors in consultation with the Head of Procurement and City Barrister;

    ii) Note the summary of waiver and extension activity in the current financial year to date as required by Rule 19.2 of the Contract Procedure Rules.

3.	Supporting information

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

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procurement activity and to enable links and efficiencies to be achieved.

3.2 The Plan is based on information from Directors/Heads of Service 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 Plan (attached at Appendix A) includes details of expected procurement processes for contracts valued at over the relevant EU threshold. These thresholds were updated in December 2017 to come into force on 1 January 2018 for the next two years:
- Social & Other Specific Services   £615,278
- All Other Goods & Services   £181,302
- Works   £4,551,413

3.6 Entries on 2017/18 Procurement Plan (as updated) have not been included again on the 2018/19 Plan if they have already been advertised in 2017/18.

3.7 The Procurement Plan will be updated and reported to the Executive and Audit and Risk Committee approximately half way through the financial year. The Plan will subsequently be updated on the Council's website.

3.8 The Contract Procedure Rules also require a "Procurement Pipeline" to be produced which includes details of expected procurement processes for Intermediate and Large Contracts (Goods/Services contracts over £10,000 and Works contracts over £25,000 but below the relevant EU threshold). However, this information is subject to change, with new requirements often identified at short notice. This will be published on the Council's website for potential suppliers to gain advance notice of the Council's intentions and to comply with transparency requirements.

3.9 The Contract Procedure Rules provide delegated authority to Divisional Directors in consultation with the Head of Procurement and City Barrister to award contracts over the EU threshold, so long as those contracts are included in the Procurement Plan – Appendix A (or the updated version reported to the Executive).

3.10 The Contract Procedure Rules require the Head of Procurement to report a summary of waivers of the Rules and some contract extensions to Executive. The tables below show an analysis of the waivers approved during the current and last financial years. This is shown by both department and a broad categorisation of the reason for the waiver.

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Reason for Waiver	2016/17		2017/18 (until 31/01/18)	
	Qty	Value	Qty	Value
Continuity of Provision	22	£1,136,177	9	£861,978
Limited Supply Market	11	£736,198	11	£591,452
Urgency	7	£103,872	14	£320,109
Other	8	£114,929	7	£256,100
	48	**£2,091,176**	**41**	**£2,029,639**

Department	2016/17		2017/18 (until 31/01/18)	
	Qty	Value	Qty	Value
Adult Social Care	0	£0	4	£30,240
City Development & Neighbourhoods	30	£1,706,860	24	£910,483
Corporate Resources & Support	10	£291,855	10	£906,416
Education & Children's Services	6	£75,503	2	£177,500
Public Health	2	£16,958	1	£5,000
	48	**£2,091,176**	**41**	**£2,029,639**

3.13 The 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 such extensions approved during the current and last financial years. (Note: Contract values given below include the full contract value from the original start date to the end of the extension period.)

	2016/17			
	Large		EU	
Department	Qty	Value	Qty	Value
Adult Social Care				
City Development & Neighbourhoods	1	£145,000	1	£650,000
Corporate Resources & Support	1	£150,257		
Education & Children's Services			2	£1,040,107
Public Health			3	£31,619,657
	2	**£295,257**	**6**	**£33,309,764**

	2017/18 (to 31 January 2018)			
	Large		EU	
Department	Qty	Value	Qty	Value
Adult Social Care			3	£573,176
City Development & Neighbourhoods	6	£7,553,702	5	£7,707,350
Corporate Resources & Support	1	£160,743	2	£469,511
Education & Children's Services	1	£45,000	2	£1,157,586
Public Health				
	8	**£7,759,723**	**7**	**£9,907,623**

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3.14 The Council is accredited as a Living Wage Employer and requires contracts meeting the criteria set by the Living Wage Foundation (LWF) to ensure relevant staff are paid the LWF's Living Wage. The Council incorporates social value – such as requirements in relation to environment, fair trade, job creation, apprenticeships and training - into its procurement activity and is developing a Social Value Charter.

4. Details of Scrutiny

4.1 As required by the Contract Procedure Rules, the Procurement Plan will be reported to the Audit & Risk Committee on 21 March 2018. Scrutiny Committees are invited to use the Procurement Plan to identify any entries they wish to review at Scrutiny.

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
Head of Law (Commercial, Property & Planning)
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.

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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   Procurement Plan 2017/18 Update Report.

7.   Summary of appendices:

7.1   Appendix 1–Procurement Plan 2018/19.

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.

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Procurement Plan 2018-2019

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.

Name of Contract	Full Contract Value	Anticipated Contract Start Date	Duration of New Contract	Department	Division	Service Area
Advocacy Services including Independent Mental Capacity Advocacy (IMCA) (Deprivation of Liberty Safeguards (DoLS)) and Independent Mental Health Advocacy (IMHA) (Deprivation of Liberty Safeguards (DoLS))	£1,874,000	01/04/2019	3+2 Years	Adult Social Care & Health	Adult Social Care & Commissioning	Strategic Commissioning
Best Interest Assessors	£590,000	01/10/2018	4 Years	Adult Social Care & Health	Adult Social Care & Commissioning	Strategic Commissioning
Carers Service	£1,265,000	01/04/2019	3+2 Years	Adult Social Care & Health	Adult Social Care & Commissioning	Strategic Commissioning
Extra Care Developments	£6,700,000	To be confirmed	To be confirmed	Adult Social Care & Health	Adult Social Care & Commissioning	Strategic Commissioning
General Adaptations Works (for Adults with Disabilities)	£1,400,000	14/11/2018	4 Years	Adult Social Care & Health	Adult Social Care & Commissioning	Strategic Commissioning
Lifts and Hoists (for Adults with Disabilities)	£1,600,000	01/06/2018	4 Years	Adult Social Care & Health	Adult Social Care & Commissioning	Strategic Commissioning
Paid Persons Representatives	£750,000	01/04/2019	4 Years	Adult Social Care & Health	Adult Social Care & Commissioning	Strategic Commissioning
Short-Term Residential Care Beds	£1,900,000	03/07/2019	3+2 Years	Adult Social Care & Health	Adult Social Care & Commissioning	Strategic Commissioning
Substance Misuse Housing Related Support	£1,025,000	01/07/2019	3+2 Years	Adult Social Care & Health	Adult Social Care & Commissioning	Strategic Commissioning
Substance Misuse Residential Rehabilitation	£1,600,000	01/04/2019	4 Years	Adult Social Care & Health	Adult Social Care & Commissioning	Strategic Commissioning
Visual and Sensory Impairment Service	£1,400,000	01/01/2019	3+2 Years	Adult Social Care & Health	Adult Social Care & Commissioning	Strategic Commissioning
Alarms Servicing and Maintenance	To be confirmed	To be confirmed	To be confirmed	City Development & Neighbourhoods	Estates & Building Services	Building Services
Cleaning Supplies	To be confirmed	01/10/2018	4 Years	City Development & Neighbourhoods	Estates & Building Services	Building Services
Consolidation of Hard FM Contracts	To be confirmed	01/07/2018	4 Years	City Development & Neighbourhoods	Estates & Building Services	Building Services

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Procurement Plan 2018-2019

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Name of Contract	Full Contract Value	Anticipated Contract Start Date	Duration of New Contract	Department	Division	Service Area
Servicing of Fire Extinguishers - Fire Equipment Maintenance	£260,000	01/10/2018	3+2 Years	City Development & Neighbourhoods	Estates & Building Services	Building Services
Electricity Supply and Account Management	£13,000,000	01/10/2019	4 Years	City Development & Neighbourhoods	Estates & Building Services	Energy Services
Gas Supply and Account Management	£12,000,000	01/04/2019	4 Years	City Development & Neighbourhoods	Estates & Building Services	Energy Services
Premises Security Services	£1,600,000	To be confirmed	4 Years	City Development & Neighbourhoods	Estates & Building Services	Property
Property Maintenance (New Installation and Improvement Works)	To be confirmed	11/10/2018	4 Years	City Development & Neighbourhoods	Estates & Building Services	Property
Servicing and Remedial Works of Automatic Doors	£600,000	To be confirmed	4 Years	City Development & Neighbourhoods	Estates & Building Services	Property
Specialist Cleaning Services (inc. Ad-Hoc, Reactive, Poolside, Windows, Gutters, Facades, Extractions and Kitchens)	£2,500,000	To be confirmed	5 Years	City Development & Neighbourhoods	Estates & Building Services	Property
Asbestos Removal Contract	£5,000,000	To be confirmed - Anticipated Summer 2018	3+2 Years	City Development & Neighbourhoods	Housing	Capital Investment
Central Heating Boiler Replacements and Associated Works	£25,000,000	To be confirmed	3+2 Years	City Development & Neighbourhoods	Housing	Capital Investment
Chimney Demolition	£500,000	01/07/2019	1 Year	City Development & Neighbourhoods	Housing	Capital Investment
Council House Re-Roofing	£5,000,000	01/07/2018	3+2 Years	City Development & Neighbourhoods	Housing	Capital Investment
District Heating Building Energy Management System (BEMS - Upgrade of the Existing Plantroom's Associated Interface Systems)	£400,000	01/03/2019	1+1 Years	City Development & Neighbourhoods	Housing	Capital Investment
District Heating Heat Metering	£10,000,000	To be confirmed	To be confirmed	City Development & Neighbourhoods	Housing	Capital Investment
District Heating Repairs - Maintenance & Upgrades	£4,500,000	01/04/2019	2+2 Years	City Development & Neighbourhoods	Housing	Capital Investment

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Procurement Plan 2018-2019

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Name of Contract	Full Contract Value	Anticipated Contract Start Date	Duration of New Contract	Department	Division	Service Area
Electrical Upgrades and Rewiring of Domestic Dwellings	£10,000,000	To be confirmed - Anticipated Summer 2018	3+2 Years	City Development & Neighbourhoods	Housing	Capital Investment
Fire Containment & Passive Fire Protection Works	£10,000,000	To be confirmed - Anticipated Summer 2018	3+2 Years	City Development & Neighbourhoods	Housing	Capital Investment
Maintenance of Existing BEMS (Building Energy Management System)	£240,000	01/08/2018	1+2 Years	City Development & Neighbourhoods	Housing	Capital Investment
Structural Repairs & Misc Building Works (Council Houses)	£2,000,000	To be confirmed - Anticipated Summer 2018	2+2 Years	City Development & Neighbourhoods	Housing	Capital Investment
Decorating Allowance Card Scheme	£1,000,000	To be confirmed	2+3 Years	City Development & Neighbourhoods	Housing	Housing
House Building	up to £10m	To be confirmed	To be confirmed	City Development & Neighbourhoods	Housing	Housing
Housing-Related Support Contracts (Homelessness Services)	c£5m	To be confirmed (estimated 2019 onwards)	3+2 Years	City Development & Neighbourhoods	Housing	Housing
Stores Management / Supply of Building & Construction Materials	£45,000,000	01/04/2019	10 Years	City Development & Neighbourhoods	Housing	Housing
Tower Block Demolition	£3,000,000	01/09/2018	1 Year	City Development & Neighbourhoods	Housing	Housing
Axle Load Indicators	£350,000	To be confirmed	1 Year	City Development & Neighbourhoods	Housing	Passenger & Fleet Services
Fleet Replacement Programme	£2,700,000	To be confirmed	To be confirmed	City Development & Neighbourhoods	Housing	Passenger & Fleet Services
Due Diligence / Appraisal Framework	To be confirmed	01/07/2018	3+2 Years	City Development & Neighbourhoods	LLEP	LLEP
Site Remediation, Installation of Infrastructure & Services for Former John Ellis Site. Creation of Development Platform	£4,000,000	01/07/2018	2 Years	City Development & Neighbourhoods	Planning, Development & Transportation	Development Projects
Development Partner for Pioneer Park	To be confirmed	To be confirmed	3 Years	City Development & Neighbourhoods	Planning, Development & Transportation	Development Projects

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Procurement Plan 2018-2019

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Name of Contract	Full Contract Value	Anticipated Contract Start Date	Duration of New Contract	Department	Division	Service Area
Highway Maintenance, Construction and Civil Engineering	£16,000,000	01/08/2018	3+1 Years	City Development & Neighbourhoods	Planning, Development & Transportation	Highways
Hire of Plant (With Operator)	£2,000,000	01/09/2018	1+4 Years	City Development & Neighbourhoods	Planning, Development & Transportation	Highways
Hire of Plant (Without Operator)	£4,000,000	01/07/2018	1+4 Years	City Development & Neighbourhoods	Planning, Development & Transportation	Highways
Kerbing	£250,000	01/07/2018	3 Years	City Development & Neighbourhoods	Planning, Development & Transportation	Highways
Parking System and Associated Services	£400,000	01/07/2018	2+8 Years	City Development & Neighbourhoods	Planning, Development & Transportation	Highways
Bus Shelters	To be confirmed	01/04/2019	15 Years	City Development & Neighbourhoods	Planning, Development & Transportation	Transport Strategy
Clean Bus Technology Fund - Purchase of Retrofits	£2,200,000	02/01/2019	2 Years	City Development & Neighbourhoods	Planning, Development & Transportation	Transport Strategy
Electric Vehicle Charging Points	£500,000	To be confirmed	5 Years	City Development & Neighbourhoods	Planning, Development & Transportation	Transport Strategy
Highway Improvement Schemes (inc. Cycle Lane Works)	£10,000,000	01/07/2018	3 Years	City Development & Neighbourhoods	Planning, Development & Transportation	Transport Strategy
Maintenance and/or Replacement of Ticketing and Access/Exit Barriers for Multi-Storey Car Parks	£200,000	01/07/2018	4+2 Years	City Development & Neighbourhoods	Planning, Development & Transportation	Transport Strategy
Personalised Travel Planning	£215,000	To be confirmed	2 Years	City Development & Neighbourhoods	Planning, Development & Transportation	Transport Strategy
Putney Road/Aylestone Road Junction Design and Build Works	£4,900,000	03/07/2018	5 Months	City Development & Neighbourhoods	Planning, Development & Transportation	Transport Strategy
Graphic Design Services	£175,000	01/10/2018	2+2 Years	Corporate Resources & Support	Delivery, Communications & Political Governance	Communications and Marketing
Print Services	£650,000	01/08/2018	2+2 Years	Corporate Resources & Support	Delivery, Communications & Political Governance	Communications and Marketing

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Procurement Plan 2018-2019

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.

