



TO COUNCILLOR:

G A Boulter
C S Gore
S Z Haq

P Joshi
J Kaufman
K J Loydall (Chair)

I K Ridley

I summon you to attend the following meeting for the transaction of the business in the agenda below.

Meeting: Audit Committee
Date & Time: Wednesday, 24 January 2024, 6.00 pm
Venue: Civic Suite 2, Brocks Hill Council Offices, Washbrook Lane, Oadby, Leicester, LE2 5JJ
Contact: Democratic Services
t: (0116) 257 2775
e: democratic.services@oadby-wigston.gov.uk

Yours faithfully

Council Offices
Oadby
16 January 2024

Anne E Court
Chief Executive



Meeting ID: 2584

ITEM NO.

AGENDA

PAGE NO'S

Meeting Live Broadcast | Information and Link

This meeting will be broadcast live.

Press & Public Access:

A direct link to the live broadcast of the meeting's proceedings on the Council's Civico platform is below.

<https://civico.net/oadby-wigston/18428-Audit-Committee>

1. Apologies for Absence

To receive apologies for absence from Members to determine the quorum of the meeting in accordance with Rule 7 of Part 4 of the Constitution.

2. Appointment of Substitutes



Postal Address: Brocks Hill Council Offices, Washbrook Lane, Oadby, Leicester, LE2 5JJ

Refuse & Recycling Centre: The Depot, Wigston Road, Oadby, Leicester, LE2 5JE

Telephone: (0116) 288 8961 **Email:** customer.services@oadby-wigston.gov.uk



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@Oadby_Wigston

To appoint substitute Members in accordance with Rule 26 of Part 4 of the Constitution and the Substitution Procedure Rules.

3. Declarations of Interest

Members are reminded that any declaration of interest should be made having regard to the Members' Code of Conduct. In particular, Members must make clear the nature of the interest and whether it is 'pecuniary' or 'non-pecuniary'.

4. Minutes of the Previous Meeting

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To read, confirm and approve the minutes of the previous meeting in accordance with Rule 19 of Part 4 of the Constitution.

5. Action List Arising from the Previous Meeting

To read, confirm and note the Action List arising from the previous meeting.

6. Petitions and Deputations

To receive any Petitions and, or, Deputations in accordance with Rule(s) 11 and 12 of Part 4 of the Constitution and the Petitions Procedure Rules respectively.

7. Internal Audit Progress Update (January 2024)

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Report of the Client Lead / Audit Manager

8. Strategic Risk Update (2023/24)

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Report of the Head of Finance / Interim Section 151 Officer

9. Audit Committee Self Assessment

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Report of the Head of Finance / Interim Section 151 Officer

10. Interim Annual Report for 2022/23 and Key Recommendation 2023/24

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Report of the Director of Grant Thornton and the Head of Finance / Interim Section 151 Officer

11. External Audit Progress Report and Annual Audit Plan for 2022/23

To Follow

Report of the Director of Grant Thornton and the Head of Finance / Interim Section 151 Officer

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Agenda Item 4

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD AT CIVIC SUITE 2,
BROCKS HILL COUNCIL OFFICES, WASHBROOK LANE, OADBY, LEICESTER, LE2 5JJ ON
WEDNESDAY, 4 OCTOBER 2023 COMMENCING AT 6.00 PM**

PRESENT

K J Loydall Chair



Meeting ID: 2549

COUNCILLORS

G A Boulter
S Z Haq
P Joshi
J Kaufman
I K Ridley

OFFICERS IN ATTENDANCE

S J Ball	Legal & Democratic Services Manager / Deputy Monitoring Officer
B Bull	Head of Finance / Section 151 Officer
Ms R Deo	Audit Manager
P Harvey	External Auditor
A Hunt	Democratic & Electoral Services Officer
S Khan	Interim Strategic Director
G Patterson	External Auditor

OTHERS IN ATTENDANCE

Ms R Deo	360 Assurance
P Harvey	Grant Thornton LLP
G Patterson	Grant Thornton UK LLP

10. **APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor C S Gore.

