

Auditor's Annual Report on Leicestershire County Council

2020-21

19 January 2022



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



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

Executive summary



Value for money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

2020/21 was an unprecedented year in which the Council has operated with the majority of its staff home working whilst supporting local businesses and residents through the pandemic.

Criteria	Risk assessment	Finding
Financial sustainability	We identified a risk of significant weakness in relation to the delivery of financial savings and development of the medium term financial plan.	No significant weaknesses in arrangements identified, but an improvement recommendation made.
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but improvement recommendations made.

Executive summary



Financial sustainability

Leicestershire County Council has a good track record of sound financial management. The Council understands the financial risks which it faces and managed these risks by maintaining an appropriate level of reserves and sound financial management.

We have not identified any risks of significant weakness but have identified improvement recommendations relating to financial monitoring reports:

- making a clear distinction between statutory and discretionary spend.



Governance

Leicestershire County Council has a clear Governance Framework in place which includes a documented Risk Management Strategy. The Council has arrangements in place to identify strategic risks, and understand and record them throughout the organisation.

We have not identified any risks of significant weakness but have identified improvement recommendations relating to:

- follow up of low priority Internal Audit recommendations
- review of the level of resource dedicated to Internal Audit.



Improving economy, efficiency and effectiveness

Leicestershire County Council has a well developed performance management framework which includes clear and succinct reporting to members.

We found no evidence of significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. We have identified improvement recommendations relating to:

- reviewing the Template Business Cases and developing a prescribed corporate approach for risk and reward analysis
- introduce the triage approach operated by the CSU for Property Contract Awards to other departments
- embed a corporate approach to procurement and contract management within each department structure
- provide annual refresher training for all staff charged with management and monitoring of contracts
- update the list of business critical suppliers on a regular basis.



Opinion on the financial statements

We issued an unqualified opinion on the Council's and the Pension Fund's 2020/21 financial statements on 13 December 2021.

More detailed findings can be found in our Audit Findings Report which was issued to the Council's Corporate Governance Committee on 3 December 2021.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

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

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

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Improving economy, efficiency and effectiveness

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



Financial sustainability

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



Governance

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 to 31. Further detail on how we approached our work is included in Appendix B.



Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans;
- plans to bridge its funding gaps and identify achievable savings;
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning; and
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial Outturn 2020/21

Throughout the Covid-19 pandemic local authority finances have been placed under significant pressure, with increasing demand for existing services, disruption to savings schemes and decreased opportunities for income generation. As a consequence, local authority financial performance has been impacted with the ability to maintain financial sustainability in the medium term being tested. Whilst for 2020/21 this has been partially compensated by increased Government funding there is no guarantee this will continue for future financial years.

For Leicestershire County Council, the financial year saw additional pressures on both expenditure and income budgets arising from the pandemic, offset somewhat by Government grants. This resulted in the 2020/21 net outturn of a break-even position after a transfer of £9.9m to earmarked reserves, with an overall net underspend of £9.9m.

Capital projects have been affected by Covid-19 during the year, with some projects being delayed. Overall there has been a net underspend of £40.6m compared with the updated capital budget, this has been carried forward to the capital programme 2021-25 to fund delayed projects.

The Council's General Fund uncommitted reserve balance is £17m as at 31st March 2021, It is clear reserves management is understood by the Council to be critical, with plans to increase this level to £21m over the next four years rather than to permanently reduce levels of reserves in order to 'balance the books'.

Financial Planning

Leicestershire County Council's Medium Term Financial Strategy (MTFS) for 2021-25 has balanced budgets for 2021/22 and 2022/23 with a gap of £23m estimated by 2024/25. Despite the pressures posed by the pandemic, the Council has managed its financial position and continued to deliver a balanced outturn. However, this will only be possible in future years with the delivery of further savings and increases to Council Tax. The MTFS agreed in February 2021 included an increase in Council Tax of 4.99% and savings of £53m to be achieved by 2025, with a further £26m needed to ensure High Needs funding can be contained within government grant, giving a total savings requirement of £79m.

The MTFS clearly details key expenditure drivers including increased demand, caseloads, and higher costs. Whilst this is detailed in the main body of the MTFS, the Council also clearly outlines in Appendix C expected growth in each of the service line areas and the expected financial impact as a result. Growing demand for services is expected to increase costs by £60m.

The outturn report 2020/2021 highlighted that for Operational Placements the forecasts for LAC, 16+ and IFA placements were too low. Whilst the assumptions built in the 2020/21 budget were not accurate there has been a huge increase in the cost of these services which has not been easy to predict. Additionally, the impact of the pandemic has increased costs in these areas due to the unavailability of staff and the impact of lockdowns on vulnerable people in communities. For The 2021/22 MTFS the Council has already built growth in these areas with an additional £23m for Children & Family Services and £13m for Adults & Communities. The Council is seeing increasing needs in the community in both older people, due to the ageing population, and also those with learning disabilities and complex needs. There are also increases in demand for Mental Health provision and pressures in the market to recruit and retain social workers which are all pushing up costs. As with many local authorities, the Council has faced significant financial pressures in both Children's and Adults Social Care services, and as a result they are working closely with Newton Europe to bring about further efficiencies in these areas. The Appendix to the MTFS clearly outlines which items have been amended from previous iterations of the Strategy and which have remained unchanged so members can see where further financial support is now required.

The medium-term financial planning undertaken demonstrates a prudent approach, with a recognition that future funding levels and demand remain uncertain. Therefore, the Council ensures that financial plans are constantly kept under review by officers, with an updated proposal on the medium-term financial planning to be considered by Cabinet in December 2021, ahead of final approvals in February 2022.

Financial Risks

The Council has a well-established risk management strategy in place, which is used in financial planning to identify risks which could have an impact the financial position of the Council. The Council's Medium Term Financial Strategy is transparent and detailed on the risks facing the Council in both the short and medium term, so members have a realistic picture of the pressures the Council is facing for future financial years.