Name of Contract	Full Contract Value	Anticipated Contract Start Date	Duration of New Contract	Department	Division	Service Area
Liability Insurance	£600,000	01/09/2018	3+2 Years	Corporate Resources & Support	Finance	Finance
CISCO Support	£300,000	01/07/2018	3 Years	Corporate Resources & Support	Finance	Information Services
PC & Laptops, Screen & Associated Items (Peripherals)	£300,000	Call off purchases	1 Year	Corporate Resources & Support	Finance	Information Services
Oracle Server Replacement	£200,000	01/11/2018	4 Years	Corporate Resources & Support	Finance	IT Services
Hybrid Mail	£750,000	01/07/2018	5 Years	Corporate Resources & Support	Finance	IT Services
Email Filtering Solution	£250,000	01/07/2018	5 Years	Corporate Resources & Support	Finance	IT Services (Data Networks)
Paper Supplies	£315,000	01/09/2018	3+2 Years	Corporate Resources & Support	Finance	Procurement Services
Corporate Enforcement Agents & Associated Services	£2,000,000	01/07/2018	7 Years	Corporate Resources & Support	Finance	Revenues & Customer Support
Social Welfare Advice	£2,900,000	01/10/2018	4+3 Years	Corporate Resources & Support	Finance	Revenues & Customer Support
Children's Commissioning Placements	£27,500,000	03/09/2018	5 Years	Education & Children's Services	Children's Social Care & Early Help	Looked After Children
Meat, Meat Products and Poultry	£750,000	To be confirmed	4 Years	Education & Children's Services	Learning Services	Catering
Community Sexual Health Promotion & HIV Prevention Services	To be confirmed	01/01/2019	3+2 Years	Public Health	Public Health	Public Health
Leisure Centre Equipment	£1,800,000	To be confirmed	To be confirmed	Public Health	Public Health	Public Health
Probation Health Trainer Service	£710,000	01/04/2019	3+2 Years	Public Health	Public Health	Public Health

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Procurement Plan 2018-2019

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.

Name of Contract	Full Contract Value	Anticipated Contract Start Date	Duration of New Contract	Department	Division	Service Area
Public Health Community Based Services	£1,290,000	01/04/2019	4 Years	Public Health	Public Health	Public Health
Public Health Community Based Services - NHS Health Check	£1,400,000	01/04/2019	4 Years	Public Health	Public Health	Public Health
Suicide Awareness Training	£175,000	01/04/2019	3+2 Years	Public Health	Public Health	Public Health

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WARDS AFFECTED: ALL

Audit and Risk Committee   **21 March 2018**

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Regulation of Investigatory Powers Act 2000
Bi-Annual Performance Report July 2017 – December 2017

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Report of the City Barrister and Head of Standards

1.   Purpose of the Report

The report advises on the performance of The Council in authorising Regulatory Investigation Powers Act (RIPA) applications, from 1st July 2017 to 31st December 2017.

2.   Summary

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

3.   Recommendations

The Committee is recommended to:

3.1   Receive the report and note its contents.

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

4   Report

4.1   The Council applied for 0 Directed Surveillance Authorisations and 0 Communications Data Authorisations in the second half of 2017.

4.2   On 1st September 2017 Lord Justice Fulford commenced his new role as the Investigatory Powers Commissioner. Assisted by the Investigatory Powers Commissioner's Office (IPCO), he will undertake the oversight functions of three previous Commissioners under the Regulation of Investigatory Powers Act 2000 namely the Chief Surveillance Commissioner, Interception of Communications Commissioner and the Intelligence Services Commissioner.

4.3   The last annual reports of the Surveillance Commissioner and the Interception of Communications Commissioner can be found in the publications section on https://www.ipco.org.uk/.

5.   Financial, Legal Implications

5.1   Financial Implications

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

5.2   Legal Implications

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

6.   Other Implications

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

7.   Report Author / Officer to contact:

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

Leicester
City Council

AUDIT & RISK COMMITTEE   21st March 2018

Financial and Accounting Developments Update

Report of the Director of Finance

1. Purpose of Report

1.1. To provide the Committee with an update on key changes currently affecting the Council, and which may have an impact on the work of this committee.

2. Summary

2.1. The report will include an update to the committee on the following areas:

- Personal Service Companies/ IR35
- Markets in Financial Instruments Directive (MiFID)
- Base Rate Rises
- Faster Closedown
- Minimum Revenue Provision

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. Personal Service Companies

4.1. New tax rules have applied to the engagement of temporary staff since 6 April 2017 (IR35). In particular this concerns workers engaged via their own limited company, so-called 'personal service companies'. Such companies are seen as promoting unfair tax avoidance, and some employers have facilitated the use of such companies (the Council has not). When a staff member is to all intents and purposes an employee, the rules require employers to deduct and pay to HMRC the same amount of income tax as if the staff member was an actual employee. Corporate procedures have been put in place to ensure the Council is not inadvertently caught out.

4.2. The Council has engaged a trusted employment agency for the provision of temporary staff. This company is responsible for accounting for tax to HMRC, and these arrangements cater for the majority of temporary staff appointments. In a minority of cases this will not meet business needs (for example a specialist appointment) and in such cases an assessment is made to determine whether the IR35 tax rules apply and, if so, to make the necessary deductions.

5. MiFID

5.1. MiFID II (the Markets in Financial Instruments Directive) is legislation for the regulation of investment services within Europe. MiFID replaces earlier legislation. It reflects both changes that have taken place in financial services and markets since the earlier legislation and concerns raised as a consequence of the financial crisis of 2008. Taken as a whole, the changes will substantially affect the providers of a very wide range of financial services and investment products.

5.2. The impact on the Council, however, will be limited. The main administrative impact has been that it has needed to obtain a registration number and to opt to be treated as a professional investor (as opposed to a retail investor). If the Council did not do this it could not invest in certain investment products, most noticeably money market funds (which are low risk investments, essentially "unit trusts" investing in a diversified pool of investments of high credit worthiness such as deposits with banks). To be treated as professional investor the Council must employ staff with relevant knowledge and experience, and the new rules may penalise smaller authorities.

6. Base Rate Rises

6.1. The Monetary Policy Committee (MPC) of the Bank of England increased Bank Base Rate in November 2017 to 0.5%. The bank has previously suggested that further increases would be gradual and limited. The bank has subsequently raised expectations that rate rises would be both sooner and to a higher level because of inflationary pressures. Our treasury advisors, Arlingclose, see base rates rising twice in 2018, then once more in the first half of 2019 and ending 2018/19 at a rate of 1.0%. This outlook is a marked change from that seen in January at which time our advisors saw interest rates remaining at 0.5% for an extended period (a view that reflected the stance of the MPC).

6.2. The main financial impact of changes to base rates is on the interest earned on investments, and the budget assumes that investment returns will average 0.4%. The impact of any change will not be immediate as significant parts of the Council's investments are at fixed rates for periods of up to one year or more. If the most recent Arlingclose forecast is correct, then base rates might average 0.75% in 2018/19 and interest earned might be around £500,000 higher when we come to prepare the budget for 2019/20. However, forecasts of future interest rates are of course just forecasts, and may easily fail to materialise.

6.3. The changed outlook will feature in future treasury strategies.

7. **Faster Closedown**

7.1.   The Council has a statutory requirement to produce a statement of accounts on an annual basis, the purpose being to show the financial position of the Council at 31st March.   In previous years the Council has been required to publish a draft set of accounts by the 30th June and an audited set for the 30th September. For this financial year the date has been bought forward, with the draft accounts being required to be published for the 31st May and an audited set of accounts to be approved by the 31st July 2018.

7.2.   This is going to be a challenge to the Council. To assist the Finance team in achieving this we have done the following in preparation:

- Early engagement with third parties including valuers & external auditors
- Better use of financial systems
- Review of materiality thresholds
- Use of estimates
- Review of the notes in the accounts

7.3.   Even with the changes above it will still be difficult to achieve the early statutory deadline without the support of the whole organisation, the Senior Management Team and the Audit & Risk Committee.

7.4   For the committee, it means a draft set of accounts will be circulated at the end of May, to enable committee members to review them; with a final set being sent out shortly before the July meeting. The July meeting will then be when the accounts are signed off by the committee.

8. **Minimum Revenue Provision**

8.1   The Council is required to set aside money each year for the repayment of debt which has been raised to pay for capital expenditure in the past. This is known as minimum revenue provision (MRP)

8.2   The Government used to support borrowing through Revenue Support Grant, but no longer does so, choosing instead to give one off grants for new capital expenditure. Consequently, most of the debt we are repaying is historic. MRP is still significant, however (amounting to £14m in 2017/18).

8.3   The Government issues statutory guidance on how MRP should be calculated, and the policies councils can adopt. This guidance has recently been revised, in large part over concerns that some councils were retrospectively changing their policies and (in effect) borrowing money to avoid cuts.

8.4   The Council changed its policy in 2015/16, but this was not made retrospective. The impact of Government changes will not be significant, but the budget for 2019/20 will need to be more explicit about certain aspects of our policy, particularly where more money has been set aside than our policies required (in practice, recent Council budgets continued to set aside money to repay debt at the amount required prior to the policy change, in order to ensure that we don't slow down debt repayment until Government cuts force us to do so).

9. Financial Implications

9.1.   There are no direct financial implications arising from this report.

10. Legal Implications

10.1   There are no direct legal implications arising to this report.

11. Other Implications

OTHER IMPLICATIONS	YES/NO	PARAGRAPH REFERRED
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights / People on low incomes	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

12. Consultations

Not applicable

13. Author

Amy Oliver
Chief Accountant

Leicester
City Council

WARDS AFFECTED
All

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS
Audit and Risk Committee   **21ˢᵗ March 2018**

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Risk Management and Business Continuity Strategy and Policies 2018

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Report of the Director of Finance

1.   Purpose of Report

1.1.   To present to the Audit and Risk Committee (A&RC) the revised Risk Management and Business Continuity Policy Statement and Strategies (Appendix 1 and 2), which provide an effective framework for the Council to manage and respond to key risks facing its services to help achieve the delivery of its Business Plan.

1.2.   The documents have been significantly reviewed this year, leading to changes in the structure, content and general format.

2.   Recommendations (or OPTIONS)

2.1.   A&RC is recommended to consider and approve, on behalf of Council, the updated:

- Corporate Risk Management Policy Statement and Strategy at Appendix 1. This sets out the Council's attitude to risk, the approach to be adopted to manage the challenges and opportunities facing officers; and

- Corporate Business Continuity Management Policy Statement and Strategy at Appendix 2. This sets out the Council's business continuity practices.

3.   Report

<u>Risk Management Strategy and Policy 2018</u>

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

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

3.2   To date, improvements have been made in strengthening risk management arrangements within the Council's diverse business units. A thorough review of the Policy and Strategy has taken place which reflects any developments made in the industry and to support the procedures/processes. The revised strategy will continue to help embed risk management throughout the Council.

3.3   Effective risk management is essential for organisations and their partners to achieve strategic objectives and improve outcomes for local people. Good risk management looks at, and manages, both positive and negative aspects of risk. This process allows the Council to methodically address risks stemming from its activities with the aim of achieving sustained benefit within each activity and across the portfolio of all its activities. The Council's risk management process should (and if the policy is complied with, does) allow 'positive risk taking'.

3.4   Every project/programmer should have a risk assessment/log. Risk Management Services (RMS) provides risk management training (Appendix 3 of the strategy provides details and dates). Following the strategy review by the Corporate Management Team (CMT) in October 2014, this training became mandatory for staff expected to complete a risk assessment. RMS is continuing to work with business areas and a training programme has been established for 2018 approved by CMT in December 2017.

3.5   In 2016, an independent external review of the Risk Management Strategy and Policy concluded 'that it is adequate and the policy statement clearly articulated the purpose of risk management and is supported by senior management'.

Business Continuity Policy and Strategy 2018

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

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

- Continuing development of Business Continuity Management (BCM) at the Council to better align with current accepted best practice standards (ISO22301) and requirements of the Civil Contingencies Act (2004) – including a revised pro-forma plan issued for staff and schools to use;

- Ensuring that up to date, tested plans exist for all areas. Primary focus remains on critical activities, followed by review of the remainder of the Council's activities, those deemed 'non-critical' which will continue to be reviewed and dealt with by divisions;

- Challenge the definition and interpretation of critical;

- Manage the number of services deemed to be critical;

- Continued delivery of a specific business continuity training programme for senior managers, management and their staff;

- Review, maintain and update the Business Continuity Plan (BCP) template periodically and ensure its implementation council wide; and

- Assisting schools with developing and testing of their BCPs.

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

4. Key Deliverables

4.1 The key deliverables in both Policies and Strategies include:

4.1.1 Risk:

- Ensuring the Risk Management Framework in the Council reflects 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 CMT, led by the Chief Operating Officer, supported by the Manager, Risk Management;

- Improving Divisional engagement with risk management processes to further embed a culture within the Council where risk is anticipated and managed proactively and is part of the daily process and there is 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. Directors and Managers continuing to identify staff requiring risk management training as business areas that 'own' and should manage their risks.

4.1.2 Business Continuity:

- **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 organisation 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.

4.1.3 The BCM programme needs to be managed in a continuous cycle of improvement if it is to be effective. Therefore, formal and regular exercise, maintenance, audit and self-assessment of the BCM **culture** are essential. This would be more achievable and effective if the appropriate staff within each division attend the BCM awareness training session delivered by RMS. This needs properly formalising and managing and remains a key activity within 2018.

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

5. <u>FINANCIAL IMPLICATIONS</u>

5.1. Financial Implications

Robust risk management reduces the likelihood and costs of incidents, and helps to minimise insurance claims and costs. 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.
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. Sonal Devani, Manager, Risk Management – 37 1635.
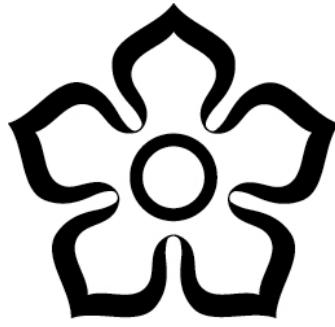
Risk Management

Policy Statement and Strategy 2018

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Risk Management

Policy Statement and Strategy 2018

Risk Management Policy Statement

Leicester City Council's approach to the management of risk
Risk management involves managing the council's threats and opportunities. By doing so effectively, the organisation is in a stronger position to deliver the council's objectives, missions and values. 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 objectives, but these should be identified and managed appropriately. By managing opportunities in a structured way, the council will be in a better position to provide enhanced services and better value for money. However, residual risks may still be high even after controls are identified and implemented. Such risks may relate to activities/projects where the organisation has statutory responsibilities to deliver such services as long as the risks are being managed effectively and efficiently and the impact is minimised should the threat/event occur.

