

Corporate Governance Committee
Annual Report

2023 - 2024

Contents

Foreword	3
Introduction	
- What and who is responsible for Good Governance	4
The Corporate Governance Committee	
- Role and Responsibilities	5
- Membership	6
- Independence	6
- Training	6
- Self-Assessment	7
The Committee's Activities during 2023-2024	
- Financial Management	8
- Risk Management	8
- Fraud and Corruption	10
- Internal Audit	10
- External Audit	11
- Treasury Management	13
- Internal Controls	13
Looking ahead	14

Foreword

By Mr T. Barkley CC
Chairman of the Corporate Governance Committee

I am pleased to present the Annual Report of the Council's Corporate Governance Committee (the Committee) covering the period January 2023 to January 2024. Its purpose is to highlight the role and work of the Committee and to set out what it has focused on during the year, to ensure the Council has adequate and effective governance, risk management and internal control frameworks in place.

The importance of the Committee remains vital in the context of current and future financial pressures, and the need to reshape services to reduce costs in the face of growing demand. The Committee's role is to ensure public confidence in the running of the Council – providing independent assurance and challenge to the Cabinet over governance risk management and control processes. The Committee has been enhanced by the appointment of two independent members who bring an additional perspective to the Committee's assurance role and I record my thanks to these members on behalf of the Committee and the Council.

The report draws attention to some of the governance issues the Committee has considered and challenged and highlights key themes that all Members of the Council should be sighted on. Over the past twelve months the Committee has sought assurances on several issues and requested additional information and further reports from officers on specific matters where it felt this was necessary. This report provides a summary of those activities.

The Committee acknowledges the work undertaken by officers to produce reports and thanks them for their attendance and transparent approach to governance reporting.



Mr T. Barkley CC
Chairman of the Corporate Governance Committee

Introduction

What and who is responsible for good governance?

The Chartered Institute of Public Finance and Accountancy (CIPFA) describes the overall aim of good governance as:

“To align the authority’s processes and structures with the attainment of sustainable outcomes. In practice, this means ensuring that:

- resources are directed in accordance with agreed policy and according to priorities;
- there is sound and inclusive decision making;
- there is appropriate stewardship of public assets and resources;
- there is transparency and clear accountability for the use of resources in order to achieve desired outcomes for service users and communities.”

(CIPFA Audit Committees: Practical guidance for local authorities and police 2022 Edition)

Good governance is ultimately the responsibility of the Full Council as the governing body of Leicestershire County Council. It is responsible for ensuring that its business is conducted lawfully and to proper standards.

The Corporate Governance Committee is appointed by Full Council to support the discharge of its functions in relation to good governance. This report sets out how the Committee has discharged its role and demonstrates how it has:

- Fulfilled its responsibilities as delegated to it by Full Council (as set out in its Terms of Reference contained within the Council’s Constitution);
- Complied with national guidance and best practice;
- Contributed to the strengthening of the Council’s risk management, internal control and overall governance arrangements.

This report underpins the Council’s Local Code of Corporate Governance and reinforces the Council’s Annual Governance Statement.

The Corporate Governance Committee

Role and Responsibilities

CIPFA's position statement on audit committees and related guidance (Audit Committees – Practical Guidance for Local Authorities 2022) sets out what audit committee practices and principles a local authority should adopt. It specifically sets out the purpose, model, core functions and membership of what a local authority's governance and audit committee should look like. The Council's Corporate Governance Committee is established in accordance with this Statement and Guidance.

The core functions of the Committee are set out in its terms of reference which are contained in the [Council's Constitution \(Part 3\)](#). In summary these are to:

- Promote and maintain high standards within the Authority in relation to the operation of the Council's Local Code of Governance.
- Ensure that an adequate risk management framework and associated control environment is in place, and to monitor the arrangements for the identification, monitoring and management of strategic and operational risks.
- Ensure that the Authority's financial and non-financial performance is properly monitored and to ensure proper oversight of the Council's financial reporting processes.
- Ensure the Council's Treasury Management arrangements are appropriate and regularly monitored.
- Monitor the adequacy and effectiveness of the Council's Internal Audit Service and the external audit of the Council's services and functions.
- Monitor the effectiveness of the Council's arrangements for combating fraud and corruption.
- Promote and maintain high standards of conduct by members and co-opted members, including advising Full Council on the adoption or revision of its Code of Conduct and monitoring and advising on the operation of its Code in light of best practice and change in the law.