The MTFS distinctly outlines that the Council is operating in a demanding environment and the impact of the Covid-19 pandemic, the long-term effects of which are as yet unknown, have increased the uncertainty and risk facing the organisation. The MTFS considers external forces such as national funding changes, inflationary changes, and service demand adjustments, but also internal risks such as the essential achievement of the £79.2m savings target which will require strong budgetary control and discipline. There are clear pressures in relation to Covid-19, Adult social care, Children's Social Care, and Special Educational Need all of which are recognised as part of the financial planning and risk assessment.

Generally, we find the Council to be well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required.

Financial Monitoring

As noted in the Council's Annual Report, Leicestershire remains the lowest funded county council in the country, which means that the Council's financial position continues to be extremely challenging. Having made savings of over £220m since 2010, this makes a further efficiency target of £79m by 2024/25 particularly demanding.

To support achievement of targets, there is regular dialogue between the finance team and directorates to ensure scrutiny over budgets and performance on an ongoing basis throughout the year. Budget managers have access to financial reports to help them understand their financial position and are provided with training, guidance notes and finance team support to ensure they can effectively control budgets and identify actions to resolve adverse variances which arise and prevent over-spends in future months. These are developed using data insights and the organisation makes use of Tableau in order to inform decision-making. If needed, additional training is provided to ensure effective budgetary control within directorates.

Whilst financial monitoring reports are not regularly tabled at Cabinet, they are considered at both Departmental Management Team (DMT) meetings and Corporate Management Team (CMT) meetings. The Scrutiny Commission also reviewed revenue budget monitoring reports. In 2020/21 they considered the Month 4, Month 6, Month 10 and outturn position. Additionally, during 2020/2021 there were also regular reports to the Corporate Governance Committee (CGC), Scrutiny Commission and the Cabinet on Covid-19 spend. This reporting was clear on the challenges faced, and whether pressures and budget variances were driven by Covid-19 or other factors. Each service lines financial performance was detailed in both actual and percentage terms with a comparison to the prior reported position so the long-term performance and drivers of this could be understood by members.

Updates were also provided on the capital programme and the Corporate Asset Investment Fund position as well as details on essential non-financial information, such as those in relation to regulatory. Information on elements in relation to demand, particularly in high demand areas such as SEND, as well as workforce implications were also included where they reflected variances in the budget. Overall, the budget monitoring reports showed that variances were being picked up appropriately. There are clear mitigating actions described throughout the report which shows that by the time variances are reported to members the officers have developed schemes to reduce risks of over-spending. This allows members to provide robust challenge and request further information on specific schemes.

The financial monitoring reports provide a clear indication of the overall picture as at the month under consideration. It also provides an overview of where those areas are which are currently over or under spending and the predicted yearend financial impact. This allows members to focus scrutiny on those high-risk areas which are not meeting budget targets. However, we did note that budgetary information provided to members did not always make a clear distinction between areas of statutory and discretionary spending. The inclusion of this information would help members and residents to understand the difference between these types of spending and which is a result of a manifesto pledge or in addition to the Council's statutory duties.

Improvement Recommendation: *The Council should consider making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published online.*

Savings Schemes

Despite financial challenges, it is clear from our discussions with officers and review of key documents that the Council has robust development and monitoring processes for enabling the efficiency schemes to deliver savings and meeting budgets. In order to ensure savings schemes are acceptable, they are worked through in meetings between members and chief officers, before being assigned a service or programme manager. The Transformation Unit also help to provide support and project structure around schemes when necessary, and delivery is led by a sponsor in the relevant service area to ensure the relevant timelines and targets are met.

At a directorate level there was evidence of regular tracking of progress against targets through reporting to programme delivery boards and clear indication that both financial and non-financial benefits are considered as part of measurement of schemes. In particular regular reports provided to the Adult Social Care Target Operating Model (TOM) Programme Delivery Board provided good examples of benefits and savings tracking. Financial monitoring reports to CMT include specific reference to progress against savings targets on a quarterly basis.

Due to the volatility of the local government environment, the Council's savings profile needs to continue to be carefully monitored as the challenges and uncertainties of the Covid-19 pandemic continue to impact on the Council's operations and finances. It should be noted that the Council may require a further re-profiling of savings targets for future financial years.

Capital Budget

Despite a capital underspend of £40.6m in 2020/21, the Council effectively completed a range of capital projects without recourse to external borrowing. These included an investment in Children and Family Services of £24m which helped create an additional 860 school places and £22m of investment in highways maintenance. The Council have highlighted in their medium-term financial strategy and 2020/21 outturn report how successful delivery of the future capital programme will pose a steep challenge, particularly given supply chain issues, increased demand and inflationary pressures brought about by both the pandemic and Brexit.

Auditor Judgement

Overall, we are satisfied that Leicestershire County Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses. We have identified one improvement recommendation as set out below.

Improvement recommendations



Financial sustainability

1 Recommendation	Consider making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published online.
Why/impact	This would help members and residents to understand the difference between these types of spending and which is a result of a manifesto pledge or in addition to the Council's statutory duties.
Summary findings	Budgetary information provided to members and published online does not currently provide a split between statutory and discretionary areas of spending.
Management comment	This can be difficult to complete accurately due to the range and complexity of services provided and in some cases where the legislative requirements are not completely prescriptive. However, the Council will look to include an indicator as part of the compilation of the next MTFS, 2023-27.



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The range of recommendations that external auditors can make is explained in Appendix C.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effectiveness processes and systems are in place to ensure budgetary control;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- monitors and ensures appropriate standards.

Risk Management

The Council has an over-arching Risk Management Strategy, which was updated in 2020/21, and which provides a coherent and structured methodology to identify, assess and manage risks in order to support decision-making. This is supported by the corporate risk register and quarterly risk updates which are provided to the Corporate Governance Committee (CGC) as part of the risk management process. However, in early March 2020, as part of the Council's planning for the coronavirus outbreak, the council took the decision to 'pause' non-business critical work, which included the standard cycle of corporate risk review and updating of the register. The CGC did not receive an update between January and June 2020, and whilst quarterly reporting on the Corporate Risk Register has been in place since then, risk scores were not updated. Normal annual service planning processes resumed in full in January 2021.