The key objectives of Risk Management are to:

1. Identify, manage and act on opportunities and threats to enable the council to achieve its objectives and integrate risk management into the culture and day to day working of the council.

2. Ensure 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 (CMT).

3. Ensuring compliance to Governance requirements are met in terms of risk management.

4. Embed, actively support and promote risk management.

5. Ensure that a systemic and consistent approach to risk management is adopted throughout the organisation and as part of divisional planning, performance management and models of operation.

6. Raise awareness of the need for risk management to those involved in developing the council's policies and delivering services.

7. Manage risk in accordance with best practice and comply with statutory and regulatory requirements, for e.g. Fraud Act, Anti Bribery and Care Acts.

8. Ensure the communications of the organisation's risk profile and exposure is communicated bottom up and top down.

The above objectives will be achieved by:-

1. Ensuring CMT, Directors and other relevant stakeholders obtain assurance that the council is managing and mitigating risks that could affect the achievement of the organisation's objectives.

2. Establishing reporting mechanisms to submit Strategic and Operational Risk Registers to CMT, Audit and Risk Committee and relevant stakeholders.

3. Ensuring the operations and initiatives that are high risk to the council are reported and monitored through the appropriate director to aid informed decision making.

4. Providing opportunity for learning on risk management across the council by scheduling a rolling training programme year on year.

5. Developing the council's processes for the identification, management and communication of risk and Risk Management Services to ensure best practice is being implemented and communicated.

6. Having in place a defined outline of individual roles and responsibilities to manage risk.

7. Establishing clear processes, responsibilities and reporting lines for risk.

8. Anticipating and responding to changing social, environmental and legislative requirements.

9. Demonstrating the benefits of effective risk management through:-

    - Cohesive leadership and improved management controls;
    - Improved resource management – people, time, and assets;
    - Improved efficiency and effectiveness in service and project delivery;
    - Minimising the impact following an incident, damage limitation and cost containment;
    - Better protection of employees, residents and others from harm;
    - Reduction in incidents, accidents and losses leading to lower insurance premiums; and improved reputation for the council.

10. Recognise that it is not possible, nor desirable, to eliminate risk entirely, and so have a comprehensive business continuity and insurance programme that protects the council from significant financial loss following damage or loss of its assets- therefore minimising the impact from an event.

Andy Keeling   **Sir Peter Soulsby**
Chief Operating Officer   **City Mayor**

January 2018

Risk Management Strategy

INTRODUCTION

1. The Risk Management Strategy seeks to promote identification, assessment, response, monitoring and communications of risks that may adversely impact the achievement of the council's aims and objectives, missions and values. This strategy builds on, and replaces, the 2017 Risk Management Strategy. Through the continued development and implementation of the strategy, the maturity of the council's risk management will be reflected in a more enabled and proactive culture of embracing innovative opportunities and managing risks. The ultimate aim of the strategy is to embed risk management throughout the organisation and to ensure officers/staff understand their roles in the process.

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 and exposure;

   ▪ To assist the council and its partners to adopt a "fit for purpose" methodology towards identification, evaluation, control and communication of risks and to help ensure those risks are reduced to an acceptable level – the 'risk appetite';

   ▪ To ensure that transparent and robust systems are in place to track and report upon existing and emerging risks which potentially could have a detrimental impact on the council or 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 encourage well measured risk taking where it leads to sustainable improvements in service delivery;

   ▪ To ensure a consistent approach in the identification, assessment and management of risk ('the risk management cycle) throughout the organisation.

3. Given the diversity of services offered by the authority and therefore, the wide range of potential risks that could arise, it is essential that responsibility for identifying and taking action to address those risks is clear. No one person or group should perform risk management. Commitment and involvement of staff at every level is essential to effectively carry out risk management. Although different staff/managers will have specific duties to assist in this process, it is important that they are aware of and understand their role. Staff involvement may consider views and comments from other divisional teams who may have experience of managing similar risks.

ASSURANCE AND REPORTING STRUCTURE OF RISKS AT LEICESTER CITY COUNCIL

As part of the risk management and assurance process, we would like to create an environment of a 'no surprises' system and the 'tone from the top' is an essential criteria in fulfilling this.

All staff and associated stakeholders have responsibility for managing risk, some more than others. Please see **Appendix 1** for full roles and responsibilities.
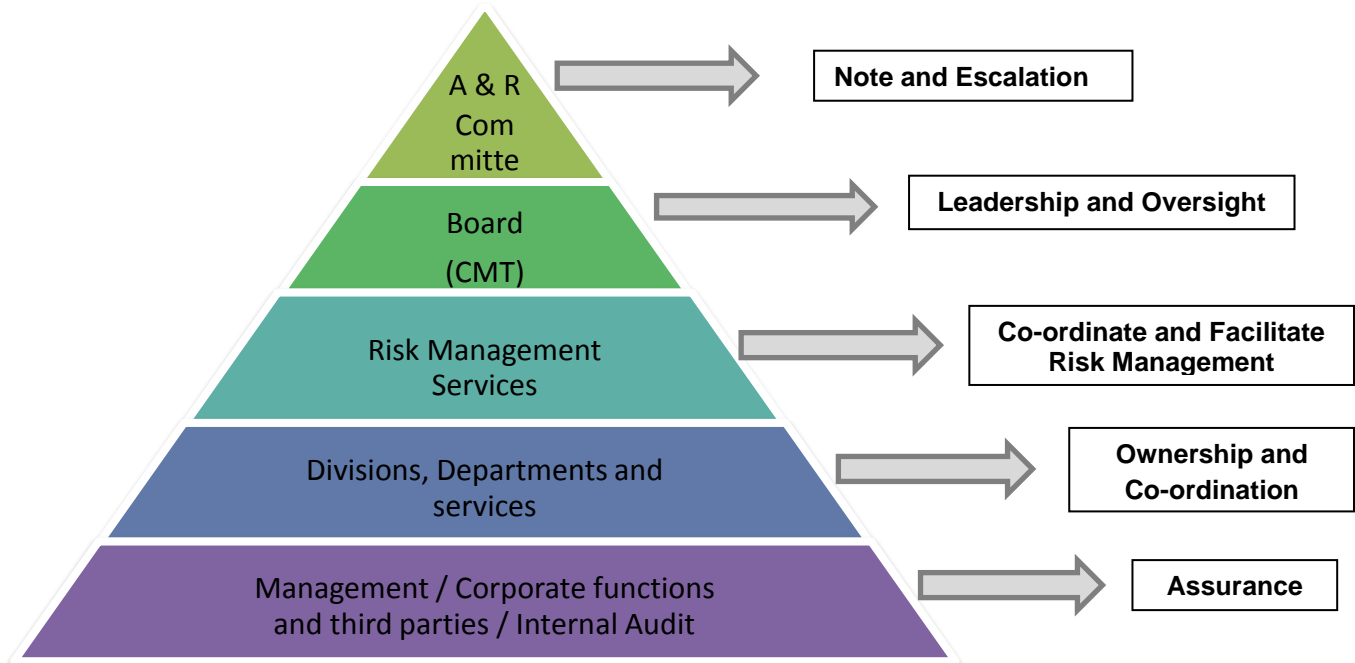
Within this structure, each party has the following key roles:
- The **Audit and Risk Committee** is responsible for noting the effectiveness of the council's risk management arrangements, challenging risk information and escalating issues to the Board/Executive;
- The Corporate Management Team **(CMT)** has the risk oversight role. CMT has the ultimate accountability for the risk and related control environment; responsible for approving and reviewing risk policies and strategies; setting the level of risk the council is prepared to accept **– it's 'risk appetite'**; receiving quarterly risk management reports to review and approve and agreeing the training programme;
- **Risk Management Services (RMS)** develops and coordinates implementation of the Risk Management Strategy and provides a facilitators role, supporting and guiding all other service areas on how to manage their risks. RMS also coordinate, populate and maintain the council's risk registers, producing quarterly reports comprising of these risk registers to submit to CMT and the Audit and Risk Committee.
- **Departments and services** are the **'risk-takers'** and are responsible for identifying, assessing, measuring, monitoring and reporting significant risks associated with their functions or activities and for managing risks within their departments.
- As part of the council's **combined model, management, third parties and Internal Audit** give assurance on the management of risks and the operation/performance of controls

RISK DEFINITION AND APPETITE

4. At 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 risk discussions are taking place, it is assumed by many staff that all risks must be eliminated. However, this is not the case. Risk is a part of everyday life and taking risks and acting on opportunities may also be a route to success, if managed properly. Risk appetite is the amount of risk an organisation is prepared to accept, tolerate or be exposed to at any point in time. **Appendix 2** demonstrates the council's risk appetite. The council is prepared to tolerate risks that fall below the risk appetite line (the prominent black line). For risks that are scored above the line, the council should consider their occurrence and design controls for implementation if that risk materialises. An example of this would be total loss of a building by fire. This is a typical 'high impact' but 'low likelihood' risk that cannot realistically be managed day to day, beyond normal management responsibilities, but if it occurs, would be dealt with by the invocation of an effective business continuity plan and appropriate insurance cover which are both significant mitigants for that risk.

6. Risk appetite needs to be considered at all levels of the organisation – from strategic decision makers to operational deliverers. The council's risk appetite is the amount of risk that it is prepared to take in order to achieve its objectives. Defining the council's risk appetite provides the strategic guidance necessary for decision-making and is determined by individual circumstances. In general terms, the council's approach to providing services is to be innovative and to seek continuous improvement within a framework of robust corporate governance. This framework includes risk management that identifies and assesses risks appertaining to decisions being considered or proposed.

7. As such, risk appetite should be considered for every proposal and risk rather than an over-arching concept for the entire council. There will be areas where a higher level of risk will be taken in supporting innovation in service delivery. Certain areas will maintain a lower than cautious appetite - for example, in matters of compliance with law and public confidence in the council. Risk appetite can therefore be varied for specific risks, provided this is approved by appropriate officers and/or members. However, in all circumstances:

    ▪   The council would wish to manage its financial affairs such that no action will be taken which would jeopardise its ability to continue as a going concern; and

    ▪   The council would wish to secure the legal integrity of its actions at all times.

    Despite this, at times the council may be forced to take risks beyond its appetite choosing to comply with central government directives or to satisfy public expectations of improved services. The challenge process will determine the decisions made - whether to proceed with such proposals and after careful assessment of the identified risks and an analysis of the risks compared to the benefits – i.e. cost benefit analysis. A cost benefit analysis also helps decide the commitment to risk management resources and it is important to keep in mind that not all costs benefit is confined to financial measurement and the cost of not taking action should also be considered

8. Leicester City Council's approach is to be **risk aware** rather than **risk averse**, to manage and mitigate the risk. As set out in its Risk Management Policy Statement, it is acknowledged that risk is a feature of all business activity and is a particular attribute of the more creative of its strategic developments. Directors and members are not opposed to risk. They are committed to taking risk with full awareness of the potential implications of those risks and in the knowledge that a robust plan is to be implemented to manage them. The council's risk management process allows this **'positive risk taking'** to be evidenced.

9. **'Positive risk taking'** is a process of weighing up the potential benefits and impacts of exercising a choice of action over another course of action. This entails identifying the potential risks, and developing plans and controls that reflect the positive potentials and stated priorities of the council. It then involves using available resources and support to

achieve desired outcomes, and to **minimise any potential 'harmful' impacts**. It is certainly not negligent ignorance of potential risks but, usually, a carefully thought out strategy for managing a specific risk or set of circumstances.
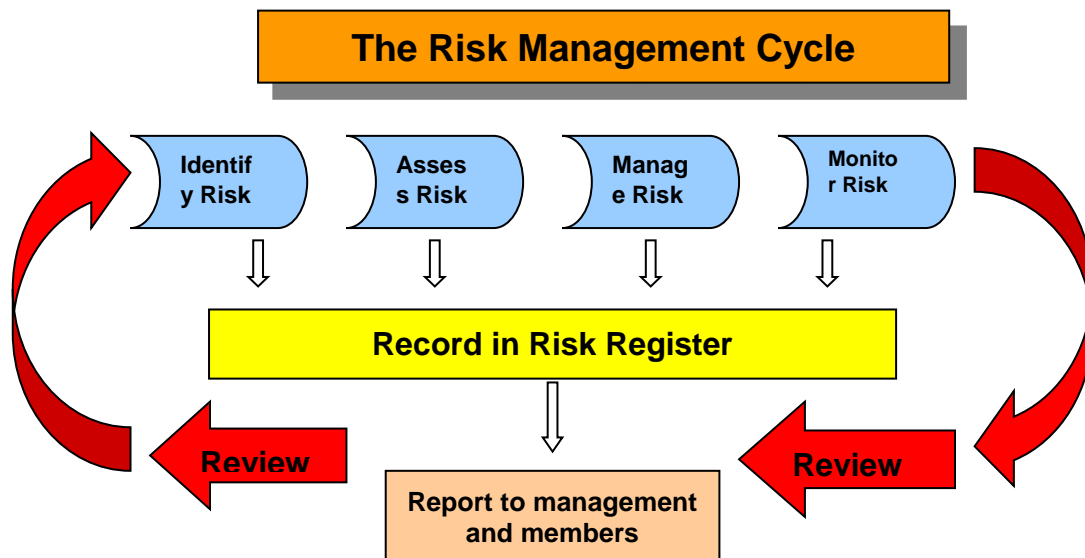
10. Risk management ensures that key strategic and operational risks are well controlled, minimising the likelihood of an occurrence and its impact should the risk occur. It is recognised that there are costs involved in being too risk averse and avoiding risk, both in terms of bureaucracy and opportunity costs.

11. The council seeks to identify, assess and respond to all strategic risks that may affect the achievement of key business objectives and plan outcomes. Once a risk has been identified and rated, the council will adopt a risk response based on the nature of the risk. The council's risk responses include treat, tolerate, terminate or transfer – refer to paragraph 24 for the detail. Integrating risk transfer strategies requires decisions at the highest levels as the risk appetite will determine the extent to which it is prepared to retain the risk, as opposed to sharing risk by outsourcing or insurance.

