

Corporate Governance Committee
Annual Report

2024 - 2025

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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 2024 to March 2025. 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 Committee's role is to increase public confidence about how well the Council is run – providing independent assurance and challenge to the Cabinet over governance, risk management and control processes.

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 fifteen 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 role of the Committee has increased in terms of responsibilities over the last four years. As this term of the Council draws to a close, I would like to thank members of the Committee for their contribution and vigilance. The scope of the work undertaken has been varied and the addition of Independent Members being appointed to the Committee since 2023 has significantly contributed to the level of discussion. My thanks also go to officers who have aided the work of the Committee greatly.

It has been a pleasure to chair the Committee, and I would like to add my thanks to the Vice Chairman, Mr Terry Richardson CC, for his support.



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.”
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(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 and Police 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.

Officers of the County Council also play an important role in ensuring good governance. In accordance with Part 2, Articles 12.03 and 12.04 of the County Council's Constitution, the Monitoring Officer will support the Committee through contributing to the promotion and maintenance of high standards of conduct, and the Chief Financial Officer will provide professional advice to all County Councillors and will support and advise County Councillors and officers in their respective roles.

Internal audit is an essential component of the Council's corporate governance and assurance framework and the Public Sector Internal Audit Standards (PSIAS)¹ require the Head of Internal Audit Service to establish risk-based plans to determine the priorities of the internal audit activity. Under the Council's Constitution, this Committee is required to monitor the adequacy and effectiveness of the system of internal audit.

Membership



[Mr Tom
Barkley](#)
(Chair)



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



[Mr Bill
Boulter](#)



[Mr Neil
Bannister](#)



[Mr David
Bill](#)



[Mr Barry
Champion](#)
(member
until
December
2024)



[Mr Joe
Orson](#)
(member
until May
2024)



[Mr John Coxon](#)
(member
from
December
2024)



[Dr Kevin Feltham](#)
(member from
May 2024)

¹ With effect from 1 April 2025, local government internal audit functions are required to conform to the Application Note: Global Internal Audit Standards in the UK Public Sector

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 current term of office for the independent members comes to an end in May 2025 and the Committee has welcomed their input. However, it is pleasing to report that Mr Grimes has been reappointed for a further four years, along with Mr John Pilgrim.

“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 taxpayers and ensure that governance is effective and risk management is robust.”

Training

All Committee Members receive induction training before their first meeting. The Committee also then receives training on specific areas as necessary. Prior to its meeting in January 2025, the Committee received a training session relating to the Statement of Accounts and agreed that awareness raising training on this subject would take place annually. Further training for new members of the Committee will be undertaken during 2025/26, aligned to the Committee’s work programme for the next municipal year, and in response to the outcomes from members’ self-assessment of their own knowledge and skills.

The Committee is also advised when new guidance/best practice is produced and participates in consultations on developing policy, thus helping to shape the national picture, for example, CIPFA’s Code of Practice on the Governance of Internal Audit in Local Government and the Code of Conduct.

Self-Assessment outcome

In January 2024, senior officers undertook a self-assessment of good practice against CIPFA's guidance and discussed the outcomes with members of the Committee. The self-assessment provided a high level review that incorporated the key principles set out in CIPFA's Position Statement. The results showed a high degree of conformance against the good practice principles and was an indicator that the Committee was soundly based and had in place a knowledgeable membership. These are essential factors in developing an effective audit function. The self-assessment will be reviewed by senior officers and revised where appropriate; this will then be shared with Members of the new Committee prior to its first meeting in June 2025 and will be used to support the planning of the Committee's work plan and training plans.

The Committee's Activities 2024 - 25

Between January 2024 and the end of March 2025, the Committee has met 5 times and considered **49 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.** Agendas and minutes are published on the Council's website to ensure maximum transparency. 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 Code builds 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 Chief Financial Officer and their colleagues in the leadership team.

The Committee considered the outcome of the assessment of the Council's compliance with the Code in January 2024 and were pleased to see that the required standards had been met. The assessment 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 assessment and concluded that there were no other issues to report. The latest assessment of compliance with the Code is scheduled to be reported to the Committee in June 2025.

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.
- Requested and received a presentation on the risks relating to recruitment pressures and the costly use of agency staff.
- Received a presentation on cyber security risks, following the launch of the Cyber Assessment Framework for local government.
- Asked that the risk regarding developing and maintaining a stable, sustainable and quality social care market be reviewed with the Director of Adults and Communities.

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 2024 and 2025 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 2023/24 which included a section on governance arrangements including those for risk management. The Committee was pleased to hear in January 2025 that the External Auditor's findings in relation to 2023/24 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.

Annual Governance Statement (AGS)

Regulations 6(1)(a) and (b) of the Accounts and Audit Regulations 2015 require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS). The AGS is an important requirement which enhances public reporting of governance matters. In essence, it is an accountability statement from each local government body to stakeholders on how well it has delivered on governance over the course of the previous year.

To ensure that the AGS reasonably reflects the Committee's knowledge and experience of the Council's governance and control framework, and that the conclusions and future challenges are appropriate, the 'Delivering Good Governance in Local Government Framework' by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) requires high level input from the Committee into the AGS.