Our review of the risk updates reported to CGC noted that there were some key elements of good practice including concise, clear summaries of any changes to risks with detailed context provided to understand reasoning for adjustments. The Corporate Risk Register is clearly laid out with risk number, description, assigned department and risk score and additionally, the expected direction of travel is also included so decision makers can understand if the risk is likely to increase in future. A further component of the appendix also highlights those risks that have been removed from the register in the previous 12 months and which risk register they are currently sitting on and how those risks are being mitigated – an element of good practice which allows for members to reconsider whether a risk should be reconsidered in light of new information.

Separate risk registers are in place for key departmental and service risks and the Council makes use of a template risk register in order to ensure consistency across the organisation. Heads of Service working in conjunction with Departmental Risk Champions identify risks and log them in individual Departmental Risk Registers to be approved by Departmental Management Teams (DMT). These are then owned by the Directors and Assistant Directors in each service. In line with committee cycles DMT to review and update these registers and make Internal Audit aware accordingly so key risks can be escalated to the Corporate Risk Register if identified. This allows for the CGC to focus exclusively on those risks which are considered to be relevant to the organisation as a whole. Members of the CGC are also provided with in depth information sessions on key risks throughout the year to further their understanding of these areas – a valuable tool for risk management. It also gives members of the Committee the ability to scrutinise and challenge officers on the actions being made to mitigate the risks and ensure appropriate supervision. Additionally, the fact that some risks stay on the Directorate registers ensures that the right people are able to deal with these issues as they are closest to the matter. All staff who are engaged in risk management processes across the directorates are provided with risk management training and detailed risk management guidance documents

It is clear that the Council has an embedded risk management strategy in place with evident elements of good practice such as clear engagement from members of the CGC, in depth training on specific risks and template risk registers. The complete corporate risk register is normally provided to CGC on an annual basis, whilst this hasn't taken place during the pandemic, it we've received assurance it will be provided to members in May. Due to the regular risk updates at this committee, we don't believe this to be a significant weakness.

Internal Audit and Counter Fraud

The Council's internal audit services are provided in house by Leicestershire County Council's Internal Audit Service (LCCIAS) who regularly report to the CGC on progress against the Internal Audit (IA) Plan. In order to remain effective, LCCIAS staff regularly attend training and development events at both Midlands and national internal audit network events with details on attendance provided to the CGC. They also regularly provide further information on risks to the Council CGC members. The findings of their Internal Audit reports are summarised and presented to the CGC in IA Update reports and clearly outline the deadline for implementations and management responses to findings.

At the beginning of the pandemic six staff were re-deployed, and the development of the Internal Audit plan for 2020/21 was delayed. However by July 2020 staff had returned to the Internal Audit Function and our review of the IA updates shows that a range of internal controls were audited with a focus on changes implemented as a result of the pandemic.

The Head of Internal Audit ensured that the focus for the final quarter would provide sufficient coverage across three control environment categories of governance, risk management and internal control and overall, 28 assurance audits were undertaken, 15 of which gave substantial assurance, eight were graded partial assurance and five at the time of the opinion were not completed.

Our discussions with the Head of Internal Audit highlighted that advice on how to further gain assurance over internal controls was sought through network meetings with other Internal Audit providers to discuss the issues posed by the pandemic and staff redeployment. CIPFA also provided guidance which was used to inform the Council's considerations. Leicestershire County Council also considered that when staff were seconded to various areas of the organisation, they were able to understand how effectively those areas were working, which was reported back and taken into consideration. Despite the fact that internal audit resources were diverted throughout the financial year, the effects on the work plan were recognised and internal audit planned effectively to ensure they could still provide a balanced opinion for 2020/21.

Whilst we did not find evidence of pervasive and significant weaknesses in controls, we noted that Internal Audit and the directorates focus on the high-risk recommendations identified as a result of the IA work. These are reported to the CGC and therefore followed up on throughout the year to present members with an accurate picture of follow-up actions implemented. However, this focus on the high risk recommendations can mean that lower priority recommendations are not followed up in every case.

Improvement recommendation: Follow up all Internal Audit recommendations, including lower priority recommendations, through the use of the recommendation tracker.

The County Council does not have a dedicated Counter Fraud Team, although Internal Audit have responsibility for counter fraud policies and strategies and contain team members with Counter Fraud qualifications. These are revised on a biennial basis and were updated in the 2020/21 financial year. The Anti-Fraud & Corruption Strategy includes a two-year action plan to increase counter-fraud effectiveness throughout the organisation and the Internal Audit Team provide support in this area. The Council has made fraud awareness training mandatory for all staff, and webinars from the Fraud Advisory Panel and Charity Commission were made available throughout the year. Additionally, as part of the Risk Updates provided by internal audit, there are specific sections on counter-fraud, particularly in relation to Covid-19. The July 2021 CGC meeting included a Risk Management Update which showcased the results of the self-assessment through the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. This was undertaken independently of the counter fraud arm of IA with an overall positive opinion and some non-priority recommendations. The opinion acknowledged the high level of performance and proactive approach to managing fraud.

Overall, the Internal Audit are responsible for Internal Audit, Counter-Fraud, Risk Management, the Annual Governance Statement, and the insurance functions. They also provide audit services to a number of other bodies, including Leicester City, and Leicestershire Fire & Rescue as well as a training service to academies. Whilst this provides a lot of overlap for the Head of Internal Audit to gain assurance from a range of different workstreams, the resourcing of the team is quite stretched across a range of important functions.

Considering the large range of important functions the internal audit team are responsible for; it may be useful for the Council to consider a refresh of the resourcing position in this area. Whilst it is clear that there is positive and engaged counter fraud work ongoing at the Council in light of the increased risk of fraud as a result of the pandemic this may be an area where the Council may want to consider obtaining additional support. This could be through outsourcing of Counter-Fraud services or an expansion of the Internal Audit team.

Improvement recommendation: Review the level of resource dedicated to Internal Audit to ensure that sufficient capacity is available to deliver all areas of responsibility.