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

RISK FINANCING

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

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

14. 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 this process is managed by RMS on behalf of the Director of Finance.

RISK MANAGEMENT PROCESS

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

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

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

18. There are five key steps in the risk management process. These stages are covered in greater detail in the Risk Management Toolkit – a step-by-step guide to risk management at Leicester City Council - which is available to all members, managers and staff via the RMS Interface pages.

The Risk Management Cycle

Identify Risk — Assess Risk — Manage Risk — Monitor Risk

Record in Risk Register

Review

Report to management and members

19. The risk management process is explained in detail in the **'Identifying and Assessing Operational Risk'** training course, which is now mandatory for staff completing a risk assessment (see **Appendix 3** for the 2018 training schedule) and teaches staff to:-

- **Identify** risk - management identify risks through discussion as a group, or discussion with their staff. RMS are available to support this process either by attending or facilitating risk 'workshops' or delivering risk identification and mitigation training to managers and their business teams in advance of their own sessions;
- **Assess/Analyse/Evaluate** - management assess the likelihood of risks occurring and the impact on the council/their objectives using the council's approved risk assessment form and the 5x5 scoring methodology. Once the risks are scored, this will determine whether the risks are high, medium or low which will help in the prioritisation of risks for urgent attention;

8

- **Manage** - management determine the best way to manage their risks e.g. terminate, treat, transfer, tolerate or take the opportunity (see paragraph 24 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 27 – 34 below for more detail).

IDENTIFYING THE RISKS

20. At Leicester City Council in order to identify risks, we need to focus on the aims and objectives of the organisation and of any project and activity. Every activity the council engages in contributes to achieving an objective and so risks that may affect the successful completion of that activity must be taken seriously. Risk is simply defined as **'the effect of uncertainty on objectives'** – ISO31000 Risk Management Standard. As mentioned in paragraph 19, the training session covers in detail how to identify risks. Please refer to **Appendix 4** for the risk assessment template to log risks and its evaluation. **Appendix 5** indicates the different categories of risk which staff use as a prompt to identify risks. However, it is not an exhaustive list and officers are reminded that risks may not be present in all categories for when they are completing their risk assessment. Also, staff may need to consider carrying out a dynamic risk assessment as and when required, for e.g, in the case of inclement weather, the original risk assessment may not have considered how to operate on a wet day as it was not anticipated.

21. The Manager, Risk Manager will continue to work collaboratively with ALARM, other councils and partners to undertake horizon scanning to identify new and emerging risks that affect the council. This may help to identify new collective trends and emerging risks.

ASSESS/ANALYSE AND EVALUATE RISKS

22. This step involves determining the likelihood of the risk occurring and its impact should it occur. Please see **Appendix 2** for further detail of the scoring mechanism and the definitions utilised at this council to calculate the level of the risk: - **Impact x Likelihood = Risk score.** The 'scoring' of these risks, using the 5x5 risk matrix, ensures compliance with both best practice and the ISO31000 Risk Management Standard.

23. This step also helps to prioritise the risks which require urgent action using a red, amber, green scoring mechanism (RAG status). The table below indicates how risks that are high, medium and low should be managed.
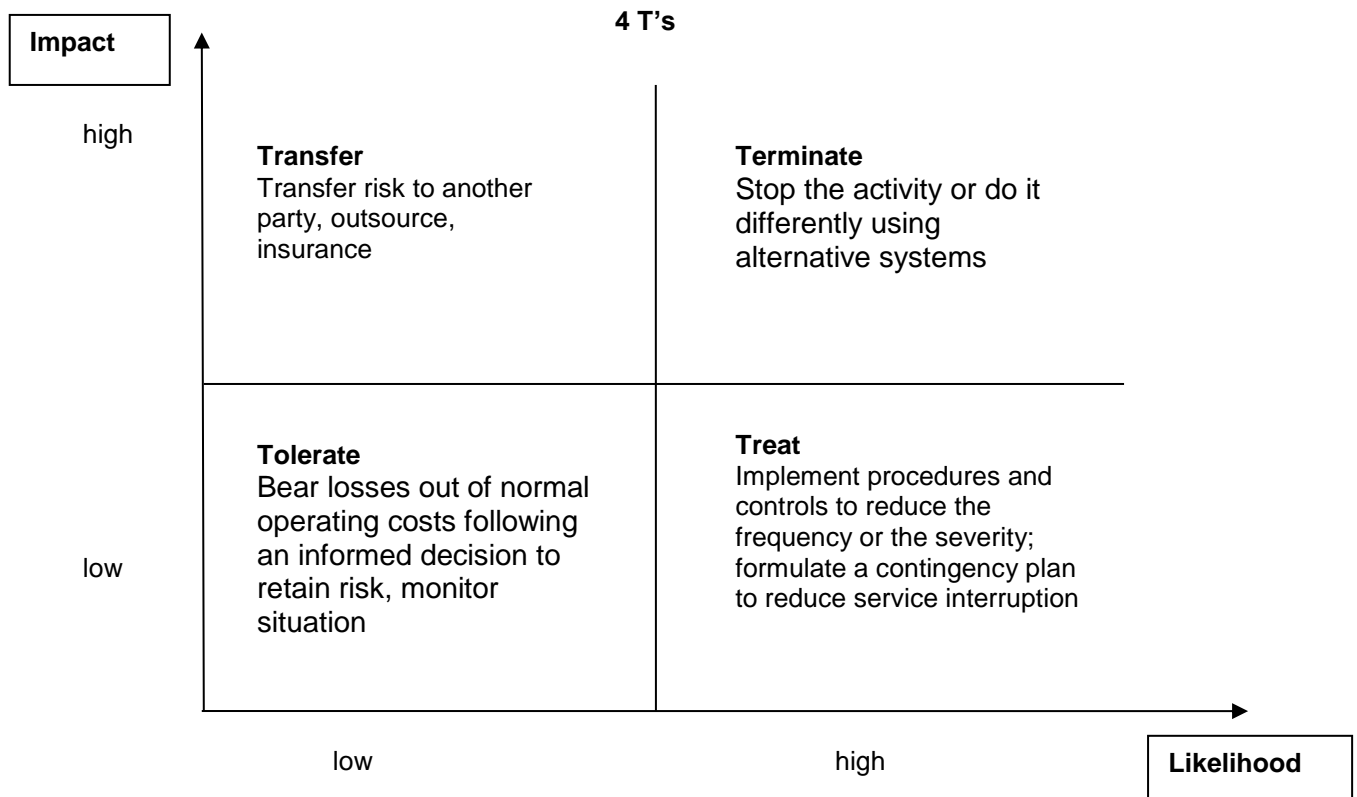
LEVEL OF RISK	OVERALL RATING	HOW THE RISK SHOULD BE TACKLED/ MANAGED
High Risk	15-25	IMMEDIATE MANAGEMENT ACTION
Medium Risk	9-12	Plan for CHANGE
Low Risk	1-8	Continue to MANAGE

MANAGE THE RISKS

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

- Terminate
- Treat
- Tolerate
- Transfer

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

4 T's

Impact	

high

Transfer
Transfer risk to another party, outsource, insurance

Terminate
Stop the activity or do it differently using alternative systems

Tolerate
Bear losses out of normal operating costs following an informed decision to retain risk, monitor situation

Treat
Implement procedures and controls to reduce the frequency or the severity; formulate a contingency plan to reduce service interruption

low

low   high   **Likelihood**

Likelihood	Impact	4 T's	Actions to take
High	High	**Terminate**	Requires immediate action/avoid or consider alternative ways
High	Low	**Treat**	Consider steps to take to manage risks – reduce the likelihood and/or better manage the consequence
Low	High	**Transfer**	Contingency plan/Insurance cover to bear financial losses/transfer risk to third party/outsource
Low	Low	**Tolerate**	Informed decision to retain risk. Keep under review. Monitor and bear losses from normal operating costs as the cost of instituting a risk reduction or mitigation activity is not cost effective or the impact of the risks are so low so deemed acceptable

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

- Consider whether 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 or projects that enhance the economy of Leicester.

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

MONITORING AND REVIEWING THE RISKS

27. After evaluating the measures already in existence to mitigate and control risk, there may still be some remaining exposure to risk (residual risk). It is important to stress that such exposure is not necessarily detrimental to the council and ensures that the council is aware of its key business risks; what controls are in place to manage (mitigate) these risks; and, what the potential impact of any residual risk exposure is. This step in the risk process never really ends as monitoring and review of your risk assessment to ensure it stays valid is an ongoing process. The ultimate aim of risk management/assessment is to implement measures to reduce the risks to an acceptable level. Monitoring and review of circumstances must occur to see whether the measures implemented have reduced risks effectively and whether more should be done. To summarise, are the controls being implemented, are they effective, do further controls need to be considered, therefore, re-scoring of the risk, and do new risks need to be incorporated or any existing ones to be deleted.

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

**Recommended risk review frequencies as per risk rating:**

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

RISK REPORTING

29. Significant operational risks should continue to be logged and monitored via the Operational Risk Register (ORR). It is the responsibility of each divisional director to ensure that operational risks are recorded and monitored via a risk register. These registers and the risks identified are aligned to the council's operating structure. RMS has produced a pro-forma risk assessment/register that **must** be used by all business areas (see **Appendix 4**).

30. The most significant risks identified by the divisional directors feed into the council's ORR which is managed by CMT and facilitated by the Manager, Risk Manager. They are accountable for ensuring that all operational risks are identified against service delivery

objectives; that plans are implemented to control these exposures; key risks are included within the individual service plan and that monitoring and communication of risks takes place.

31. The strategic directors have created, manage and monitor a Strategic Risk Register (SRR) for those risks that may affect achievement of the council's strategic objectives, with RMS facilitating. The most significant of these risks, those that may threaten the council's overall strategic aims, form this register which is reviewed and updated by 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. One of the significant strategic risks is a serious failing of the management of operational risks by their divisional directors.

32. RMS facilitates and supports this process and will continue to maintain the SRR/ORR, using the input from each Divisional Risk Register and the updates provided by each strategic director for the SRR. The SRR/ORR will be reported quarterly to the CMT and bi-annually to the Audit and Risk Committee. As part of this process, bespoke training needs may be identified and the RMS team will provide training and support upon request.

33. The process for reviewing and reporting operational and strategic risks at Leicester City Council is set out as below:
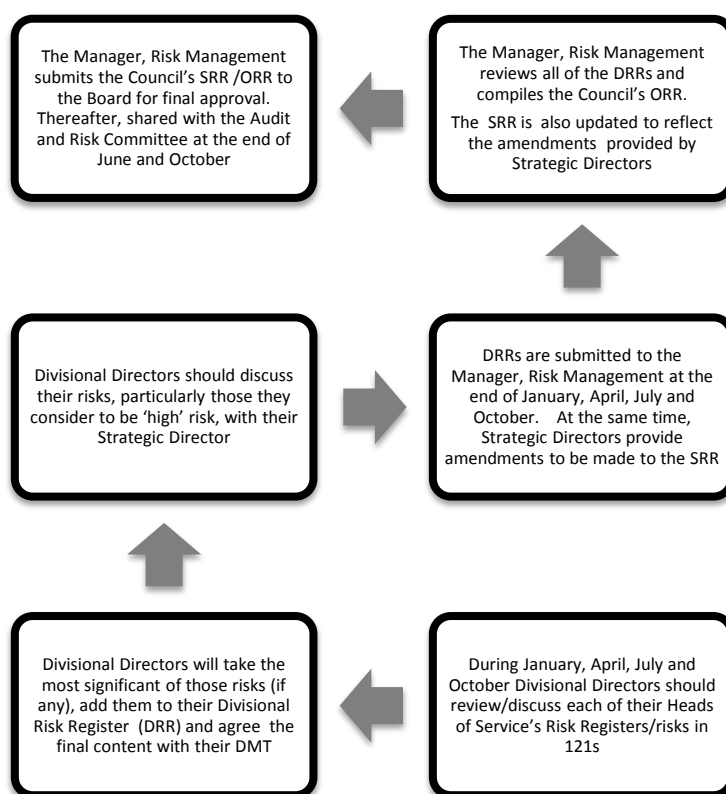
Key:

DRR – Divisional Risk Registers – compiled using most significant operational risks from Heads of Service risk registers.

ORR – Operational Risk Registers – produced by RMS using the significant risks from the DRRs submitted by Divisional Directors

SRR – Strategic Risk Registers – compiled by RMS using significant risks submitted by Strategic Directors and are those risks that may affect achievement of the council's strategic aims.

34. All risks identified, both operational and strategic, will need to be tracked and monitored by regular quarterly reviews of the risk registers at quarterly 121's. This will ensure that any changes in risks requiring action are identified; there is an effective audit trail; and the necessary information for ongoing monitoring and reporting exists.

PARTNERSHIP RISK

35. 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).

The driver of the Partnership Agreement should address internal and external risk issues.

RISK MANAGEMENT TRAINING

36. Since January 2010, risk management training has been delivered, and continues to be offered to all staff (and members) to explain risk management methodology adopted by the council. In October 2014, CMT made the 'Identifying and Assessing Operational Risk' training mandatory for staff who have to carry out a risk assessment. An annual programme of training (covering risk, insurance and business continuity planning) is available to all staff, managers and members. However, directors and managers should identify staff who requires this training through the staff appraisal process (existing staff) and through the jobs specification process (new staff) and appropriate training will be provided by RMS.

INSURANCE LIMITS

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

REVIEW OF RISK MANAGEMENT POLICY AND STRATEGY

38. This Risk Management Strategy and the associated Policy Statement are intended to assist in the development/integration of risk management from now until December 2018.

39. All such documents and processes will remain subject to periodic review. The next planned review to occur in Quarter 4 2018. This allows any changes in process to be aligned to the council's financial year end.

RISK MANAGEMENT AT LEICESTER CITY COUNCIL

40. A robust risk management process should be applied to all our activities during the next 12 months and beyond. To achieve this, priority exposures should be identified, addressed, and incorporated into appropriate risk management strategies and risk improvements into organisation's service delivery as well as monitoring and reviewing emerging risks. This should be in line with the council's priorities. This helps to determine how risks affects such priorities, whether to consider changes in council's operations and to enable us to make well-informed decisions. Risk must be considered as an integral part of divisional planning, performance management, financial planning and strategic policy-making processes. The cultural perception of risk management has to continue changing from a 'have-to-do' to a 'need-to-do'. However, this does not need to become a bureaucratic and paper intensive exercise and judgment by the appropriate person should be exercised.