The Committee also reviews the Council's Local Code of Governance, making recommendations to Full Council to ensure this remains relevant to the Council's work and practices. It also considers the external audit of the Statement of Accounts (including the Annual Governance Statement) and those relating to the Leicestershire Pension Fund to ensure these have been prepared in accordance with best practice. The Committee also makes recommendations to Full Council on any amendments needed to the Council's Financial and Contract Procedure Rules and approves the Council's procedure for handling member conduct complaints.

It reports directly to Full Council and the Committee is able to liaise with and refer matters to the Council's Cabinet and other bodies, including relevant Overview and Scrutiny Committees.

Membership



[Mr Tom Barkley](#)
(Chair)



[Mr Terry Richardson](#)
(Vice Chair)



[Mr Bill Boulter](#)



[Mr Neil Bannister](#)



[Mr David Bill](#)



[Mr Barry Champion](#)



[Mr Joe Orson](#)

Independence

As a Council-appointed Committee, the Corporate Governance Committee is appointed in accordance with the requirement for political proportionality but, in line with CIPFA guidance and best practice, it strives for political neutrality.

In July 2023, Full Council appointed two non-voting Independent Members to the Committee – Mr Gordon Grimes and Mr Alec Maxfield. The introduction of independent members to the Committee enhances its independence and provides added expertise to support the Committee in the discharge of its functions.



Mr Gordon Grimes



Mr Alec Maxfield

“The breadth and scope of the Committee is extremely wide covering the whole range of Local Authority activities. We have been impressed by the knowledge and experience of the Committee Members and their ability to work together without any partisan views, but with a desire to get best value for the council tax payers and ensure that governance is effective and risk management is robust.”

Mr Grimes and Mr Maxfield

Training

All Committee Members receive induction training before their first meeting. The Committee also then receives training on specific areas as necessary. Training was provided in May 2023 on Treasury Management and CIPFA’s Revised Guidance on Audit Committees. Further training will be undertaken during 2024/25 aligned to the Committee’s work programme for the next municipal year.

Self-Assessment outcome

The Committee undertook a self-assessment of good practice against the revised guidance. A copy of the self-assessment form completed and agreed by Members of the Committee is attached as Appendix A. The self-assessment provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022. The results show a high level of performance against the good practice principles and is an indicator that the Committee is soundly based and has in place a knowledgeable membership. These are essential factors in developing an effective audit function. The self-assessment will be used to support the planning of the Committee's work plan and training plans.

The Committee's Activities 2023 - 24

Since January 2023 the Committee has met 6 times and considered **39 reports**.

Leicestershire County Council continues to be committed to allowing residents full insight into its decision-making processes. **All meetings of the Corporate Governance Committee are held in public, allowing people to attend in person to view the debate.** Meetings are also publicly broadcast live, and the recordings can be found on the Council's website where they are available to view in perpetuity. See the Council's [YouTube channel](#).

Financial Management

Following concerns around the financial resilience and management of local authorities, CIPFA developed the Financial Management (FM) Code. This is designed to support good practice in financial management and help local authorities demonstrate financial sustainability. The Standards build upon the underlying principles of leadership, accountability, transparency, professional standards, assurance and sustainability, and address those aspects of an authority's operations and activities that must function effectively if financial management is to be undertaken robustly and financial sustainability is to be achieved.

The Code does not eliminate financial pressure or risk, but compliance with the Code validates an organisation's ability to identify and manage risk and plan for long term financial sustainability. Demonstrating compliance with the Code is the collective responsibility of elected members, the section 151 officer and their colleagues in the leadership team.

The Committee considered the outcome of the assessment of the Council's compliance with the Code for the financial year 2021/22 and 2022/23 and were pleased to see that the required standards had been met. Both exercises identified a few areas that required improvement such as the need for an external assessment of the role of the Internal Audit Service, and the need to consistently undertake post-implementation reviews of significant capital projects to demonstrate value for money. However, overall confirmation was provided that there were no underlying problems of which the Council had not been aware. The Internal Audit Service also undertook a high-level review of the assessments and concluded that there were no other issues to report.