Financial Planning

Our review of the governance arrangements in relation to financial planning have not identified any risks of significant weakness in the 2020/2021 financial year. It is clear that the Council has developed a robust financial planning process which involves budget monitoring throughout the year to expose pressures, and these are used to help refresh financial plans throughout the summer. There is regular dialogue between allocated finance staff and the directorates with regular financial planning sessions as part of Departmental Management Team Meetings, as part of the meetings between members and chief officers and at CMT. These are then consolidated in order to develop a provisional four-year MTFS. There is adequate oversight and input from the members via Scrutiny and Cabinet meetings, before the final version is agreed in the February Cabinet meeting.

There is also clear consideration of the Council's related policies including Treasury Management, Capital and Investment Strategies which have been updated for the 2020/2021 financial year as appropriate.

Financial planning is considered in more detail in the Financial Sustainability area of our report.

Budgetary Control

Councils must ensure that effective processes and systems are in place to establish budgetary control. It is clear that the Council has arrangements in place to do so. The finance team regularly engage with Directorates in order to review financial performance and identify actions to resolve any adverse variances which arise as a result. This happens through a range of different forums including monthly portfolio briefings, Directorate Management Team (DMT) meetings, Corporate Management Team (CMT) meetings and Cabinet meetings. Oversight is also provided at a high level by the Scrutiny Commission throughout the year.

The reporting clearly outlines the budget in comparison to outturn across all service lines, including the actual and percentage variances, before being compared to the prior reported position. Reporting also summarises the key areas of over and under spending across each of the service lines which provides significant details to members on pressure points and mitigating actions. The reporting also clarified for members whether the budget variances were as a result of Covid-19 or unrelated to the pandemic. There is a good system in place for oversight of the budget.

Informed decision-making and appropriate challenge

The role of scrutiny to influence and oversee efficient and informed decision-making has become even more important in local government, given the challenges faced by Councils to ensure limited resources are used effectively, particularly in light of the volatility posed by the Covid-19 pandemic. At Leicestershire County Council, it is evident that members are provided with multiple opportunities to review decisions before they are finalised, through reports which are published and submitted throughout the committee structure. There are specific Scrutiny Committees for the different services which scrutinise the plans and decisions of the Council before recommending them for approval to Cabinet.

Our review has found that the reports provided are detailed and outline clearly the recommended decision to be taken, as well as the impact of the decision if accepted. Key information such as resource implications, background context, design of the service and any views of stakeholders are presented in the reports along with key milestones and any implications for partnership. This ensures that decision makers are provided with relevant information before signing off on conclusions. Re-consideration of decisions when new information comes to light is also evident such as with the Cabinet review of the 'Commissioning and Procurement of Home Care Service' which was deferred due to pressures posed by the Covid-19 pandemic on the care market.

There is clear and effective challenge of officers by members, this is particularly strong in Corporate Governance Committee meetings. In this committee, members regularly request additional information from officers in relation to risk management, internal and external audit processes, and findings, as well as further requests for information, such as the recent findings of the Local Ombudsman for Local Government and Social Care, which was presented to June 2021 meeting on request. Members also actively and enthusiastically call for further information on risks on the corporate risk register. Both the Head of Internal Audit and the Monitoring Officer reiterated that they have felt quite closely supported by members of the committee who regularly hold officers to account and take a proactive approach to scrutiny of decisions. Our presence at these meetings supports this view.

Monitoring compliance with regulatory requirements and required standards of behaviour

The Council must ensure that it monitors and ensures appropriate standards such as meeting legislative/regulatory requirements in terms of officer or member behaviour, including in relation to gifts & hospitality or declarations/conflicts of interest. Our review of the Council's Internal Audit reports, committee meeting minutes and discussions with staff did not identify any significant governance issues or breaches of standards in 2020/21.

In order to ensure compliance with regulatory and legal standards, officers in legal services keep abreast of legal updates or changes in legislation as part of their role, which are then used to provide advice and guidance to the service areas as required. The Constitution is updated annually to reflect any changes in recommended practice. Additionally, Cabinet and committee reports are subject to consultation with the Director of Law and Governance, the Monitoring Officer, or colleagues in legal service to ensure advice and comments on reports are provided, in advance to ensure lawful decision-making.

Throughout the financial year there were investigations by the Local Government and Social Care Ombudsman body, the results of which were reported to CGC and Cabinet in June 2021 which highlighted findings against the Council. In response the Council swiftly drew up action plans of which the LGO were satisfied. Therefore, we have not identified this as an area of significant weakness due to the satisfactory response of the Council to the findings of these reports.

During the financial year the Council carried out a review of compliance with the CIPFA Financial Management Code which was presented to the CGC in January 2021. There were no significant failures identified, however some improvements could be made. None of these were evidence of a significant weakness in following the professional standards although we support the improvements identified.

The Council has in place appropriate policies and procedures including a Code of Conduct, a Whistleblowing Policy, and an Anti-Money Laundering policy all of which have been assessed as clear and reasonable. The policies are held on the staff intranet for ease of access and all staff are made aware of the procedures to be followed. The Council has a policy on Gifts & Hospitality and Declarations of Interest, which has recently been updated in response to internal audit findings during the financial year.

The Council are taking action to ensure that the registers in place are used effectively by all staff, including adding the declaration process to the Annual Performance Review process and sending regular reminders to staff through Managers Digest. It is essential this continues to be monitored as part of the APR process to ensure compliance.

As highlighted in the Annual Governance Statement there is ongoing work as a result of the Annual Review of Effectiveness in relation to the Council's Principle A - Behaving with Integrity. Our interviews with officers confirmed that this work is still ongoing. Whilst no significant weaknesses have been identified in this area, the Council have recognised they need to further embed the recently revised values, and this is being completed through workplans which focus on the annual performance appraisal process, updated training, and a refresh of policies.

In addition, the Council include as part of the Annual Governance Statement a detailed summary of the action taken to deal with governance issues that were identified in the prior financial year as well as reporting on the outcome of member complaints. It is evident that the monitoring and reporting on standards and governance issues is an area the Council are proactive and transparent with stakeholders about.

Auditor Judgement

We found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks. We have identified two improvement recommendations as set out below.