41. The Manager, Risk Management will continue to maintain a central copy of the SRR/ORR as well as the DRR's. Internal Audit will continue to utilise these registers to assist them in developing the audit plan and producing a programme of audits, which will test how well risk is managed within specific areas of the business – subject to resource being available. The council's Risk Strategy and Policy will help directors to report appropriately upon their risk and their risk registers, together with other information gathered by Internal Audit through consultations, will be used to formulate the audit work programme which, in turn, allows assurance to be given to both the CMT (officers) and the Audit and Risk Committee (members) that risk is being properly identified and managed at Leicester City Council.

42. Consideration should be given as to whether the management of risk should be included in job descriptions for all operational service area managers with responsibility and accountability for risks, and be included in every director/manager's objectives and performance appraisal discussion.

43. Directors and managers should also ensure that all stakeholders (employees, volunteers, contractors and partners) are aware of their responsibilities for risk management and of the lines of escalation for risk related issues. Operational performance linked to risks helps to achieve objectives more effectively and efficiently.

CONCLUSION

44. No organisation can operate in silo in today's environment. There should be awareness of risks arising from failing to act on opportunities to deliver better and more cost effective public services. A certain amount of risk is inevitable to achieve objectives and improve performance, hence the existence of this Policy and Strategy to help the organisation manage those risks and deliver enhanced public services and better value for money.

Appendix 1 - LEADERSHIP, ROLES AND RESPONSIBILITIES

All Councillors	• To consider and challenge risk management implications as part of their decision making process.
City Mayor/ Executive	• Approve the council's Risk Management Strategy and Policy Statement annually. • Consider risk management implications when making decisions and determine the risk appetite for the council. • Agree the council's actions in managing its significant risks. • Receive regular reports on risk management activities. • Approve an annual statement on the effectiveness of the council's risk controls as part of the statement of accounts. • Consider the effectiveness of the implementation of the risk management strategy and policy.
Audit and Risk Committee	• Receive and note the council's Risk Management Strategy and Policy Statement annually • Receive and note the Strategic and Operational Risk Registers update reports
Strategic Directors	• Responsibility for leading and managing the identification of significant strategic risks. • Ensure that there is a robust framework in place to identify, monitor and manage the council's strategic risks and opportunities. • Ensuring that the measures to mitigate these risks are identified, managed and completed within agreed, time-scales, ensuring that they bring about a successful outcome. • Lead in the promoting of a risk management culture within the council and with partners and stakeholders. • Approve and maintain the requirements for all CMT reports, business cases and major projects to include a risk assessment (where appropriate). • Ensure risk is considered as an integral part of service planning; performance management; financial planning; and, the strategic policy-making process. • Consider risk management implications when making Strategic decisions. • Management and quarterly review of the strategic risk register. Review and progress actions and capture emerging risks. • Recommend the level of risk appetite for all strategic risks to Executive. • Note, through quarterly review, the operational risk register. Ensure that the measures to mitigate these operational risks are identified, managed and completed within agreed timescales, ensuring that they bring about a successful outcome. • Ensure that appropriate advice and training is available for all councillors and staff. • Ensure that resources needed to deliver effective risk management are in place.
Corporate Management Team (CMT)	• Responsibility for leading and managing the identification of significant operational risks from all operational areas. • Ensuring that the measures to mitigate these risks are identified, managed and completed within agreed timescales, ensuring that they bring about a successful outcome. • Lead in promoting a risk management culture within the council and within their departments. • Approve and endorse the Risk Management Strategy and Policy • Approve regular Risk Registers Report and understand status • To respond appropriately and in a timely manner to exceptions in reports to ensure accountability and risk management processes aren't compromised.

Divisional Directors	• Submit Divisional Operational Risk Register (DORR) showing significant Divisional operational risks to Risk Management for consideration of inclusion in the council's Operational Risk Register. • Escalating risks/issues to the relevant Strategic Directors, where appropriate. • Ensure there is a clear process for risks being managed by their Heads of Service (and where appropriate, their managers and/or supervisors) to be reviewed, at least quarterly, allowing their DORR to be seen as complete. • Embeddedness of risk management within the service areas they are responsible for and promoting a risk management culture. • Ensure compliance with corporate risk management standards. • Ensure that all stakeholders (employees, volunteers, contractors and partners) are made aware of their responsibilities for risk management and are aware of the lines of escalation of risk related issues. • Identify and nominate appropriate staff for risk management training.
Manager, Risk Management	• To develop and coordinate the implementation of the Risk Management and Business Continuity Policy and Strategy. • Provide facilitation, training and support to promote an embedded, proactive risk management culture throughout the council. • Assist the Strategic and Divisional directors in identifying, mitigating and controlling the council's risks. • Coordinate, populate and maintain the strategic and operational risk registers of the council's most significant risks which are submitted to CMT and Audit & Risk Committee quarterly. • Review risks identified in reports to Strategic Directors and the Executive. • Ensure that risk management records and procedures are properly maintained, decisions are recorded and an audit trail exists. • Ensure an annual programme of risk management training and awareness is established and maintained to promote good risk management. • To assess emerging risks and key risks facing the council. Horizon scanning. • Advise management of key risk issues • Review External and Internal Audit recommendations to ensure these are picked up and dealt with by the business.
Internal Audit	• Have knowledge of Risk management Policy and Strategy. • Support the risk management process. • Focus internal audit work on significant risks – risk based auditing. • Provide the Risk team / Divisions / Departments with updates on risks identified from audits where necessary.
All Employees	• To have an understanding of risk and their role in managing risks in their daily activities, including the identification and reporting of risks and opportunities. • Support and undertake risk management activities as required. • Attend relevant training courses focussing on risk and risk management.
Stakeholders	• Directors and managers should also ensure that all stakeholders (employees, volunteers, contractors and partners) are made aware of their responsibilities for risk management and are aware of the lines of escalation for risk related issues. Risk management is most successful when it is explicitly linked to operational performance

Appendix 2 – RISK APPETITE AND RISK SCORING MATRIX

Key to Table:

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

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

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

LIKELIHOOD (A)		Insignificant/ Negligible 1	Minor 2	Moderate 3	Major 4	Critical/ Catastrophic 5
	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

IMPACT (B)

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

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

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

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Risk Management Services and Insurance Services Training Programme 2018

Below are details of the Risk Management Services and Insurance Services Training Programme for 2018. If you wish to attend these sessions, **please book through the Myview pages of Corporate Workforce Development.** Prior to booking, please discuss with and seek your manager's approval. Most of the sessions are limited to between 15 and 20 attendees, so bookings will be on a 'first come, first served' basis.

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

Identifying and Assessing Operational Risks
30 January; 27 February; 11 April; 1 May; 19 June; 11 July; 19 September; 23 October; 28 November.

(Training delivered by Sonal Devani and Nusrat Idrus)

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

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

Contract Risk Management
21 March; 12 September

(Training delivered by Zurich Municipal Risk Consultants)

Staff attending this session must have been on the mandatory 'Identifying and Assessing Operational Risk' training above.

The aim of the session is to review how the management of contracts and projects can aid in assessing and mitigating organisation's risk. The objectives are to ensure attendees understand how to minimise the risk to the organisation when entering into contracts; assist in identifying the key areas of risk within contracts; highlight the benefits of managing contract/partnership risk; and, how on-going contract and partnership management heightens organisational risk awareness and mitigates organisational risk. This session is specific to contract risk and, as a natural pre-cursor, it will be of benefit to have attended the Identifying and Assessing Operational Risk training above.

Business Continuity Management
23 January; 7 March; 23 May; 25 September; 13 November.

(Training delivered by Sonal Devani and Nusrat Idrus)

This course provides an understanding of Business Continuity Management within the organisation. It explains the difference between managing business continuity and merely writing your plan. This understanding will allow you to manage unexpected incidents and get

back to delivery of your 'business as usual' service in the event of an unforeseen circumstance. This session is aimed at anyone who has a responsibility for a building, staff; and for delivery of a service, therefore, needs to have a business continuity plan or would be part of a recovery team needed to restore an affected service after an incident. The session also outlines the council's Business Continuity Strategy and Policy and will explain how that might affect you and your work. A step-by-step guide is provided to completing the council's BCP pro-forma. This session should be attended by all Heads of Service and their senior management to ensure that, in the event of a serious, unexpected incident, they understand the processes that will help to ensure the council can continue to operate with minimal impact.

Insurance – Policies, Levels of Cover/Indemnity Limits and Incident Reporting
22 March; 20 September.

(Training delivered by Alexandra Weller)

This session will discuss what the council's insurance policies cover; details of regular types of claim that the Insurance Services team deal with and how claims can be avoided, or their impact lessened; how to calculate the minimum Corporate Indemnity limits for your contracts or third parties and why they are necessary. The session is aimed at all procuring managers or managers and staff responsible for entering into contractual agreements (including funding agreements) with third parties. The session will also outline, in simple terms, the implications for the council, and you personally, if you get these wrong in any of your contracts.

We will then explain the types of incidents that need to be reported to Insurance Services and/or the council's insurers; why we need to know; and, the potential consequences for you if we don't – there will be no insurance cover and your departmental budget will have to cover any claim (which can run into thousands of pounds!). Session is aimed at managers and senior staff who are likely to have responsibility for delivery of services to service users/members of the public or who manage and have responsibility for the health and safety of staff or manage buildings.

Personal/Bespoke Sessions

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

If you would like to discuss a bespoke session please contact:
For Risk and BC:
Sonal Devani: (sonal.devani@leicester.gov.uk), 454 (37) 1635,
Nusrat Idrus (Nusrat.idrus@leicester.gov.uk), 454 (37) 1623

For Insurance
Alexandra Weller (Alexandra.Weller@leicester.gov.uk), 454 (37) 1642
Stephen White 454 (37) 1641

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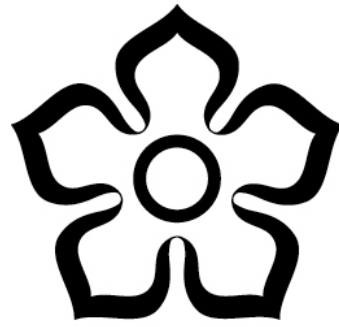
Sonal Devani
Manager, Risk Management

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Appendix 4 – RISK ASSESSMENT / REGISTER TEMPLATE

Risk Assessment/Register								Date completed: xx/xx/2017		
Completed by (Risk Register Owner): Name (person who is responsible for all the risks in this register)										
Business Objective	Risk What is the problem/hazard? What is it that will prevent you from meeting your objectives?	Consequence /effect: what would actually happen as a result? How much of a problem would it be? To whom and why?	Existing actions/controls What are you doing to manage this now?	Risk Score with existing measures (See Scoring Table)	Further management actions/controls required. What would you like to do in addition to your existing controls?	Target Score with further management actions/ controls required (See Scoring Table)	Cost (of Impact; of current controls; of further controls)	Risk Responder (Officer responsible for managing risk and controls)	Risk Review Date
				Impact / Likelihood / Risk Rating (I x L)		Impact / Likelihood / Risk Rating (I x L)			
What is it you need to achieve? Think about what your objective is/what you have to deliver.	What is the actual risk to your objective? This should be a statement that provides a brief, unambiguous and workable description that enables the risk to be clearly understood, analysed and controlled.	If the risk happens, what will actually be the impact? What will go wrong?	What have you already got in place to either reduce the likelihood of this risk occurring, or to reduce the impact on your area/budget if it does happen? These will be factors that are exerting material influence over the risk's likelihood and impact.	Score as per the scoring guide for both impact and likelihood. Multiply the two together to get the overall risk score. These scores should take into account the existing controls.	What further action do you feel necessary? Enter here, regardless of whether you have the resource to make these happen.	Score, as per the scoring guide, for both impact and likelihood taking into account the proposed new controls. Multiply the two together to get the overall risk score.	Impact cost - what will it cost you/the Council if this happens? Controls Cost - how much are the current controls costing you and how much will the future controls cost you?	Who is owner of this risk on a day to day basis. This may not be the owner of the risk register nor the person who identified the risk.	When will the future controls be in pace or when will this risk be reviewed.

Appendix 5 – CATEGORIES OF RISK

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

Business Continuity Management
Policy Statement and
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Business Continuity Management

Policy Statement and Strategy 2018

Business Continuity Management Policy Statement

Disruptive events occur and may be unexpected. It might be an external event such as severe weather, utility failure, terrorist attack or pandemic flu, or an internal incident such as ICT failure, loss of a major supplier or loss of key building. Such events are usually to be low likelihood, but high impact events which we need to plan for, hence the creation of this Policy setting the direction for Business Continuity Management (BCM) at Leicester City Council (LCC).

The BCM Process, including planning, will limit the impact of an incident, therefore, will act favourably with all our stakeholders, including insurers. 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 council's services and it helps our community retain its confidence in the council and save the organisation from reputational damage. Planning ahead means firefighting is kept to a minimum, there is 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 as normal. Whilst all services are important, priority for recovery will be given to those which have been established to be the most essential, the business-critical activities – those that the Board has agreed must be back up and running within 24 hours, where resources will be directed first. It is unrealistic to expect the entire service, critical or not, to be recovered immediately. In this case, the essential parts of the service is to be restored followed by the non-essential elements when possible – reasonable and practicable action is taken.

This enables the council to fulfil our duties under the Civil Contingencies Act 2004. Services should have Business Continuity Plans (BCP's) in place and its arrangements to align (but not fully comply) with the principles of the International Standard for Business Continuity, ISO22301. All services are to have a plan in place, regardless of whether it is critical or not.

For best practice, by the council aligning to the ISO22301 programme, it will help determine the council's critical assets, processes and where to deploy resources in an incident. Central to the work are preparations to mitigate the impact of disruptive events and recover faster from them.