Risk Management

A key role of the Committee is to oversee arrangements for the identification, monitoring and management of strategic and operational risk within the Council. To do this it receives a regular update setting out all the corporate risks which have been identified centrally and across departments. Through robust consideration of these reports the Committee:

- Has monitored the overall risk profile of the Council on a quarterly basis, considered emerging risks and issues and noted those risks which have been added and removed from the Register and the reasons for this.
- Tested and challenged the scores applied to each risk and their expected direction of travel.
- Sought assurances around how risks are being managed and mitigated.
- Asked the Scrutiny Commission to consider the frequency of inspections carried out by the Council in respect of its farm estate when it next receives its annual report on the Investing in Leicestershire Programme.
- Received reassurance regarding the Council's charging policy following the legal decision made against Norfolk County Council whose policy was found to be discriminatory.
- Asked the Director of Children and Family Services to consider separating service delivery and budget related risks arising from increasing SEND demand pressures so that the different risks could be better quantified. The Committee has requested a presentation on SEND risks which will be provided later in the year.
- Considered lessons learned from Birmingham City Council's Section 114 Notice.
- Requested and received a presentation on Property and Occupancy Risk Management which resulted in a corporate group being established after the tragic events of both the Grenfell Tower fire and high-profile terrorism attacks.
- Received a presentation and questioned the Director of Adults and Communities regarding management of the risk of a poor CQC inspection outcome if the Department failed to provide robust evidence of good practice.

The Committee is responsible for advising the Cabinet and Full Council on its Risk Management Policy Statement and Strategy and its Insurance Policy which it reviews each year. These are then submitted as appendices to the Council's Medium Term Financial Strategy for approval. The Committee considered the 2023 and 2024 Policy Statement and Strategy and the Insurance Policy and recommended these be approved without amendment.

Overall, the Committee has received a high level of assurance that the risks identified reflect the complex environment in which the Council operates. It is acknowledged that some risks will remain high (red) indefinitely, as whilst unlikely, the impact if they occurred would be substantial irrespective of the mitigation put in place. The Committee has been satisfied that risk management processes are well established within departments; departments having demonstrated when challenged the positive actions being taken to address those that affect their service area. This has also been demonstrated in the regular reviewing and changing of the register to include or remove risks on a regular basis. This view was supported by the External Auditors in their Annual Report for 2022/23 which included a section on governance arrangements including those for risk management. The Committee was pleased to hear in January 2024 that the External Auditor's findings in relation to 2022/23 were positive and no gaps in risk management had been identified, the Council having been found to have a robust approach.

Fraud and Corruption

The Committee oversees changes to the Council's Anti-Fraud and Corruption Strategy, Anti-Bribery Policy, Anti-Money Laundering Policy and the Policy for the Prevention of Facilitation of Tax Evasion. These have been reviewed this year and have not required substantial amendment.

In line with the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption, the Internal Audit Service reviewed the Council's Fraud Risk. The Committee considered the outcome of this assessment and the corresponding risk gradings for each area identified based on the Council's overall level of exposure and national fraud intelligence received. The Committee has also received assurance regarding the controls in place to mitigate the identified risks from occurring. The highest scoring areas of fraud risk facing the Council mirror those typically reported nationally by other councils.

The Committee has been assured that raising fraud awareness remains a priority, especially regarding common frauds or emerging frauds which are highlighted through several channels including mandatory e-learning and information shared on the Council's intranet through targeted messages. Fraud intelligence tells us that the common fraud risks at present include mandate fraud, senior officer impersonation fraud, QR-code fraud, frauds associated with the current cost of living crisis (e.g. energy refunds), cybercrime (e.g. malware, e-mail hacking, ransomware), financial grant support schemes, procurement fraud and Adult Social Care (e.g. concealment of assets). The Committee emphasises that the Council must not become complacent regarding the risks of insider fraud and where the risk is typically greater in times of economic downturn and rising costs of living.

Internal Audit

The Committee works closely with the Council's Internal Audit Service, both overseeing its independence and effectiveness, and receiving assurance from the Service as to the adequacy and effectiveness of the Council's internal control environment.

The Committee has received regular reports from the Head of Internal Audit Service (HoIAS) which have provided updates on progress against the 2022/23 and 2023/24 Internal Audit Plan. The HoIAS has attended all Committee meetings to answer the Committee's questions, and this has enabled the Committee to discuss key findings and seek assurances where appropriate, particularly in relation to the implementation of high importance recommendations by departments following a specific audit.

The internal audit function for East Midlands Shared Services (EMSS) is provided by Nottingham City Council. During the period of this report, the Committee received information on the internal audit plan for 2023-24 for EMSS. However, the Head of Internal Audit Annual Report for 2022-23 (including their opinion on the adequacy and effectiveness of EMSS control environment) was delayed due to the

postholder's long term absence. Members raised concerns and were provided with assurance that individual audit reports were being received and presented to the EMSS Joint Committee. The HoIAS and Risk at Nottingham City Council will present the Annual Report and opinion for 2022-23 and a progress update on 2023-24 audits to the Committee at its meeting in May 2024.