Improvement recommendations



Governance

2 Recommendation Follow up all Internal Audit recommendations, including lower priority recommendations, through the use of the recommendation tracker.

Why/impact Follow of all Internal Audit recommendations would ensure that the Council makes full use of the findings of Internal Audit and addresses all potential governance issues identified.

Summary findings Whilst we did not find evidence of pervasive and significant weaknesses in controls, we noted that Internal Audit and the directorates focus on the high-risk recommendations unearthed as a result of the IA work. These are reported to the CGC and therefore followed up on throughout the year to present members with an accurate picture of follow-up actions implemented. However, this focus on the high risk recommendations can mean that lower priority recommendations are not followed up in every case.

Management comment Agreed that the IAS case management system recommendation tracker will be developed and implemented for 2022/23 audits.



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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

3 Recommendation Review the level of resource dedicated to Internal Audit.

Why/impact	Ensure that sufficient capacity is available to deliver all areas of responsibility.
Summary findings	Considering the large range of important functions the internal audit team are responsible for; it may be useful for the Council to consider a refresh of the resourcing position in this area. Whilst it is clear that there is positive and engaged counter fraud work ongoing at the Council in light of the increased risk of fraud as a result of the pandemic this may be an area where the Council may want to consider obtaining additional support. This could be through outsourcing of Counter-Fraud services or an expansion of the Internal Audit team.
Management comment	The auditor's review occurred before a decision was finalised to withdraw from academies provision which will return more resource to the Internal Audit service. Additionally, approval was given for replacements to vacant posts and a new apprentice post. The service has used (and will continue to use) agency and other resource and retains a small 'specialist's' budget some of which was used to commission specific procurement fraud training across the Council. Nevertheless, overall resource, working practices and relative pressures are under constant review. The recommendation specifically mentioned Counter Fraud, which is recognised as a key area to be mindful of.



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The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement;
- evaluates the services it provides to assess performance and identify areas for improvement;
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve; and
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance measurement

The Council measure progress against priority outcomes by tracking Key Performance Indicators (KPIs). It publishes this in its Annual Delivery Report and Annual Performance Compendium, but also on a quarterly basis using themed dashboards which are added to the website. This means overall performance and progress remains transparent not just to Cabinet but to residents and local businesses. KPIs are summarised in a set of themed dashboards with ratings that show how performance compares with other areas where known, whether Leicestershire County Council have seen any improvement in performance since the previous year, and whether they have achieved any relevant targets. KPIs are driven by the various strategies set by the Council and the performance team work closely with the strategy and policy team to ensure adequate performance metrics can be built, to ensure achievement of the strategies. This also involves regular discussion with lead officer departments to refine these and use of surveys and statistical data flows.

There is clear evidence performance reporting, and the use of data and insights are used to track performance at the directorate level, with support provided by Business Partners to help identify areas and actions for improvement, which are then reported to DMT. It was clear from our review, that cost monitoring and performance are closely aligned and considered together across different service lines.

The team showcased how the use of data in the form of tableau datasets and dashboards allows service leads and staff to view costs which are linked to particular activities and suppliers. For example, in Children's Social Care, which is an increasingly pressurised service, service managers can view data on total placement costs by supplier to understand which providers have high cost so that control measures are implemented. Additionally in SEND managers can view the net budget by indicator for each County Council, to understand if services are cost effective in comparison to other regions.

Changes in the performance targets, as a result of these insights and actions are then reflected in improved metric ratings as part of the quarterly reporting to CMT and Scrutiny Committees and the annual report to Cabinet and Council. Latest annual reporting was for 2019/2020 and measured 191 metrics, 88 of which had shown improvements. This is clearly an area the Council excel at, and they ensure to publish reports which clearly show how they rank in terms of both expenditure and outcomes in comparison to other local authorities. This helps to aid transparency on the quality-of-service provision.

In 2020 the Council launched a new Business Intelligence Strategy. This sets out the Council's vision and priorities over the next four years and accounts for the updated approach to business intelligence which has been centred on the use of Tableau dashboards. These are used to provide daily data to support the delivery of front-line services but also to produce insights to inform strategic decision making, planning, and commissioning. The Council recognises that it is a data rich organisation and that therefore they need to maximise the insight they can gain from data assets to help make better decisions and plan for the future. The strategy sets out how the Council intend to build on the firm foundations already established.

One of the elements that the Council is focussing on is in relation to improvement of data quality. The tableau dashboards already have a function which allows for data quality checks and highlights any areas which appear to contain errors. The data team through the work plan attached to the BI Strategy are hoping to further embed a culture of data usage within the organisation with an understanding that data is only useful if it is correct. There are regular training sessions to ensure all staff understand inputs and outputs and how to use and interpret data to achieve desired outcomes in their service line. Data literacy is a big focus for the Council, and they have introduced a function into the Tableau software which allows the data team to track to what extent users are accessing data.

Leicestershire County Council's performance metric capabilities allow the organisation to track KPIs against strategic priorities so they can identify where they need to focus improvement. It is clear that the Council is an intelligent, insight led organisation with a culture of building data quality into projects and supplier relationships to ensure they can be an intelligent customer, which allows them to gain assurance over value for money across service lines.



Partnership working

The Council has partnerships with organisations both sub-regionally and regionally, and also work with agencies in the health, voluntary and private sectors. It is clear that the strategies developed at this partnership level are translated into meaningful actions, the outcomes of which are clearly highlighted through the Council's Annual Report.

At the service level there are some great examples of partnership working in the Children Social Care sphere. The Council's Children and Families Overview and Scrutiny Commission monitors the performance and activities of relevant partnerships including the Leicestershire Children and Young People's Partnership Board. Through this partnership, a Quality Assurance Framework was developed and implemented and there were regular reviews of performance data to understand the impact of partnership working. Work in this area heled to improve safety planning and as a result in the final quarter of the year re-referrals and repeat child protection plans decreased. Additionally, the Children's and Families Team have also entered into a Children's Innovation Partnership with Barnardo's which began in December 2018. This was recognised at national level, receiving a highly commended at the GO Awards Category – Innovation in Procurement in 2019. And since then, the University of Bedfordshire's IASR has been commissioned as the CIPs Evaluation Partner. Their findings highlighted how Leicestershire responded to the partnership with openness and transparency and were receptive to difficult discussions and challenge. It is clear the Council work collaboratively with significant partners in order to further build an understanding of the market challenges particularly in children's social care. One area of improvement identified from the evaluation was clearer communication to other areas of the Council on the learnings from the shared work in this area, which we would support.