All services and all staff have responsibilities for ensuring the council continues to operate through any crisis. The BCM Strategy and Policy sets the framework for our BCM programme. **The below is an overview of how LCC are to meet their BCM arrangements:**

- A high level Business Continuity Strategic Plan is collectively created – the Corporate BCP, which is revised and maintained annually. Each senior manager will contribute to an annual review of the Corporate BCP with the assistance of the Manager, Risk Management;

- Business Continuity Planning will be based upon the BS 25999/ISO22301 BCM Standards;

- The council is committed to ensuring robust and effective BCM as a key mechanism to restore and deliver continuity of key services in the event of a disruption or emergency;

- Business critical services is to be agreed by Corporate Management Team;

- A response team to be nominated and all staff must be made aware of the plans that affect their service delivery areas and their role following invocation;

- Each service delivery within the council is owned by a respective manager ensures that their part of the overall BCP meets a minimum acceptable standard of service delivery for critical processes which can be referred to post incident/occurrence for implementation;

- Training provided to staff regarding BCM and Planning;

- The council will implement a programme of BCP testing exercises and learning is reflected in plans.

Andy Keeling	**Sir Peter Soulsby**
Chief Operating Officer	**City Mayor**

Business Continuity Management Strategy

1. **DEFINITION**

Business Continuity Management (BCM) can be defined as:

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

BS 25999 Business continuity management – Part 1: Code of Practice - British Standards Institute

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

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

2. **SCOPE**

BCM is a cross-functional, organisation-wide activity; consequently, the arrangements in this strategy apply to:
*   All services within the council;
*   Every staff member;
*   All resources and business processes;
*   Suppliers, service partners and outsourced services;
*   Other relevant stakeholders.

This Strategy applies to all parts of the council as all service areas play a key role in maintaining service delivery. Importantly, the requirement to plan applies to all services, particularly those identified as critical through the council's business continuity methodology as agreed by the Corporate Management Team.

Business Continuity should apply to outsourced contracts. This is covered in more detail in section 12. The aim is to ensure that business continuity standards are in place so that the service provider is able to deliver acceptable standards of service following a disruption to the organisation or the supplying company.

3. **REQUIREMENTS AND STANDARDS**

In addition to making sound business sense for any organisation, the Civil Contingencies Act 2004 places a statutory duty upon the council, as a Category 1 responder, Leicester City Council (LCC) is to:
*   Maintain plans to ensure that it can continue to exercise its functions in the event of an emergency so far as is reasonably practicable;
*   Assess both internal and external risks – achieved through compliant risk assessment in line with the Risk Management Strategy and Policy;
*   Have a clear procedure for invoking BCP's;
*   Exercise plans and arrange training to those who implement them;
*   Review plans and keep them up to date;
*   Ensure arrangements to warn, inform and advise the public relating to an emergency are in place;
*   Co-operate with other Category 1 responders during and after incident;
*   To advise and assist local businesses and organisations with their BCM arrangements.

BCM arrangements are effective only if specifically built for the organisation. The council's programme is aligned with the principles of BS25999/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 BCM within the council's culture. Training and education is an ongoing task but awareness and capability is also a product of the structures put in place and the way we manage our programme. **Key stages in such a programme are:**

Embedding BCM in the organisation's culture
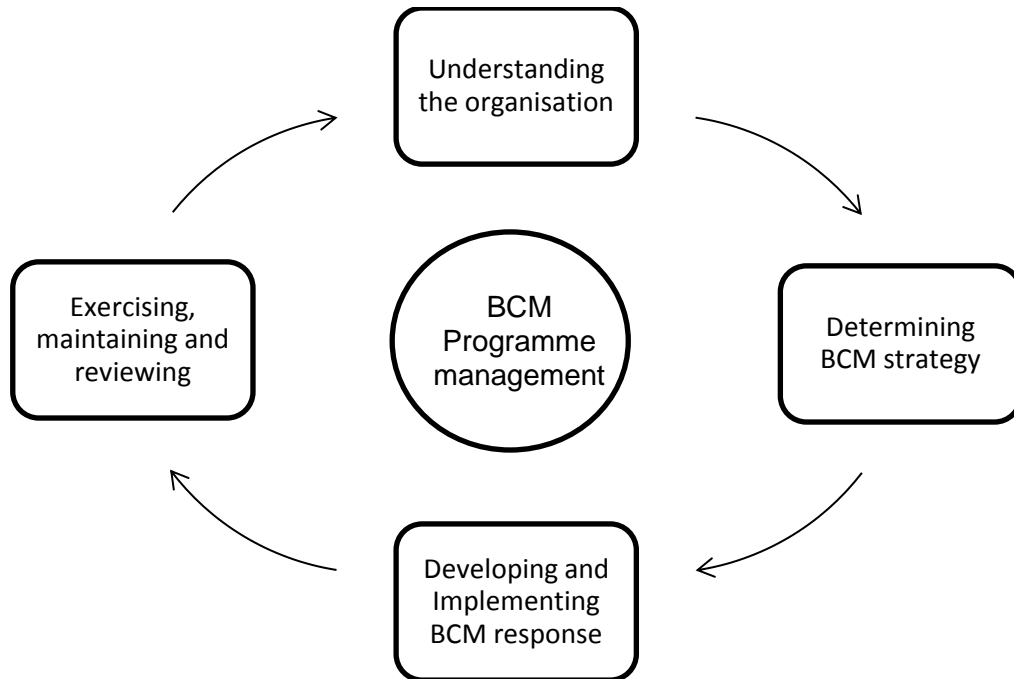
BCM programme management involves:

- Assigning responsibilities for implementing and maintaining the BCM programme within the council;

- Implementing business continuity in the council – including the design, build and implementation of the programme;

- The ongoing management of business continuity – including regular review and updates of business continuity arrangements and plans.

Understanding our organisation:

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

- **Business Impact Analysis (BIA)** – identifying the critical processes and functions and assessing the impacts on the council if these were disrupted or lost. BIA is the crucial first stage in implementing BCM, and helps measure the impact of disruptions on the organisation;

- **Risk assessment** – once those critical processes and functions have been identified, a risk assessment can be conducted to identify the potential threats to these processes.

Determining an appropriate Business Continuity Strategy:

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

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

- Implementing appropriate measures to reduce the likelihood of incidents occurring and/or reduce the potential effects of those incidents;

- Taking account of mitigation measures in place;

- Providing continuity for critical services during/following an incident;

- Take into account of services that have not been identified as critical.

Developing and implementing a BCM response:

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

- The immediate response to the incident;

- The interim solutions or maintaining an emergency level of service;

- Reinstating full services.

Exercising, maintaining and reviewing:

Testing plans helps to ensure they are in pace with organisational change and can be audited against defined standards. Ensuring that the business continuity plan is fit for purpose, kept up to date and quality assured. **An exercise programme will enable the council to:**

- Demonstrate the extent to which strategies and plans are complete, current and accurate; and

- Identify opportunities for involvement/improvement

Lessons Learnt

It is imperative that a debrief is held after an incident with the involvement of relevant parties, be it internal or external for example, it should include those who are involved in the planning of how to deal with an incident affecting that service area and in the recovery from the incident. Lessons learnt should be taken on board and relevant actions taken by the assignee and reflected in their service area BCP's, as well as relevant procedures and guidance.

5. INVOKING THE CORPORATE BUSINESS CONTINUITY PLAN (CBCP)

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

The CBCP is triggered by serious situations such as:

- Serious danger to lives and/or the welfare of council staff, Members, visitors or service users;
- Major disruption of council services or interruption of any of its business-critical activities (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).

6. SPECIFIC ROLES IN THE CORPORATE BUSINESS CONTINUITY PLAN (CBCP)

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

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

Incident Response Team:
- Comprises principally of those Directors and Senior Heads of Service who have responsibility for a defined Business Critical Activity;

- Manages and directs the council's response to a serious incident affecting council services or assets;

- Comprises of the Strategic (Gold) and Tactical (Silver) teams;

  o **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;

  o **Tactical (Silver) Team** will manage the Operational (Bronze) Recovery teams and keeps the Strategic (Gold) team informed of developments.

Recovery Teams:
- Comprises principally of Heads of Service and their senior managers;

- Collective responsibility for resumption of critical services within their divisions by means of their own individual BCPs;

- Will be directed by and report back to the CBCP 'Tactical' (Silver) team.

7. MAINTENANCE OF THE CBCP

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

8. BUSINESS CRITICAL SERVICES

Annually, the Manager, Risk Management circulates a reminder to business critical services plan owners requesting a thorough update of the plan is due for submissions to RMS. The Manager, Risk Manager facilitates this process. Although, changes should be made to their BCP's as and when new staff join or leave, to reflect office moves, procedures change, a thorough review is expected annually, usually by the year financial end.

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

9. LOCATING BCP's

BCP's should be saved electronically and onto a memory stick. Holding paper copies is acceptable but be cautious of such a method as the plan will contain confidential information. Ensure staff within teams are aware who have access to their service area BCP. This will ensure smoother and faster recovery from an incident.

10. BUSINESS CONTINUITY SELF CERTIFICATION

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

11. PRINCIPLES, RESPONSIBILITIES AND MINIMUM STANDARDS

Appendix 1 details the roles and responsibilities of those involved in BCM, it's planning and implementation.

12. BUSINESS CONTINUITY AND PROCUREMENT

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

13. BCM IN THE COMMUNITY

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

14. MULTI-AGENCY BUSINESS CONTINUITY GROUP

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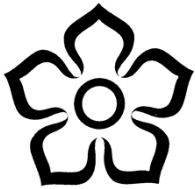
15. VALUE OF BCM

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).** Effective BCM delivers a number of tangible and intangible benefits to individual services and to the council as a whole, including:

- Develops a clearer understanding of how the council operates in a disruptive situation;

- Meeting stakeholder needs. Having arrangements in place to fulfil your obligations and being more confident about the decisions you make in a crisis;

- Protects the council, ensuring that it can help others in an emergency (facilitated by the BCP)

- Keep businesses trading when they would 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.

- Company's reputation increases, having competitive advantage.

- Insurance premium discounts, reduced excesses and opening doors to new insurance markets. Allowing what otherwise would be unacceptable risks to be insured.

Appendix 1: ROLES AND RESPONSIBILITIES

City Mayor / Executive	• Approve the council's Business Continuity Strategy and Policy Statement annually.
Audit and Risk Committee	• Ensure that the Business Continuity Strategy is produced, approved by the Executive and updated regularly; • Monitor effectiveness of Business Continuity Management (BCM) arrangements via reports from the Manager, Risk Management
Chief Operating Officer / BCM Champion	• During an incident, lead the Council's 'Strategic' (Gold) Incident response.
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' (Gold) and 'Tactical' (Silver) Recovery teams within the CBCP; • Ensure each of their Service Areas has an effective and current BCP in place which is reviewed each year; • Annually self-certify that effective plans exist for all their services, that these plans remain current and 'fit for purpose'; and that any testing of those plans has been carried out (with the assistance and support of RMS, if required); • Identify staff for training; • Embed BCM culture into the ethos of operational management
Corporate Management Team	• Approve the BC Strategy and Policy annually and ensure implementation
Manager, Risk Management	• Overall responsibility for co-ordinating the BCM programme; • During an incident, co-ordinate the council's BCM incident response(s), supporting the COO as 'Strategic' lead; • Following an incident, facilitate the 'lessons learned' session(s); • Produce the Corporate BCM framework and key strategies; • Make available best practice tools (e.g. templates); • Identify training needs and arrange delivery; • Support and advise service areas; • Facilitate the self cert process • Facilitate testing and exercising of the council's BCPs when requested by Directors/their teams; • Quality control – review BCM arrangements for services; • Lead on the council's statutory duty to promote BCM in the community.
All Heads of Service / Managers	• 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; • Respond positively during a crisis situation.

WARDS AFFECTED
All

Leicester
City Council

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee   **21 March 2018**

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Annual review of the Council's Assurance Framework, Local Code of Corporate Governance and the Committee's Terms of Reference

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

1.   Purpose of Report

1.1.   To present to the Audit & Risk Committee for approval updates to the assurance and corporate governance processes at the City Council and to note the position with the Committee's own terms of reference.

2.   Recommendations

2.1.   The Committee is recommended to:

a) Approve the **Assurance Framework** (Appendix 1)

b) Approve the **Local Code of Corporate Governance** (Appendix 2)

c) Request a further report on revisions to the Committee's **terms of reference** following the publication of new national guidance.

3.   Summary

3.1.   In the interests of good governance and compliance with law and regulation, the Council has in place an Assurance Framework, a Local Code of Corporate Governance and a formally constituted Audit & Risk Committee. The Committee has prescribed terms of reference that form part of the Council's constitution and are designed to enable the Committee to discharge its functions both as 'those charged with governance' generally and as 'the Board' under the Public Sector Internal Audit Standards.

Page **1** of **12**

3.2. There are clear linkages between these components in making up the Council's overall system of corporate governance. In order that they remain relevant and fit for purpose, each of these documents is subject to annual review. A detailed review and significant update was undertaken in 2013 in order to codify the Council's corporate governance machinery. This established how the Council frames its governance arrangements (i.e. the standards and thresholds set, and the mechanisms we utilise for ensuring they are sound).

3.3. Reporting on actual compliance (i.e. what we have achieved as an organisation in this regard) will be reported in due course through the Annual Governance Statement.

3.4. The Assurance Framework has been updated to reflect the earlier closure of the Council's accounts and a requirement to assess the effectiveness of the system of internal control rather than internal audit.

4. Report

4.1. Assurance Framework

4.1.1. The overall structure of the Council's system of corporate governance is summarised in the Assurance Framework. This was last reviewed by the Audit & Risk Committee at its meeting on 22 March 2017 and is set out in **Appendix 1** with changes this year to reflect the statutory requirement for an earlier publication of the Council's statement of accounts, annual governance statement and narrative statement.

4.1.2. The assurance framework takes as its starting point the Council's principal strategic and organisational objectives, including the City Mayor's Delivery Plan. Key strategies and plans translate these objectives into deliverable actions. High-level risks that threaten the achievement of objectives are identified in the strategic and operational risk registers. It is management's responsibility to establish and maintain effective systems of governance and internal control to provide assurance that the Council's service objectives are delivered and risks to those objectives are managed to an acceptable level.

4.1.3. In order that the Council's business is delivered in a way that promotes public trust and confidence, there must be sufficient assurance that sound internal control arrangements are in place and operating effectively. The assurance framework therefore brings together various internal and external sources of assurance; audit is fundamental to this.

4.1.4. The Council is also required to carry out at least once in each year a review of the effectiveness of its system of internal control.

4.1.5. The outcomes of all these sources of review and assurance are brought together in summary in the statutory Annual Governance Statement which, following approval by the Audit & Risk Committee, is ultimately signed by the City Mayor and published alongside the Council's financial statements.