The Committee has recently approved an amended Audit Charter which establishes the Internal Audit Service's position within the Council and the reporting relationship with the Committee.

In May 2023, the Committee received the HoIAS's Annual Report for 2022/23 which sets out their opinion on the overall adequacy and effectiveness of the Council's control environment. This year, the HoIAS's opinion was that *"reasonable assurance had been given that the Council's control environment has remained adequate and effective."* The Committee was pleased to hear that assurance had been supplemented by good relationships with the Corporate Management Team and senior management across departments and transparency in their reporting of significant governance issues as detailed in the Annual Governance Statement, as well as by providing detailed updates to risk positions in the Corporate Risk Register.

The Committee has considered and supported proposals to undertake an external assessment of the Council's Internal Audit Service which is required to be undertaken every 5 years in line with Public Sector Internal Audit Standards (PSIAS) and as was identified as outstanding in the Financial Management Code assessment (detailed above). This will be conducted by an independent assessor from outside the organisation and will look at the overall conformance of the Council's internal audit service with the standards. The outcome of this review will be considered by the Committee later in the year.

External Audit

The Committee plays a significant role in overseeing the Council's relationship with its external auditors (Grant Thornton LLP) and takes an active role in reviewing the external audit plan, progress reports, the annual audit findings report and the Auditor's Annual Report setting out the findings of the value for money review.

External auditors are required to be satisfied about the Council's arrangements to secure value for money and as part of their work consider:

- Financial Sustainability – How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance – How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness – How the Council uses information about its costs and performance to improve how it manages and delivers its services.

During the year the Committee has received regular reports and verbal updates from its External Auditors setting out progress against the 2022/23 external audit plan.

Representatives from Grant Thornton attended the Committee meeting in January 2024 to present their Annual Report for 2022/23. The risks identified for testing in the audit plan were:

- Valuation of Land and Buildings – review of the valuation of assets valued on a cyclical basis.
- Valuation of the pension fund net liability – review of assumptions, methodology and data provided to the Actuary.
- Pension Fund – valuation of hard to price investments – review of estimates used.
- Special Educational Needs expenditure and the dedicated school grant deficit.
- East Midlands Freeport.

Grant Thornton concluded that these risks were being well managed but did include some recommendations for further improvements in their report.

The External Auditors have not yet completed their audit of the 2022/23 financial statements, but this will be considered by the Committee later in the year once completed.

For 2021/22 the auditors issued an unqualified opinion in respect of its audit of the Council's financial statements and identified no significant weaknesses, concluding that the Council has a good track record of sound financial management, had appropriate arrangements in place to manage the financial resilience risks, has a clear and documented governance framework in place and a well-developed performance management framework.

Some recommendations for improvement were identified, and the Committee highlights that the Council has been recommended to take appropriate actions to reduce its cumulative SEND deficit. The Committee is aware that the Council has engaged a strategic partner, Newton Europe, to help deliver the Council's ambitious programme of SEND reform through its Transforming Special Needs and Inclusion in Leicestershire (TSIL) Programme, progress against which is being monitored regularly through the Council's scrutiny process. The Committee will also oversee that progress throughout next year through the internal, external and risk management reports received. It has also requested a specific presentation on this risk area which will be provided later in the year.

The Committee has heard about the significant capacity issues in the audit market which arises from a combination of staff recruitment and retention issues, combined with changes in Regulations which have increased the volume of work required to be undertaken as part of the annual audit. The Committee has sought assurance from

the external auditors about work taking place to stabilise its audit team and adjust to the increased work required. It is expected that delays might continue for some time until the market can recover. The Committee will continue to work with Grant Thornton during this difficult period to ensure the Council's operations continue to be adequately assessed and challenged.

Treasury Management

It is the responsibility of this Committee to ensure that the Council's Treasury Management arrangements are appropriate and regularly monitored. The Committee therefore considered and recommended for approval to Full Council the Annual Treasury Management Strategy Statement 2024-25 which forms part of the Council's Medium Term Financial Strategy. It has also received quarterly progress reports which advise of significant events both locally and nationally which affect the Council's treasury management activities. The Committee also seeks assurances that those with responsibility for treasury management operate within the approved policies when executing transactions.