Additionally, it was clear that the Council's response to the pandemic involved significant collaboration with partners to face challenges in relation to lockdown measures, supply of PPE and vaccines, as well as the shielding of vulnerable people.



Procurement and contract management

The Council has a Commissioning Support Unit (CSU) which recently introduced tighter controls around procurement, as part of the introduction of the new Oracle fusion system, which has allowed for and gives the team enhanced oversight of spend. As an organisation, the approach to new commercial ventures includes extensive business cases, early supplier involvement and cross functional project teams with support from the CSU, the Transformation team, legal, finance and consultancy support as and when required.

Whilst an analysis of risk and rewards for projects are considered as part of the business case proposal, the Council do not currently have a prescribed corporate approach for this analysis, which is an area they may want to consider developing further in order to ensure consistency. The use of Treasury Better Business Case templates could be considered to support this.

***Improvement Recommendation:** Consider whether the Template Business Cases are aligned with best practice Treasury Better Business Case templates and are supported by a prescribed corporate approach for risk and reward analysis.*

In May 2019 internal audit completed a review of Property Contract Awards which highlighted the limited oversight CSU had of procurement in this area. As a result, the Council implemented a triage approach. This involves triage sessions which include representation from the CSU, and every procurement now has a form attached to confirm CSU approve the approach.

Additionally, training has been delivered to this team on the use of frameworks. In other departments all spend above £5,000 mandates a form which should be sent through to the CSU, however there is no formal mechanism in place to ensure this happens. Although it was noted that CSU can prevent purchase orders from going through if the spend is above £25,000 with a supplier without a management agreement in place so this was not considered a significant weakness.

Whilst this process has not led to any major financial or reputational issues in the financial year, it could be a risk in future if the Commissioner Support Unit team do not have sufficient oversight of issues. Although it is noted this risk is mitigated by the oversight provided by the individual DMT meetings and the governance process which sees escalation of major issues up to CMT and Committee level. As the triage approach seems to be working well within property this may be an approach that the Council considers rolling out to other directorates in order to improve oversight in all departments.

***Improvement recommendation:** Consider introducing the triage approach operated by the CSU for Property Contract Awards to other departments.*

The Council has a contract register, available publicly on their website, which sets out a clear record of current awards. The Council is working with each of its departments to develop clear, long-term procurement pipelines to understand future planning around contracts and to ensure the best use of the skills of the Commissioner Support Unit. Contract management is another devolved area of responsibility at Leicestershire County Council which differs across the departments relative to need. For example, Adults & Communities' have a clear commissioning and quality team although other directorates don't necessarily have individual contract management teams, officers complete this function as part of their broader role.

Whilst it is clear that there is a level of support in terms of guidance tools from the CSU to help officers perform this function adequately, currently the CSU team only have oversight over contracts when directorates reach out and ask for help, otherwise contracts are maintained and managed within departments.

Improving controls and oversight in procurement and contract management is an area the Commissioner Support Unit are developing further, but due to the devolved nature of these responsibilities within the departments, this is at different stages of development across the organisation. It may therefore be useful for the Council to embed a corporate approach to procurement and contract management within each department structure, beginning with the use of procurement champions who could work with the CSU to embed best practice of procurement principles and develop pipelines.

Procurement and contract management - continued

It would also be useful for annual refresher training for all those charged with management and monitoring of contracts. This should include establishing and monitoring Key Performance Indicators (KPIs) for service performance, as well as dispute resolution and escalation.

Through our discussions with procurement it was clear that the Council have a list of business-critical suppliers, however this has not been updated recently due to the limited resources as a result of Covid-19. This should be regularly updated, particularly in light of the volatility posed by pandemic.

Improvement recommendation: *Embed a corporate approach to procurement and contract management within each department structure*

Improvement recommendation: *Provide annual refresher training for all staff charged with management and monitoring of contracts.*

Improvement recommendation: *Update the list of business critical suppliers on a regular basis.*

Pension Fund arrangements

Our review of the arrangements of the pension fund have not identified any evidence of significant weaknesses in arrangements. The 2020/021 pension fund budget, including future year projections, underwent formal scrutiny by the Director of Resources, the Pension Board, and the Pension Committee before full approval. All members of the Board and Committee are provided with formal training provided by Hymans to ensure they have the requisite knowledge needed in order to properly scrutinise the budget and make informed decisions based on reports provided.

The Pension Fund has adequate processes in place to monitor finances. This is completed on a monthly basis focussed on income and expenditure which is then broken down into individual teams to provide a detailed overview. If pressures are identified this is used to inform decisions on movement of resources to ensure the fund can continue to deliver services.

In order to ensure the Pension Fund manages risk appropriately they regularly update their risk register, providing quarterly updates to the Board, using information provided through the National Technical Group for LGPS, Government departments and internal audit findings. The Council's Pension Manager is vice-chair of the National Technical Group who meet on a quarterly basis to discuss interpretation of legislation and recommended changes to regulations which helps to inform the Council's risk management approach. Additionally internal audit regularly reviews the pension fund processes and controls with findings communicated to teams to implement changes. The Internal Audit Plan is taken to both Board and Committee for approval to ensure there is sufficient coverage provided and risks and weaknesses are identified and managed.

The Pension Fund has a range of key Performance Indicators which focus on both the customer perspective and internal timescale perspectives in order to manage performance and improve service delivery. The KPIs are reviewed on a monthly basis by team managers so that any declines in performance can be identified and tackled to ensure improvement. If key themes are clearly evident from this review the fund has an improvement manager who will take ownership of the KPI and build improvements to resolve any issues as and when they arise. The performance reports are also taken to the Board every quarter and shared in the annual report to provide a clear picture of performance throughout the year.