4.1.6. The intention of the assurance framework is therefore to set out a structured and coordinated process, drawing together the outcomes of the various assurance, governance and control mechanisms so as to ensure that the Annual Governance Statement is comprehensive in its coverage and reliable in its content.

4.1.7. It is good practice to review the assurance framework as part of the preparation of each year's Annual Governance Statement, hence this report. The process was significantly overhauled in 2013 and has worked well since.

4.1.8. The framework has been updated to reflect the earlier closure of the Council's accounts and a requirement to assess the effectiveness of the system of internal control rather than internal audit.

4.2. Local Code of Corporate Governance

4.2.1. A central component of the Council's system of governance is its Local Code of Corporate Governance. This reflects the main components set out in the CIPFA and SOLACE guidance *Delivering Good Governance in Local Government: Framework* which was revised in 2016. The Local Code is a public statement of the arrangements the Council has in place to ensure it conducts its business in a way that upholds the highest standards. It is intended to demonstrate the Council's adherence to the seven principles of public life, defined by the Committee on Standards in Public Life as selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

4.2.2. The Local Code of Corporate Governance is therefore an important part of the Council's public accountability. As such, it must remain fit for purpose and each year the Council conducts a review of compliance with the Code. The results of this review feed into the annual review of the effectiveness of the Council's system of internal control, mentioned above at paragraph 4.1, thereby also contributing to the Annual Governance Statement.

4.2.3. A new Local Code of Corporate Governance was approved by the Audit & Risk Committee at its meeting on 22 March 2017. No changes are proposed in this report.

4.2.4. The Local Code of Corporate Governance is given at **Appendix 2.**

4.3. Audit & Risk Committee Terms of Reference

4.3.1. As a formally constituted Committee of the Council, the Audit & Risk Committee is governed by formal terms of reference. These are subject to annual review.

4.3.2. The CIPFA revised guidance on Audit Committees had been anticipated before Christmas, however national issues have delayed publication. As this will be a critical document for the revised terms of reference, it is proposed that the current terms should continue for the moment. A further report considering revised terms with clear links to the annual work plan will be brought once the guidance has been received.

5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

5.1. Financial Implications

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

Colin Sharpe, Head of Finance, x37 4081

5.2. Legal Implications

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

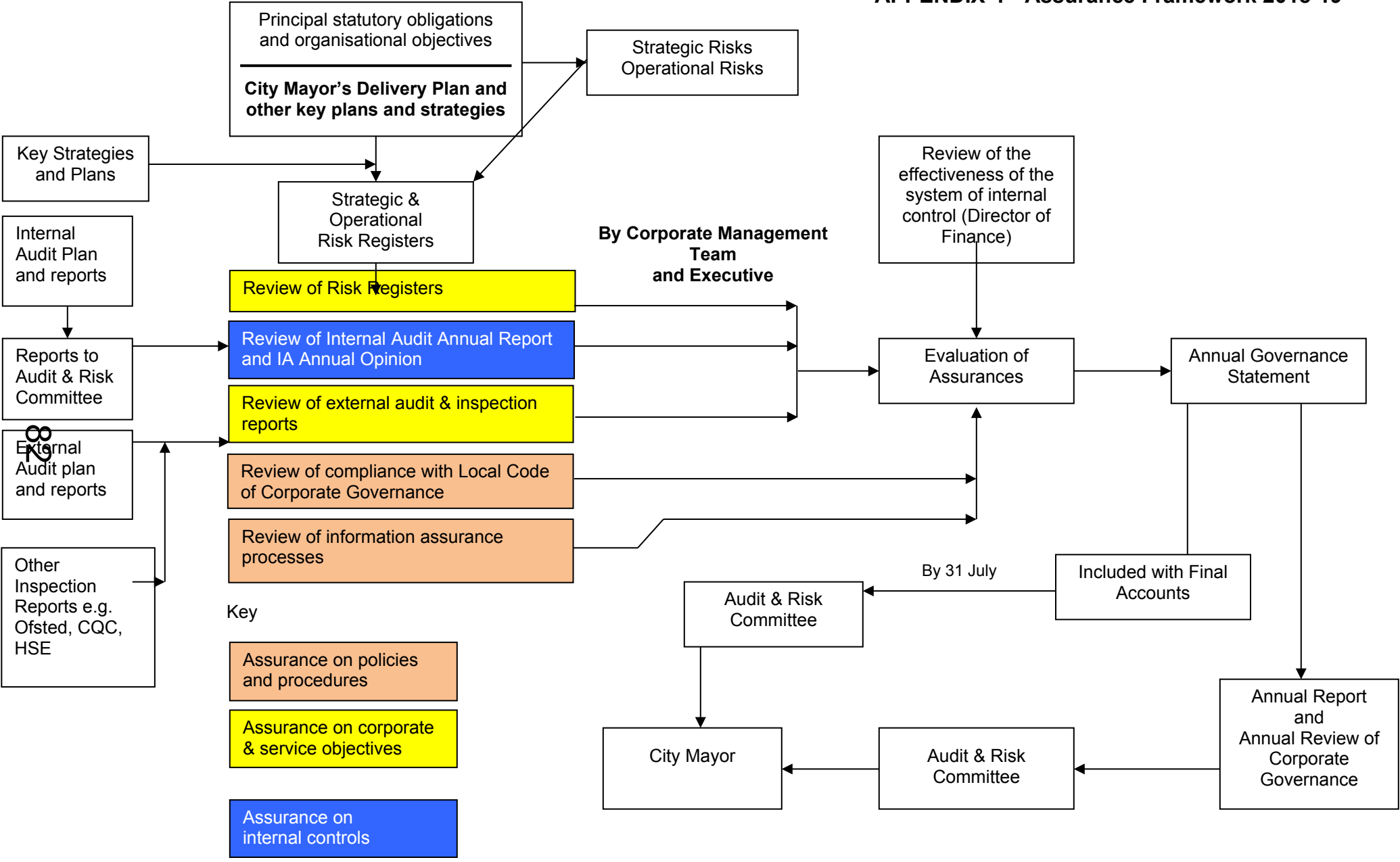*Kamal Adatia, City Barrister & Head of Standards, x37 1401*

6. Other Implications

Other Implications	Yes/No	Paragraph or references within the report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Climate Change	No	
Crime and Disorder	Yes	This report is concerned with effective systems of governance and control, which are an important safeguard against the risks of theft, fraud and corruption.
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	

Other Implications	Yes/No	Paragraph or references within the report
Health Inequalities Impact	No	
Risk Management	Yes	The whole report concerns the governance and assurance processes, a main purpose of which is to give assurance to Directors, the Council and this Committee that risks are being managed appropriately by the business.

7.   **Report Author**

Colin Sharpe, Head of Finance, ext. 37 4081

Principal statutory obligations and organisational objectives

City Mayor's Delivery Plan and other key plans and strategies

Strategic Risks
Operational Risks

Key Strategies and Plans

Strategic & Operational Risk Registers

Internal Audit Plan and reports

Reports to Audit & Risk Committee

External Audit plan and reports

Other Inspection Reports e.g. Ofsted, CQC, HSE

Review of Risk Registers

Review of Internal Audit Annual Report and IA Annual Opinion

Review of external audit & inspection reports

Review of compliance with Local Code of Corporate Governance

Review of information assurance processes

By Corporate Management Team and Executive

Review of the effectiveness of the system of internal control (Director of Finance)

Evaluation of Assurances

Annual Governance Statement

Included with Final Accounts

By 31 July

Audit & Risk Committee

City Mayor

Audit & Risk Committee

Annual Report and Annual Review of Corporate Governance

Key

Assurance on policies and procedures

Assurance on corporate & service objectives

Assurance on internal controls

INTRODUCTION

Corporate governance is a term used to describe the way that organisations direct and control what they do. For local authorities, it includes the systems, policies and processes as well as the cultures and values that underpin a Council's arrangements for effective:

- Leadership
- Management
- Performance
- Delivery of positive customer outcomes
- Community engagement
- Stewardship of public money

GOOD CORPORATE GOVERNANCE

Leicester City Council is committed to the principles of good corporate governance identified in the CIPFA/SOLACE guidance "*Delivering Good Governance in Local Government Framework: 2016*" and confirms its on-going intentions through the adoption, monitoring and development of its own Local Code of Corporate Governance. The Council recognises that achieving high standards of corporate governance will encourage stakeholders to have confidence in us and will allow the Council to undertake its role with its community.

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

A lead officer will be given responsibility for:

- Overseeing the implementation and monitoring the operation of the Code;
- Reviewing the operation of the Code in practice on an annual basis;
- Reporting annually to the Executive and full Council on compliance with the Code and any changes that may be needed to ensure its effectiveness in practice;
- Reporting any significant revisions to the Code to stakeholders.

The code for 2018/19 is based on the following seven core principles:

Core Principle A: Behaving with integrity, demonstrating commitment to ethical values and respecting the rule of law
Core Principle B: Ensuring openness and comprehensive stakeholder engagement
Core Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits
Core Principle D: Determining the interventions necessary to optimise the achievement of outcomes
Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it
Core Principle F: Managing risks and performance through robust internal control and strong public financial management
Core Principle G: Implementing good practices in transparency, reporting and audit, to deliver effective accountability

Achieving the Intended Outcomes While Acting in the Public Interest at all Times
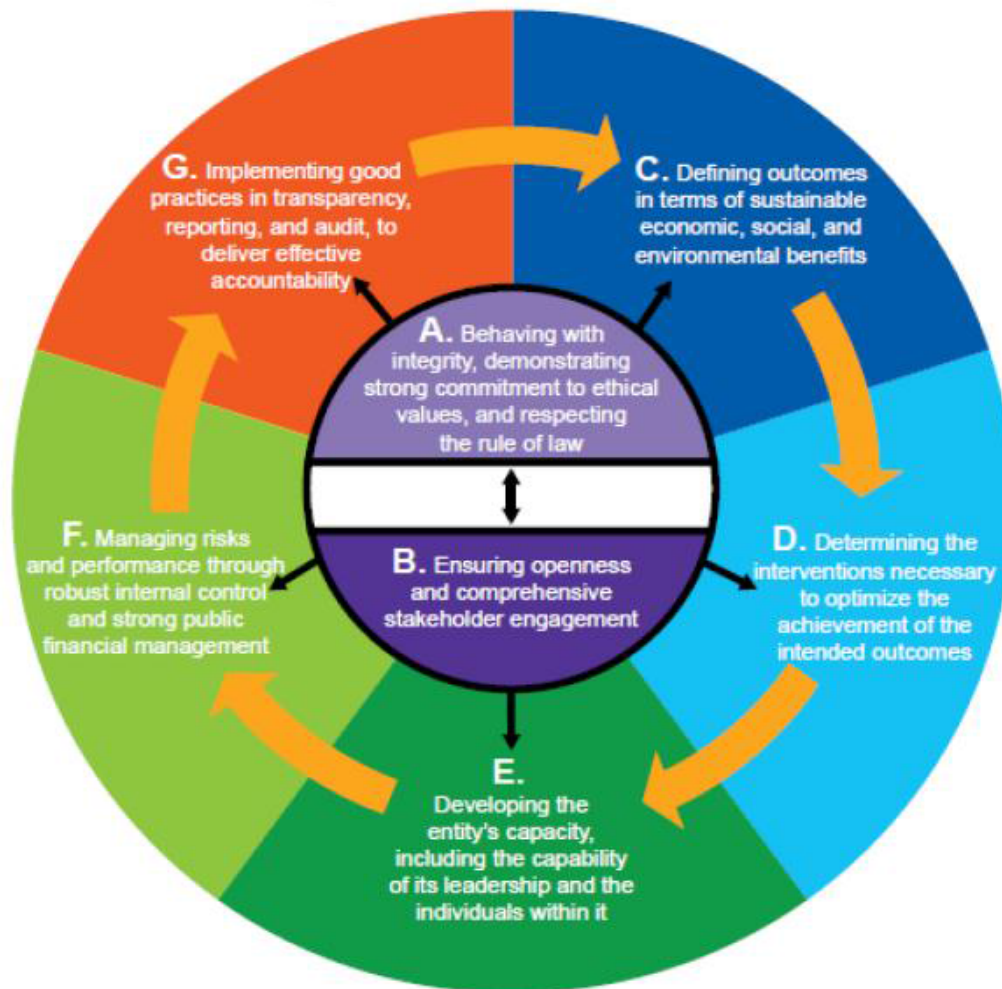
The following details how the Council meets these core principles and the systems, policies and procedures it has in place to support this.

Principles	Sub Principles	Demonstrated By
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	Behaving with integrity.	The Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect. Appropriate policies and processes are developed to embed the principals.
	Demonstrating strong commitment to ethical values.	Shared values, including leadership values are in place for both the Council and its staff. The values reflect public expectations and are communicated to Members, staff, the community and partners.
	Respecting the rule of law.	Defined and published standards which detail the expected conduct of Members and officers across the Council functions. Dealing with breaches of legal and regulatory provisions effectively.
B. Ensuring openness and comprehensive stakeholder engagement.	Openness	An embedded culture of transparency, openness and honesty.
	Engaging comprehensively with institutional stakeholders.	Consideration is given to the institutional stakeholders to whom the Council is accountable to and assessment made on the effectiveness of the relationships and any changes required.
	Engaging with individual citizens and service users effectively.	Ensuring that clear channels of communication are in place with all sections of the

		community and other stakeholders. Effective monitoring arrangements are in place to ensure that they operate effectively.
In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:		
C. Defining outcomes in terms of sustainable economic, social and environmental benefits.	Defining outcomes.	Focusing on the purpose of the Council and on outcomes for the community, consulting on the outcomes and publishing them annually as part of the City Mayor's action plan.
	Sustainable economic, social and environmental benefits.	Regular review of the Council's vision and its implications for the Council's governance arrangements and economic, social and environmental benefits.
D. Determine the interventions necessary to optimize the achievement of the intended outcomes.	Determining interventions	Published annual report which communicates the Council's activities, achievements, financial position and performance. Interventions required are identified through these reports.
	Planning interventions	Performance, audit, risk and finance information is used to identify areas of concern and plan required interventions.
	Optimising achievement of intended outcomes	SMART community outcomes underpinned by business plans and outcome focused business activity.
E. Developing the entity's capacity including the capability of its leadership and the	Developing the entity's capacity	Clear vision, strategy and direction underpinned by capable leadership and focused talent management.

individuals within it.	Developing the capability of the entity's leadership and other individuals.	Recruitment and retention of high performing staff and providers.
F. Managing risks and performance through robust internal control and strong public financial management.	Managing risk.	Embedded risk management processes which are linked to community plan outcomes and corporate priorities.
	Managing performance.	Performance targets set in line with national benchmarks and outturns are regularly monitored and reported to stakeholders.
	Robust internal control.	Preventive controls in place include segregation of duties, approval/authorization processes, security of assets, reconciliations and audits.
	Managing data.	Robust Information Governance standards and training to all staff.
	Strong public financial management.	Monthly budget and savings tracker reports, audited annual statement of accounts, accountable budget owners.
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.	Implementing good practice in transparency.	Transparency, participation, accountability and integrity are interconnected concepts which are demonstrated through the Council's Governance framework.
	Implementing good practices in reporting.	Detailed consultation process for published reports ensuring Members and management own the results reported.
	Assurance and effective accountability.	Ensuring that recommendations for corrective actions made by external and internal audit are acted upon.