11. **APPOINTMENT OF SUBSTITUTES**

None.

12. **DECLARATIONS OF INTEREST**

None.

13. **MINUTES OF THE PREVIOUS MEETING**

By affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

The minutes of the previous meeting held on 04 July 2023 be taken as read, confirmed and approved.

Audit Committee

Wednesday, 4 October 2023, 6.00 pm

14. ACTION LIST ARISING FROM THE PREVIOUS MEETING

None.

15. PETITIONS AND DEPUTATIONS

None.

16. EXTERNAL AUDITORS UPDATE (VERBAL)

An External Auditors update was verbally delivered by Grant Patterson, of Grant Thornton UK LLP.

17. AUDIT COMMITTEE SELF ASSESSMENT APPROACH

The Committee gave consideration to the report and appendices (as set at pages 5 - 34 of the agenda reports pack) which informed members of the 2022 publication of CIPFA's latest updated Position Statement on the purpose, model, core functions and membership of the audit committee.

It was moved by the Chair, seconded by Councillor G A Boulter and

UNANIMOUSLY RESOLVED THAT:

- i) The contents of the Report and Appendices be noted; and**
- ii) A 3-member working group from the Audit Committee be established to work with the Head of Finance to undertake a Self-Assessment and Training Needs Analysis.**

18. INTERNAL AUDIT PROGRESS UPDATE (OCTOBER 2023)

The Committee gave consideration to the report and appendix (as set at pages 35 - 55 of the agenda reports pack) which give an update on Internal Audit's progress on delivering the 2023/24 Audit Plan.

By affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

The progress made in delivering the 2023/24 Audit Plan be noted.

19. REVISED INTERNAL AUDIT PLAN (2023/24) (OCTOBER 2023)

The Committee gave consideration to the report and appendix (as set at pages 56 – 64 of the agenda reports pack) which gave an update on the Internal Audit Plan for 2023/24.

By affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

The revised Internal Audit Plan for 2023/24 be noted.

20. STRATEGIC RISK UPDATE (2023/24)

The Committee gave consideration to the report and appendix (as set out on pages 65 – 74 of the agenda pack) which presented present the Strategic Risk Register (2023/24) to Committee for information.

By affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

The report and Strategic Risk Register (2023/24) (as set out at Appendix 1) be considered and noted.

THE MEETING CLOSED AT 6.46 pm

Agenda Item 7



Audit Committee	Wednesday, 24 January 2024	Matter for Information
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Report Title: **Internal Audit Progress Report Update (January 2024)**

Report Author(s): **Ruby Deo (Client Lead / Audit Manager)**

Purpose of Report:	To give an update on Internal Audit's progress on delivering the 2023/24 Audit Plan.
Report Summary:	The progress report includes details of the final reports for Fleet Management, Complaints Management and Governance, all of which received Significant Assurance. Terms of Reference have been developed for five other audits and a summary of the status of agreed actions has also been provided.
Recommendation(s):	That the progress made in delivering the 2023/24 Audit Plan be noted.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Sal Khan (Interim Strategic Director) (0116) 257 2690 sal.khan@oadby-wigston.gov.uk</p> <p>Bev Bull (Head of Finance / Interim Section 151 Officer) (0116) 257 2649 bev.bull@oadby-wigston.gov.uk</p> <p>Leanne Hawkes (Head of Internal Audit / Director 360 Assurance) 07545 423040 Leanne.Hawkes@nhs.net</p> <p>Ruby Deo (Client Lead / Audit Manager) 07545 502399 Ruby.Deo@nhs.net</p>
Strategic Objectives:	Our Council (SO1)
Vision and Values:	"Our Borough - The Place To Be" (Vision) Resourceful & Resilient (V4)
Report Implications:-	
Legal:	There are no implications directly arising from this report.
Financial:	There are no implications directly arising from this report.
Corporate Risk Management:	<p>Decreasing Financial Resources / Increasing Financial Pressures (CR1)</p> <p>Key Supplier / Partnership Failure (CR2)</p> <p>Reputation Damage (CR4)</p> <p>Effective Utilisation of Assets / Buildings (CR5)</p> <p>Regulatory Governance (CR6)</p> <p>Organisational / Transformational Change (CR8)</p> <p>Increased Fraud (CR10)</p>