The Committee is pleased to report that throughout the year it has *not* been advised of any incidents whereby the Council has operated outside the treasury and prudential indicators set out in the Council's Strategy during 2022/23, or that any loans have breached the authorised lending counterparty list. The Committee considered the annual report which set out the performance achieved in 2022/23 and was pleased to see that the investment loan portfolio had produced a strong level of over performance. This has added significant value in a period of extremely low interest rates.

Internal Controls

The Committee has responsibility for monitoring the effectiveness of the Council's internal control systems and receives annual assurance reports in relation to a wide range of Council operations. This year the Committee has:

- Considered the operation of the **Contract Procedure Rules (CPRs)** as set out within Part 4 of the Council's Constitution and challenged the number of exceptions approved during the year. The Committee has raised concerns about the level of detail included within reports to enable it to assure itself that proper processes have been followed and so received an additional report in January 2023. Reporting in January 2024 was much improved, and the Committee recommended changes be made to the CPRs to tighten up processes around contract exceptions, extensions and modifications.
- Received assurance regarding the use by the Council of the **Regulation of Investigatory Powers Act 2016**. The Committee welcomed the outcome of the Inspection by the Investigatory Powers Commissioner's Office which stated that the Council's RIPA policy was 'informative and well formed'. The Inspector was also pleased with the training undertaken thus far, which had benefited staff, and led to well-formed applications and authorisations. Whilst

some minor advisory points were noted, the Inspector was said to be 'impressed by the standard of the documentation presented to him' and the Council was found to be in a good place. The Committee sought and received assurance that there had been no significant legal challenges to the Council's exercise of these powers through the Magistrates Court and that robust internal systems were in place before legal approval was obtained.

- Heard about the Council's **Resilience and Business Continuity** activities during the year. The Committee received assurance that business continuity plans had been reviewed and refreshed to check that these continued to be robust and that contractors had been contacted as part of that process given the increased risk of critical supply failure. The Committee also secured the adoption of new processes to notify local members of incidents in real time and to keep them informed of lessons learnt following an incident. The Committee will also shortly be receiving an update on the Council's response to flooding events earlier in 2024.
- Reviewed the number of complaints received during the last year under the **Members' Code of Conduct** and how these had been dealt with either by the Monitoring Officer or the Member Conduct Panel.
- Recommended that Full Council adopt a revised **Members' Protocol on Member/Officer Relations** noting the commitment of Members and officers in complying with the Code to date.
- Received assurance regarding the Council's **Clinical Governance Arrangements** as part of its Public Health function which commissions several clinical services previously provided by the NHS. The Committee sought assurance that exception reports and lessons learnt regarding clinical governance matters were also being properly reported to the Council's Health Overview and Scrutiny Committee.
- Received the **Local Government and Social Care Ombudsman (LGSCO) annual review** letter for the Authority for 2022/23 which provided valuable insight into the Council's approach to complaints and considered changes to the Council's processes. There has been a further rise in the number of complaints and enquiries received by the LGSCO and the Committee was concerned to hear that a number of these had been escalated solely due to delays in responding to complaints. Whilst the number of complaints investigated by the LGSCO increased this year (two of which resulted in Public Reports), the number of complaints upheld fell compared to the previous year by 10%, ranking the Council as having the 2nd lowest number of complaints upheld when rated against 16 of its statistical neighbours. It is not surprising that the largest number of complaints received related to SEN Assessments and SEN Transport and the Committee therefore highlighted the report to the relevant Overview and Scrutiny Committees.

Looking Ahead for 2024/25

For the coming year the Committee will continue to receive regular updates and annual assurance reports. It will continue to provide the usual level of robust challenge to corporate governance and audit practices and procedures to ensure the Council's arrangements are up to date and fit for purpose and that these are communicated and properly complied with. It will also continue to liaise with the Council's external auditors on areas for improvement.

In addition to routine business the Committee has requested more information on risks relating to the delivery of, and funding for, Special Educational Need.

Rising demand for Council services at a time of reduced resources continue to give rise to significant challenges. The Committee will therefore be vigilant in monitoring the risks arising from these challenges and the mitigations put in place to address them. The Committee will also seek to take forward the remaining actions from the review of the Committee's self-assessment of good practice against the revised CIPFA Guidance on Audit Committees. Additionally, revised Global internal Audit Standards have recently been introduced, which place increased emphasis on 'Governing the Internal Audit Function', and the implications of this will need to be addressed.

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