WARDS AFFECTED
All

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit and Risk Committee   21 March 2018

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Internal Audit Charter
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Report of the Director of Finance

1.   Purpose of Report

1.1.   To seek the Committee's approval of a new Internal Audit Charter following the regular annual review and updates.

2.   Recommendation

2.1.   The Committee is recommended to approve the Internal Audit Charter (Appendix 1) and agree that it accurately reflects the terms of reference of the internal audit function provided by Leicestershire County Council Internal Audit Service (LCCIAS).

3.   Summary

3.1.1. Professional internal auditing standards[1] require the preparation of, and set out the essential requirements of, an Internal Audit Charter (the Charter).

3.1.2. The previous version of the Internal Audit Charter was approved by the Committee on 8 February 2017. New and revised standards were introduced from 1 April 2017. The Committee is aware that Leicester City Council delegated its internal audit function to Leicestershire County Council in November 2017. The Head of Internal Audit and Assurance Service at the County Council has created a new Charter to reflect all changes. The Charter now needs the approval of the Audit and Risk Committee.

4.   Report

4.1.   Revision of Internal Audit Charter

4.1.1. The purpose of the Charter is to specify the responsibilities and objectives of the internal audit function, 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

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[1] The Public Sector Internal Audit Standards

Regulation 5(1) of the Accounts and Audit Regulations 2015, which requires that the Council:

> '…*undertakes 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 new Charter is set out in full in Appendix 1. Changes reflect the delegation of the City Council's internal audit function to Leicestershire County Council to be managed by the Head of Internal Audit and Assurance, updates and additions to standards and a more complete explanation of definitions and terminology.

4.1.3. 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 and Head of Standards, x37 1401

6. **Other Implications**

OTHER IMPLICATIONS	YES/NO	Paragraph/References Within the Report
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	
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**

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Leicester City Council : Internal Audit Charter (March 2018) : Contents

1. **Introduction**

   - The Public Sector Internal Audit Standards (the PSIAS), provide a consolidated approach to the function of internal auditing across the whole of the public sector enabling continuity, sound corporate governance and transparency. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA) standards, and also additional requirements and interpretations for the UK public sector. The PSIAS were further revised from 1st April 2017. A Local Government Application Note (LGAN) developed by CIPFA provides practical guidance on how to apply the PSIAS.

   - The objectives of the PSIAS are to:
     a. define the nature of internal auditing within the UK public sector
     b. set basic principles for carrying out internal audit in the UK public sector
     c. establish a framework for providing internal audit services which add value to the organisation, leading to improved organisational processes and operations
     d. establish the basis for the evaluation of internal audit performance and to drive improvement planning.

   - The PSIAS mandate that the purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter (the Charter), consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The chief audit executive (the term is explained at 5.10 below) must periodically review the Charter and present it to senior management and the board for approval. Responsibility for, and ownership of, the Charter remains with the organisation and final approval of the Charter resides with the Board (the term is explained in 5.12 and 5.13 below).

2. **The Mission of Internal Audit**

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

3. **Purpose**

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

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

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

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

4. **Core Principles for the Professional Practice of Internal Auditing**

- The Core Principles, taken as whole, articulate internal audit effectiveness.

- For an internal audit function to be considered effective, all principles should be present and operating effectively. The County Council's Head of Internal Audit and Assurance Service providing the role of the City Council's Head of Internal Audit Service (HoIAS) is responsible for ensuring individual internal auditors, as well as the internal audit activity, demonstrate achievement of the Core Principles.

- The Core Principles are: -

   a. Demonstrates integrity.
   b. Demonstrates competence and due professional care.
   c. Is objective and free from undue influence (independent).
   d. Aligns with the strategies, objectives, and risks of the organisation.
   e. Is appropriately positioned and adequately resourced.
   f. Demonstrates quality and continuous improvement.
   g. Communicates effectively.
   h. Provides risk-based assurance.
   i. Is insightful, proactive, and future-focused.
   j. Promotes organisational improvement.

5. Definitions

Independence

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

Objectivity

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

Assurance activity

- This is defined in the PSIAS as '*An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements*'.

- LCCIAS conducts a wide range of engagements (assignments) designed to evaluate the quality of risk management processes, systems of internal control and corporate governance processes, across all aspects of the City Council's control environment (including where it works in partnership with, and leads on behalf of others).

- LCCIAS aims to co-ordinate its assurance activity with other internal and external providers of assurance services to ensure sufficient and proper coverage over the control environment and minimise duplication of efforts.

Consulting activity

- This is defined in the PSIAS as '*Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility*'.

- LCCIAS often acts in a consulting role and provides support for improvement in the City Council's systems, procedures and control processes without assuming management responsibility. Examples include advice, commentary on management's intended control design and framework and potential implications of changes to systems, processes and policies. The provision of such advice does not prejudice LCCIAS' right to evaluate the established systems and controls at a later date. Other consulting includes counsel, facilitation and training.

- There is a specific public sector requirement that '*Approval must be sought from the board* (see 5.12 below) *for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement*. The HoIAS' determination of 'significant' is 5% of total available planned days.

- The combined results and outcomes of assurance and consulting activities are fundamental to determining the annual internal audit opinion on the overall adequacy and effectiveness of the City Council's control environment.

The Chief Audit Executive

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

The Board and Senior Management

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

The Board

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

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

The Senior Management Team

- There is not a specific definition of 'senior management' in either the PSIAS or the LGAN. However, the PSIAS require *'the HoIAS to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals',* and the LGAN advises that *'an effective internal audit service should understand the whole organisation, its needs and objectives'*. In order to fully understand and be able to fulfill its responsibilities, the HoIAS and his/her team require unfettered access to Directors and especially the statutory officers i.e. the Chief Financial Officer and Monitoring Officer.

- At the Council, Corporate Management Team (CMT) will perform the functions of the Senior Management Team. Within this Charter, all references from hereon are to the CMT.

6. **Authority**

Statutory and Professional Requirements for internal audit activity

- Regulation 5(1) of the Accounts and Audit Regulations 2015 (the Regulations), require that *'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.*

- Section 151 of the Local Government Act 1972, states that every local authority should '*make arrangements for the proper administration of their financial affairs, and shall secure that one of their officers has responsibility for the administration of those affairs'.* CIPFA defines that *'proper administration'* should include *'compliance with the statutory requirements for accounting and internal audit'*. The Council's Constitution (Finance Procedure Rule 7.0) determines that the provision of an adequate and effective system of internal audit is the responsibility of the Council. The Council has delegated this function to the Director of Finance (the Chief Financial Officer - CFO), who shall provide an internal audit service to the City Council in accordance with statutory requirements and professional standards.

- The relationship between the head of the internal audit activity, namely the HoIAS, and the CFO (Director of Finance at the Council) is of particular importance in local government. The CIPFA Statement on the Role of the CFO in Local Government states that the CFO must: -
   a. *ensure an effective internal audit function is resourced and maintained*
   b. *ensure that the authority has put in place effective arrangements for internal audit of the control environment*
   c. *support the authority's internal audit arrangements*

> *d.   ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively*

- At the Council, the Director of Finance (through the Head of Finance CDN & Resources): -
  a.   contributes to and agrees the overall annual internal audit plan
  b.   receives periodic updates on progress and performance against the plan and approves major variations before they are reported to the Committee
  c.   commissions (or approves) unplanned audits
  d.   reviews performance against the plan and maintenance of standards

Access

- PSIAS 1000 requires the Charter to, *'establish internal audit's right of access to all records, assets, personnel and premises, including those of partner organisations where appropriate, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities'.*

- The Council's Constitution Finance Procedure Rule 7.2.5 states that for the purposes of carrying out an audit or investigation, internal auditors are authorised to: -
  a)   have access at all times to any City Council premises and property;
  b)   have access to all data, records, documents and correspondence relating to any financial or any other activity of the City Council;
  c)   have access to any assets of the City Council;
  d)   require from any member, employee, agent, partner, contractor or other person engaged in City Council business any necessary information and explanation.

- Whilst not explicit, Rule 7.2.5 is a conduit to seeking agreement to access relevant records (whether electronic or otherwise) held by service providers. They apply to Council services provided under contracts and partnership arrangements of all kinds including joint, shared and pooled arrangements. This right of access shall be incorporated within all relevant contract or service agreement documents involving City Council services provided other than internally. It applies to all internal auditors legitimately engaged on Leicester City Council internal audit business.

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

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

Organisational independence

- The PSIAS require that '*reporting and management arrangements must be put in place that preserves the HoIAS (and LCCIAS') independence and objectivity, in particular with regard to the principle that they must remain independent of the audited activities*'. Provision of the Council's internal audit function has been delegated under formal agreement to Leicestershire County Council, and so there is clear independence.

- PSIAS 1110 on Organisational Independence states that '*the HoIAS must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The HoIAS must confirm to the Committee, at least annually, the organisational independence of the internal audit activity*'. An additional public sector requirement of PSIAS 1110 is that '*The HoIAS must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee*'.

- The HoIAS reports to the Director of Finance. However, the HoIAS has the right to report directly to other Directors, the Chief Operating Officer, the Monitoring Officer, the City Mayor or to Council (through the Audit and Risk Committee or the Executive) if, in his opinion there are matters of concern that could place the Council in a position where the risks it faces are unacceptable. In accordance with PSIAS 1110A.1, there is acknowledgement amongst these parties that the internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.

- In accordance with PSIAS 1112, the HoIAS is not expecting to have to disclose roles and/or responsibilities at the Council that fall outside of internal auditing which would create impairments to his independence or objectivity.

7. Responsibility

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

The Committee's responsibilities

- Examples of key duties within the PSIAS which align to the Committee's Terms of Reference (ToR) are as follows: -

    a. approve the internal audit charter
    b. approve the risk based internal audit plan
    c. receive communications from the HoIAS on internal audit performance relative to its plan and other matters
    d. receive an annual confirmation from the HoIAS with regard to the organisational independence of the internal audit activity

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

CMT's responsibilities

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

The HoIAS' responsibilities

Code of Ethics

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

International Standards for the Professional Practice of Internal Auditing

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

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

Attribute standards

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

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

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

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

 There are two additional public sector requirements: -

 - the HoIAS must agree the scope of external assessments with an appropriate sponsor, i.e. the County Council's Director of Finance as well as with the assessor or team. The HoIAS must communicate the results of the QAIP to CMT and the Committee

 - the results of the QAIP and progress against any improvement plans must be reported in the HoIAS annual report. The HoIAS may state that LCCIAS conforms with the International Standards for the Professional Practice of Internal Auditing only if the results of the QAIP support this statement. When non-conformance with the Mission, Definition and Core Principles of Internal Auditing; Code of Ethics and the Standards impacts the overall scope or operation of the internal audit activity, the HoIAS must disclose the non-conformance and the impact to CMT and the Committee. An additional public sector requirement is that more significant deviations must be considered for inclusion in the governance statement.

Performance standards

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

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

There are two additional public sector requirements: -

- the risk-based plan must explain how LCCIAS' resource requirements have been assessed. Where the HoIAS believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the Committee

- the HoIAS must include in the risk-based plan the approach to using other sources of assurance (e.g. the External Auditor or where the Council is in partnership with another organisation) and any work required to place reliance upon those other sources. This is borne out by ref 2050 that the HoIAS should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

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

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

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

d. 2450 – A specific public sector requirement formalises the HoIAS responsibility to deliver an annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment contained within a report that can be used to inform the governance statement. A new requirement is for the HoIAS annual report to include a statement on conformance with the PSIAS and the results of the QAIP.

e. 2600 - When the HoIAS concludes that management has accepted a level of risk that may be unacceptable and there is a danger that Council objectives may not be achieved, the matter should be discussed with the Director of Finance and/or CMT. If the HoIAS determines that the matter has not been resolved, the HoIAS must communicate the matter to the Committee.

8. The Scope of Internal Audit Activity

- CMT is responsible for establishing and maintaining appropriate governance, risk management and control arrangements (i.e. the control environment), for not only City Council activities, but also for those provided in conjunction with, and/or on behalf of its partners. LCCIAS' remit extends to the Council's entire control environment.

- However, limitations on internal audit resource requires the HoIAS to understand and take account of the position with respect to the Council's other sources of assurance (internal and external) and plan internal audit work accordingly so that activity can be co-ordinated, ensuring proper coverage and minimising duplication of effort.

- Internal audit activity for the Council (and, where appropriate its partners) includes: -
  - providing assurance services i.e. reviewing, appraising and reporting on: -
    - the soundness, adequacy and application of governance processes, risk management frameworks and internal controls;
    - the extent to which assets and interests are accounted for and safeguarded from losses of all kinds
    - the completeness, reliability and integrity of information, both financial and operational;
    - reviewing compliance and conformance to rules, regulations, laws, codes of practice, guidelines and principles
    - the accuracy and completeness of grant claims
    - The economy, efficiency and effectiveness with which resources are deployed;
    - The extent to which operations are being carried out as planned and objectives and goals are met;

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

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

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

The role of internal audit in fraud and corruption

- CMT is responsible for developing and maintaining a control environment that mitigates risk of fraud and corruption

- LCCIAS does not have responsibility for the detection or prevention of fraud and corruption, but it considers those risks when undertaking its activities.

- Where necessary LCCIAS will work with the Council's Corporate Investigations Team to provide an investigations service to support management in fulfilling its responsibilities to prevent, detect and resolve fraud, bribery, corruption and other irregularities.

9. **Abbreviations**

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

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