Equalities and Equalities Assessment (EA):	There are no implications directly arising from this report. EA not applicable
Human Rights:	There are no implications directly arising from this report.
Health and Safety:	There are no implications directly arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	None.
Background Papers:	None.
Appendices:	1. Internal Audit Progress Update (January 2024)

1. Information

- 1.1 The Internal Audit Progress Report attached at **Appendix 1** provides an overall summary of the work undertaken to date relating to the Audit Plan. The progress report covers the work carried out during the period October to December 2023.
- 1.2 The report identifies progress made in relation to completion of work from the Council's 2023/24 Internal Audit Plan and brings to your attention matters relevant to your responsibilities as members of the Audit Committee.
- 1.3 Internal Audit progress reports are presented to every meeting of the Audit Committee so Members can be kept up to date with Internal Audit work and findings.
- 1.4 Under the Local Government Act 1972, Section 151 and the Accounts and Audit (England) Regulations 2011(as amended), the Council has a responsibility to maintain an adequate and effective Internal Audit function. At Oadby and Wigston Borough Council this responsibility is delivered by 360 Assurance.
- 1.5 In responding to this requirement, the Internal Audit service works to best practice as set out in the Public Sector Internal Audit Standards (2017), which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).



Oadby and Wigston Borough Council

Internal Audit Progress Report

24th January 2024

Contents

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Internal Audit update	2	B: Summary of audits completed	7
Progress of work	3	C: Terms of Reference issued	9
Action tracking	4	D: Key Performance Indicators	13
Conclusion	5	E: Action tracker	14

Reports prepared by 360 Assurance and addressed to Oadby and Wigston Borough Council's directors or officers are prepared for the sole use of Oadby and Wigston Borough Council, and no responsibility is taken by 360 Assurance or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit between Oadby and Wigston Borough Council and 360 Assurance dated 1 April 2023 shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

The matters reported are only those which have come to our attention during the course of our work and that we believe need to be brought to the attention of Oadby and Wigston Borough Council. They are not a comprehensive record of all matters arising and 360 Assurance is not responsible for reporting all risks or all internal control weaknesses to Oadby and Wigston Borough Council.

The appointment of 360 Assurance does not replace or limit the Council's own responsibility for putting in place proper arrangements to ensure that its operations are conducted in accordance with the law, guidance, good governance and any applicable standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

This report has been prepared solely for your use in accordance with the terms of the aforementioned agreement (including the limitations of liability set out therein) and must not be quoted in whole or in part without the prior written consent of 360 Assurance.

This paper identifies progress made in relation to completion of work from the Council's 2023/24 Internal Audit Plan and brings to your attention matters relevant to your responsibilities as members of the Audit Committee.

This progress report provides a summary of Internal Audit activity in a format agreed with the Audit Committee and complies with the requirements of Public Sector Internal Audit Standards. Details of any reports issued since the last Audit Committee meeting are included within our papers.

This progress report covers the work carried out during the period October 2023 to January 2024.

Action required

The Audit Committee is asked to:

Note the key messages and progress made against the Internal Audit Plan since the last meeting.

Receive the information and guidance papers produced by 360 Assurance and seek assurance from the Council that the issues raised are being considered and, where necessary, addressed by the Council.

Key contacts

HEAD OF AUDIT – Leanne Hawkes, Director

M – 07545 423040

E – Leanne.Hawkes@nhs.net

ASSISTANT DIRECTOR – Tracey Barnard-Ghaut

M – 07545 502397

E- Tracey.Barnard-Ghaut1@nhs.net

CLIENT LEAD Ruby Deo, Audit Manager

M – 07545 502399

E – Ruby.Deo@nhs.net

Key messages

Since the last Audit Committee we have:

- Issued 3 final reports:
 - Fleet Management
 - Complaints Management
 - Governance
- Held planning meetings with Council officers and undertaken fieldwork in order to progress the audit plan.
- Commenced our stage one work for the HOIA opinion.
- Issued 5 Terms of Reference. See Appendix C for details.