Improvement recommendations



Improving economy, efficiency and effectiveness

- 4 Recommendation** Consider whether the Template Business Cases are aligned with best practice Treasury Better Business Case templates and are supported by a prescribed corporate approach for risk and reward analysis.

Why/impact	Such an approach would improve the consistency of business case preparation.
Summary findings	Whilst an analysis of risk and rewards for projects are considered as part of the business case proposal, the Council do not currently have a prescribed corporate approach for this analysis.
Management comment	The procurement approach is a consideration of the current business case, but we will go back to the Treasury Business Case Template and review as recommended.



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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

5 Recommendation	Consider introducing the triage approach operated by the CSU for Property Contract Awards to other departments.
Why/impact	Ensure consistent oversight of procurement activity by the Commissioner Support Unit.
Summary findings	Whilst this process has not led to any major financial or reputational issues in the financial year, it could be a risk in future if the Commissioner Support Unit team do not have sufficient oversight of issues. Although it is noted this risk is alleviated by the oversight provided by the individual DMT meetings and the governance process which sees escalation of major issues up to CMT and Committee level. As the triage approach seems to be working well within property this may be a tactic that the Council consider rolling out to other directorates in order to improve oversight in all departments.
Management comment	Agree that the introduction of a triage approach has been successful within property contracts and consideration is being given to other areas of the organisation that would benefit from this approach such as contracts that are high value, high risk or business critical.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

- 6 Recommendation** Embed a corporate approach to procurement and contract management within each department structure.

Why/impact Ensure consistency of approach and embed best practice procurement principles across the Council.

Summary findings Improving controls and oversight in procurement and contract management is an area the Commissioner Support Unit are currently evolving, but due to the devolved nature of these responsibilities within the departments, this is at different stages of development across the organisation. It may therefore be useful for Leicestershire to embed a corporate approach to procurement and contract management within each department structure, beginning with the use of procurement champions who could work with the CSU to embed best practice of procurement principles and develop pipelines.

Management comment There is already a corporate approach to procurement and contract management, further work is being completed to refresh and re-promote guidance and updated documentation in the form of a Procurement Strategy and Toolkit.



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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

7 Recommendation Provide annual refresher training for all staff charged with management and monitoring of contracts.

Why/impact Ensure that all staff involved in the procurement activities are aware of key requirements and principles.

Summary findings It would also be useful for annual refresher training for all those charged with management and monitoring of contracts. This should include establishing and monitoring Key Performance Indicators (KPIs) for service performance, as well as dispute resolution and escalation.

Management comment Refresher training is planned for Q2 2022 for Contract Managers, with the added element of a checklist for compliance.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

8 Recommendation Update the list of business critical suppliers on a regular basis.

Why/impact	Ensure that the Council are always using the most appropriate suppliers in business critical areas.
Summary findings	Through our discussions with procurement it was clear that the Council have a list of business-critical suppliers, however this has not been updated recently due to the limited resources as a result of Covid-19. This should be regularly updated, particularly in light of the volatility posed by pandemic.
Management comment	The Council recognise there is development required. Business Continuity, Contract Managers and Commissioning Support Unit are working together to develop and keep updated the list of business-critical suppliers.



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The range of recommendations that external auditors can make is explained in Appendix C.

Covid-19 arrangements



Since March 2020 Covid-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Response to the pandemic

The Covid-19 pandemic created many new risks for the Council including additional costs, budget pressures and service delivery changes. The Local Resilience Forum's (LRF's) Covid19 Strategic Co-ordinating Group (SCG) managed the Council's response to the pandemic across the county with increasing focus on preparations for recovery. In addition, the Council's Crisis Management Group (CMG) along with the Resilience Planning Group (RPG) both worked on establishing a recovery plan as well as tackling immediate risks such as the supply of PPE, a test and trace programme and shielding vulnerable people.

As its response to COVID-19 progressed, the Council established plans to recover and rebuild services to move towards a 'new normal'. Their Strategic Plan sets out their desired outcomes and strategy in meeting the emerging challenges post-COVID-19. It is being developed and will be consulted on later in 2021 and early 2022 to form the basis for the new Strategic Plan 2022 to 2026. They also have a Recovery Strategy that aims to aid short-term recovery of services and to support services to move to better ways of working and new efficient models of delivery in the long term. The Scrutiny Commission have also helped monitor the Council's financial performance and how this compares to their Strategic Plan, to support the delivery of high-quality services.

One key area of focus for the Commission is the COVID-19 Impact and Response of the Council (Recovery and Financial Impact). The Commission itself was disrupted by the pandemic but holding their meetings virtually has allowed the public to still engage in the process and has ensured all critical decisions on the delivery of Council services have continued to be made in a transparent and accessible way.

An increase in IT demand caused by COVID-19 and working from home also posed new risks and challenges. A Ways of Working programme was established as an opportunity to adapt to the changes in working arrangements and a move towards a hybrid model. The Council have also been working towards returning to the workplace (recovery) and PPE staff risk assessments. A daily workforce monitoring tracker was similarly developed across the department to identify staff availability, location and utilisation. The aim of this was to help decide how best to allocate resources so that the needs of the public were met in the short and medium term. The move to working from home for those staff who are able to has been supported by work such as revised HR policies, health & safety risk assessments and guidance and support for managers regarding the leadership of remote teams. They also distributed a Council wide wellbeing survey to staff and used the results to create targeted action plans. Employees' wellbeing findings were satisfactory but needed to be re-assessed to deal with the specific challenges caused by COVID-19.