A provisional draft AGS for 2023-24 was considered by the Committee in May 2024; this determined that there were two significant governance issues that required reporting, namely the Environment and Transport Department (Assisted Transport Board) and the Capital Programme (risk management approach). The Committee agreed that the provisional AGS was consistent with its own perspective on internal control within the Authority. Members received a final draft prior to it being published with the draft Statement of Accounts for 2023-24. However, within the County Council's Constitution (updated December 2024), Part 3 – Responsibility for Functions, Section B: Responsibility for "County Council" functions, the Constitution Committee has a function to approve the final Annual Governance Statement. This occurred at its meeting on 21 January 2025, prior to sign off by the Chief Executive and Leader of the Council.

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 2023/24 and 2024/25 Internal Audit Plans. 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 Service (EMSS) is provided by Nottingham City Council Internal Audit (NCCIA). During the period of this report, in September 2024, the Committee received the NCCIA Interim Head of Internal Audit's annual report and opinion on EMSS audits for the year 2023-24 and the delayed EMSS Internal Audit Plan for 2024-25. Members have raised concerns but have been provided with assurance that individual audit reports were being received. Although a plan for the delivery of internal audit for EMSS for 2025-26 and beyond had not been presented to either the EMSS Joint Committee or this Committee in December as planned, members were informed that work was being undertaken to address this and officers would continue to seek updates and keep the Committee informed.

The Committee noted the ending of the delegation agreement to provide internal audit services to Leicester City Council. Despite the arrangement working well for a number of years, the City Council wished to adopt a new approach. Assurance was received that a review of resources would ensure that these continued to meet audit priorities as set out in the Audit Plan for the County Council.

In 2023, the Committee 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. An independent external quality assessment review of the Council's Internal Audit Service was undertaken

and the outcome (top rating but with some suggested improvements) was reported in May 2024. Members welcomed the positive feedback received.

The Committee also considered forthcoming changes to the Public Sector Internal Audit Standards, including the proposal to introduce a Code of Practice for the Governance of Internal Audit in UK local government. The Committee will continue to receive further updates on this throughout the forthcoming year.

In May 2024, the Committee received the HoIAS's Annual Report for 2023/24 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.

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 Auditor's setting out progress against the 2023/24 external audit plan.

Representatives from Grant Thornton attended the Committee meeting in December 2024 to present their Annual Report on the Council for 2023/24. Overall, the report was positive and concluded that the Council has a good track record of sound financial management, relatively strong arrangements in place to manage the financial resilience risks and had a documented governance framework to identify and manage risks. No significant weaknesses were reported but Grant Thornton did make 8 improvement recommendations in the report.

At the meeting on 24 January 2025, the External Auditor reported that it would not be possible to report a final opinion on the Financial Statements due to a few minor outstanding queries. However, final sign off of the accounts took place on 7 February 2025, with an unqualified opinion being issued in respect of the audit of the Council's financial statements.

Two improvement areas were reported along with three residual items re-raised from the 2022/23 audit, although all other prior year recommendations have been implemented. The new improvement areas relate to Property, Plant and Equipment and the new IFRS16 lease standard. These are being worked on and any updates will be provided to the Committee.

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 2025/26 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 2024/25. Whilst one new loan retrospectively breached the authorised counterparty lending list (due to subsequent changes to the credit rating), at the time of issue all were placed in accordance with the counterparty list at the point of issue. The Committee was notified of the breach at the next appropriate meeting and all amounts have subsequently been repaid with full interest. The Committee considered the annual report which set out the performance achieved in 2023/24 and was pleased to see that the investment loan portfolio had produced a strong level of over performance, taking advantage of the higher interest rates available through the year. In addition, these higher interest rates provided an opportunity to reschedule some of the Council's historic long term debt. Over the period, £39m has been repaid early which will significantly reduce ongoing interest payments.

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 and approved changes to the **Contract Procedure Rules (CPRs)** as set out within Part 4 of the Council's Constitution and in line with the Procurement Act 2023, which came into force on 24 February 2025.
- Received assurance regarding the use by the Council of the **Regulation of Investigatory Powers Act 2016**. 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 also received an update on the Council's response to flooding events in 2024.
- Received a summary of the eight referrals raised under the Council's **Whistleblowing Policy** during 2023/24 and the Council's response to the issues.
- Considered the County Council's proposed response to the **Government Consultation on Strengthening the Standards and Conduct Framework for Local Authorities in England**. This will ensure a consistency of approach amongst councils investigating serious breaches of their member codes of conduct.
- Received the **Local Government and Social Care Ombudsman annual review** letter for the Authority for 2023/24 which provided valuable insight into the Council's approach to complaints and considered changes to the Council's processes. There has been a decrease in the number of complaints and enquiries received by the LGSCO. Of the 35 complaints subject to detailed investigation, 29 had a finding of some fault and were upheld; this is an increase on the previous year. No public reports against the Council were produced. It is not surprising that the largest number of complaints received related to SEN Assessments and SEN and School Transport and the Committee therefore highlighted the report to the relevant Overview and Scrutiny Committees.
- Considered plans to implement new **Global Internal Audit Standards in the UK public sector**. The Committee had previously been informed of

consultation on proposed changes to internal audit provision. From 1 April 2025, it is expected that internal audit teams in the public sector will be working to the new internal audit standards. Approval of the new governance documents will be sought from the Committee.

- Considered and agreed the procedure for **dealing with allegations of a breach of the Members' Code of Conduct**.

Looking Ahead for 2025/26

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.

A new CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government comes into force on 1 April 2025. The Code addresses the responsibilities of the audit committee and senior management towards the internal audit service. Conformance to the Code is identified as one of the core arrangements an authority should have in place to secure good governance and should be reflected in the AGS for 2025-26 onwards.

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.