We draw Audit Committee’s attention to the following:

- The overall implementation of recommendations with original completion dates between 1st April to 31stDecember 2023 (2023/24) so far is **36%**.
- There are **28** overdue actions relating to 2023/24 at the time of writing. See page 4 and Appendix E for more details.
- There are **2** historic actions originally due prior to 1 April 2023 that remain open. These are detailed in Appendix E.

Contract performance

Planned audits	Audit completed to report stage	% complete
20	6	30%

Planned grant certifications	Grant certifications completed	% complete
9	4	44%

A summary of internal audit plan progress to date can be seen at Appendix A.

A summary of audits completed is provided at Appendix B.

We have provided at Appendix D a summary of our performance in relation to Key Performance Indicators detailed in our Service Level Agreement with the Council.

Service benefits and other matters



Events

Papers from our events are available on our website
<https://www.360assurance.co.uk/events/>



Client briefing and other publications

We regularly publish articles and all of these are on our website. Our publications and monthly briefings are available at: <https://www.360assurance.co.uk/news-publications/>

Work completed

Since our last report to you we have published the following reports:

Audit	Opinion	High	Medium	Low	Advisory
Fleet Management	Significant	-	3	-	-
Complaints Management	Significant	-	1	-	-
Governance (assessed progress against AGS Action Plan)	Significant	-	-	-	-

Terms of Reference issued

Since our last report to you, the following Terms of Reference have been developed with Council Officers:

- Financial Ledger and Reporting
- Payroll and Expenses
- Revenues
- Financial Systems (Accounts Receivable)
- Benefits

These are detailed for the Audit Committee information in Appendix C.

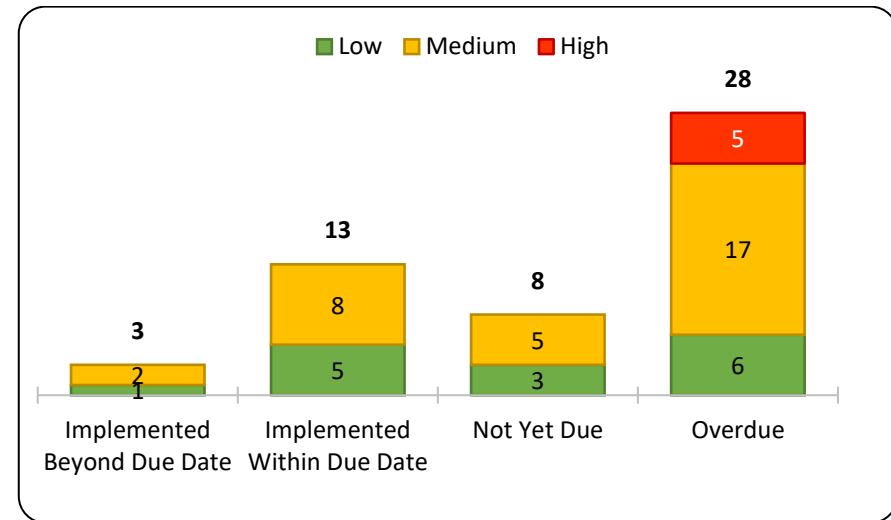
Planning meetings with Council Officers to discuss and agree the scope and coverage of planned work in quarter four are in progress.

Status of agreed actions

The implementation of actions is undertaken using a 'live' follow up system. A summary of the current status of all follow up activity is attached at Appendix E, however, we would draw the committee's attention to the following:

- For a significant opinion on this element we would expect to see a robust process and proactive culture in the organisation on internal audit actions, high risks to be closed at their original due date, over 75% of actions to be implemented by 31 March 2024 and progress to have been made on historic actions.
- The first follow up rate (implemented by original due date) for 2023/24 is 30% (13/44) and the overall implementation rate is 36% (16/44).
- There are 28 actions still open that have not been implemented within their due date. These include 5 high risk actions.
- There are 2 historic actions originally due prior to 1 April 2023 that remain open; we will continue to track them to completion.