Covid-19 arrangements

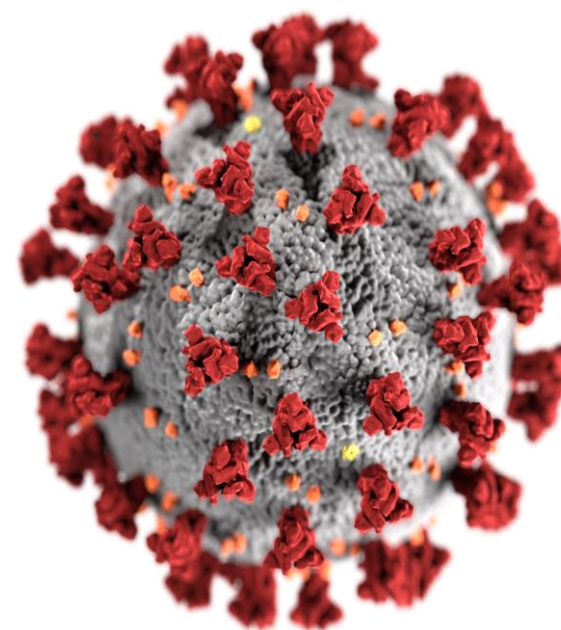
The executive team of the Council made the early decision to prioritise vulnerable sections of the community including the protection of vulnerable adults and children. They offer the view that COVID-19 has exacerbated the existing budget pressures in Adult and Children's Social Care as well as creating new risks for those who are most vulnerable. In response to this, the Council completed several projects including £24m investment in Children and Family Services which helped create an additional 860 school places. Some areas of the county were subject to extended lockdown periods in July 2020. The Council implemented business continuity plans to further minimise disruption to their most vulnerable service users so they could still receive support. Vulnerable children with safeguarding and welfare needs were at increased risk as they were encouraged to stay at home, so school settings were allowed to stay open for those that absolutely needed to attend.

Additional costs were also identified from suppliers as some incurred increased costs during the pandemic due to services becoming more difficult to deliver or extra requests made by the Council. Guidance was given by the Cabinet on when it is reasonable to make these additional payments i.e. that the costs incurred must clearly relate to COVID-19 and that no long-term commitment is made. To further monitor these costs, it was agreed that suppliers should provide details of expenditure on request and a retrospective reclaim.

The Council also have in place a Supporting Leicestershire Families Reserve which is planned to be used in 2022/23 to support vulnerable families through the provision of early help and intervention services. Finally throughout the pandemic the Council closely monitored costs through a Covid-19 cost codes, which were then regularly reported on throughout the budget monitoring process throughout the year. This allowed for officers and members to have clarity on costs which had arisen directly due to the pandemic response.

The finalisation of the Council's Internal Audit Plan 2020/21 was disrupted by the pandemic increasing the risk of control weaknesses not being identified. The Council had to move their attention to the redeployment of IT kit, cyber security arrangements/monitoring, security of agile working, access to systems where staff are being redeployed and capacity management. Therefore, focus was also given to reviewing and advising on controls in alternative service delivery models and to aligning recovery risk management to the Council's corporate risk management. The Council's Head of Internal Audit Service (HoIAS) found no significant governance, risk management or internal control failings as a result of this work. The review of the arrangements in place provided reasonable assurance that the Council's control environment overall has remained adequate and effective throughout the pandemic.

In our view effective governance arrangements, an understanding of the financial risks, and clear adoption of a multi-agency approach allowed Leicestershire Council to monitor the strategic and operational impact of Covid-19 on services, businesses and residents and these arrangements have enabled timely and responsive actions to be taken. Difficult decisions had to be taken due to the volatility of the situation, most noticeably with resourcing of staff and in relation to saving schemes.



Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified on the Council's and the Pension Fund's financial statements on 13 December 2021.

Audit Findings Report

More detailed findings can be found in our Audit Findings report, which was published and reported to the Council's Corporate Governance Committee on 3 December 2021.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

These instructions have yet to be issued and as such we cannot complete this work for formally certify the closure of our audit.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of supporting working papers.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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

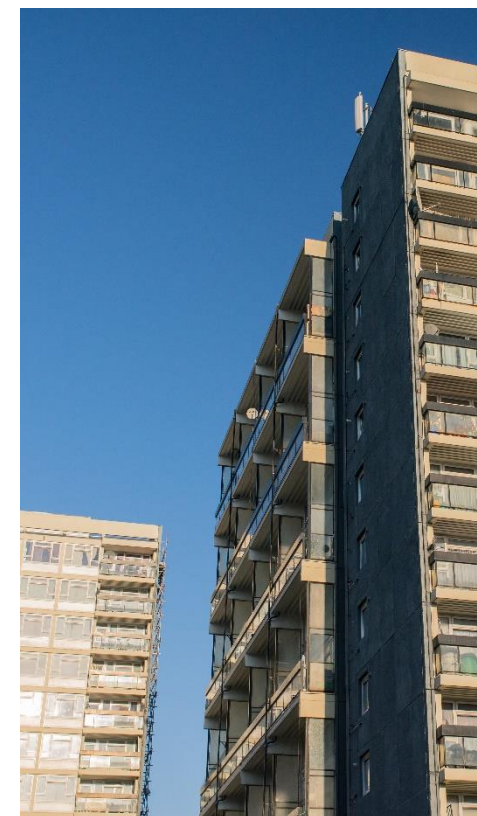
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B - Risks of significant weaknesses - our procedures and conclusions

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, the conclusions we have drawn and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Financial sustainability was identified as a potential risk of significant weakness, see pages 6 to 9 for more details.	<p>The following procedures were undertaken to assess this potential weakness:</p> <p>We reviewed and assessed the arrangements in place to monitor delivery of savings and development of the medium term financial plan.</p>	No significant weakness identified.	Appropriate arrangements were in place. One improvement recommendations raised.
Governance was not identified as a potential significant weakness, see pages 10 to 16 for more details.	No additional procedures undertaken.	No significant weakness identified.	Appropriate arrangements were in place. Two improvement recommendations raised.
Improving economy, efficiency and effectiveness was not identified as a potential risk of significant weakness, see pages 17 to 26 for further information.	No additional procedures undertaken.	No significant weakness identified.	Appropriate arrangements were in place. Five improvement recommendations raised.

Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

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

We did not make any statutory recommendations.

Public interest report

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

We did not issue a public interest report.

Application to the Court

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

We did not apply to the courts.

Advisory notice

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

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

We did not issue an advisory notice.

Judicial review

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

We did not apply for judicial review.

Appendix D - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	See pages 9, 15 – 16, and 22 – 26.



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