The chart below summarises the progress against agreed actions in-year to 15th January 2024, for Internal Audit.



This report summarises the work in the reporting period in respect of Internal Audit, at the Council. The Client Manager meets with the Interim S151 Officer regularly to discuss progress against the plan and to monitor and evaluate the effectiveness of this work which informs the Council's plan and local fraud risk assessment.

Members are asked to receive the report for assurance and are invited to raise any questions.

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The table below summarises progress against the 2023/24 Internal Audit Plan (**bold** denotes core area to support HOIA opinion):

Ref.	Audit	Planned timing	Status	Assurance level provided	Date reported to Audit Committee
Corporate					
1	Head of Internal Audit Opinion (core)	Q1 -4	ToR issued, stage 1 work in progress	-	-
2	Governance Arrangements (core)	Q2	Completed	Significant	24 January 2024
3	National Fraud Initiative	Q1 - 4	In progress	-	-
Finance					
4	Financial Management and Reporting (core)	Q4	In progress	-	-
5	Financial Systems (core)	Q4	In progress	-	-
6	Revenues (council tax and business rates) (core)	Q3/4	In progress	-	-
7	Benefits and Council Tax Support (core)	Q4	In progress	-	-
8	Business Rates Grant Income	Q1	Completed	Advisory	4 October 2023
Customer Services and Transformation					
9	HR Staff Development	Q2/3	ToR issued	-	-
10	Payroll and Expenses	Q3/4	In progress	-	-
11	Procurement (core)	Q2/3	In progress	-	-
Law and Democracy					
12	Licensing	Q2/3	In progress	-	-
13	Private Sector Housing Enforcement	Q1	Completed	Significant	4 October 2023
14	Complaints	Q2	Completed	Significant	24 January 2024
15	Leisure Services Contract Management	Q3	In progress	-	-
16	Asset Disposals	Q2/3	In progress	-	-
Built Environment					
17	Housing Allocations	Q2/3	In progress	-	-
18	Housing Maintenance, Repairs and Voids	Q2	Completed	Advisory	4 October 2023
19	Disabled Facilities Grant (contract management)	Q1	Fieldwork complete	-	-
20	Grant Certifications To date Certifications have been issued for the following areas: – Midlands Net Zero Hub – Home Upgrade Grant Phase 1 – Midlands Net Zero Hub – Home Upgrade Grant Phase 2 – Energy Bill Support Scheme – Alternative Fuel Payment	Q1-4	Ongoing throughout the year	Grant certifications provided	4 October 2023
Refuse and Recycling					
21	Fleet Management	Q2	Completed	Significant	24 January 2024

The following audit reports have been issued and agreed with Council Officers since the last committee meeting.

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Report 1 Fleet Management	
Objectives and scope	<p>The overall objective of our review was to ensure that the Council has an adequate system to provide a fleet of vehicles that are fit for purpose and meet the needs of the waste collection and Clean & Green services. In order to achieve this objective, we have reviewed the following controls:</p> <ul style="list-style-type: none"> • Fleet vehicles are maintained in a safe and usable condition that complies with relevant legislation. • Appropriate controls are developed to ensure that the proposed shared arrangements for fleet management delivers an effective service that meets legislative requirements and the needs of service users.
Audit opinion	Significant Assurance
Summary findings	<p>The Council has a valid Operator’s Licence in place and has been issued a RAG rating status of green by the government, based on the number and nature of faults reported when refuse vehicles are issued with MOT certificates. Our review confirmed that there is evidence to demonstrate that regular checks are undertaken on vehicles’ condition, although we have made some recommendations in respect of service records maintained.</p> <p>The agreed audit scope included a review of the Council’s proposal to enter into a shared service arrangement for fleet maintenance with Blaby District Council. We were unable to provide assurance on a number of areas that were originally due to covered because the project to investigate the potential for a shared service and then progress this if found feasible was not as advanced as initially hoped.</p> <p>We have therefore highlighted the areas that management will need to provide assurance on as the project progresses.</p>

Report 2 Complaints Management	
Objectives and scope	<p>The overall objective of our review was to ensure that the Council has a process in place to investigate and respond to complaints in a timely manner, including making improvements to working practices where deemed necessary. In order to achieve this objective, we have reviewed the following controls:</p> <ul style="list-style-type: none"> • There is an established Complaints Policy and means for customers to give feedback about the Council’s services. • Complaints are thoroughly investigated in accordance with policy and to an agreed timeframe. • The results of complaints investigations are used to make improvements to the services offered by the Council where applicable. • Operation of the complaints management system is subject to regular reporting and monitoring.
Audit opinion	Significant assurance
Summary	The Council has an up-to-date Comments, Compliments and Complaints Policy, which outlines the methods by which complaints can be made

findings	<p>and how they are to be handled. There is clear reference to responsible officers and acknowledgement/response timeframes.</p> <p>A central log of all complaints received is maintained by the Policy, Compliance and Data Protection Officer.</p> <p>Training is provided to staff in respect of complaints handling. Our review of the attendance logs maintained by Human Resources (HR) highlighted 38 members of staff who had not completed the required training.</p> <p>Monthly complaints meetings are held and any lessons learned and formally recorded in the Lessons Learned register.</p> <p>Complaints received are reported to the Service Delivery Committee on a bi-annual basis.</p>
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Report 3		Governance Arrangements				
Objectives and scope	The overall objective of our review was to provide independent assurance that actions to improve controls, as identified in the 2022/23 AGS, have been completed in accordance with agreed timescales, and that satisfactory progress is being made to implement actions that remain as work in progress. To achieve this objective, we met with the officers responsible for taking each action point forward to establish what progress has been made. In cases where action was reported as complete or in progress, we obtained and reviewed supporting evidence of the action taken.					
Audit opinion	Significant Assurance					
Summary findings	Progress against AGS Action Plan		Total	Implemented	In progress	Outstanding
	Number of actions originally due for implementation by 31 st October 2023		12	7	4	1
	Number of actions due after 31 st October 2023		6	2	1	3
	Total		18	9	5	4

The following TORs have been issued and agreed with Council Officers since the last committee meeting.

ToR 14	Financial Ledger and Reporting
Introduction	<p>Councils are dependent upon their financial systems to provide accurate, complete and timely data to support their financial management and reporting. In particular, an organisation relies heavily on its financial ledger to provide the basic data necessary to inform its reporting of income, expenditure and budgetary performance. In turn, the financial ledger is populated via external systems and sub-ledgers including payroll, accounts payable and accounts receivable. A review of the Council’s financial ledger, management and reporting key controls forms part of our core audit programme.</p>
Objectives and scope	<p>The overall objective of our review is to provide an independent assurance opinion on the:</p> <ul style="list-style-type: none"> • effectiveness of the Council’s arrangements to ensure the integrity of data held in the financial ledger. • robustness of in-year financial reporting arrangements. <p>To achieve this objective, the following controls are to be reviewed using sample testing:</p> <p><u>Budget Setting</u></p> <ul style="list-style-type: none"> • budgets are set in a structured, comprehensive, and robust manner in accordance with the Council's objectives and the Medium Term Financial Strategy (MTFS). <p><u>Financial ledger</u></p> <ul style="list-style-type: none"> • automated arrangements or regular manual checks ensure the financial ledger is in balance. • internal checks are in place to confirm that data input to the financial ledger from external feeder systems is complete, accurate and timely. • the use of suspense accounts is kept to a minimum – accounts are only used for the short-term posting of unidentified entries and are cleared promptly. • control accounts are regularly and promptly reconciled to information outside the financial ledger and reconciliations are reviewed and authorised. • cash/bank reconciliations are regularly and promptly prepared and reviewed with reconciling items cleared in a timely manner. • there is segregation of duties over the preparation, authorisation and input of journals – journals are supported by a clear narrative, description and adequate evidence. • access to the financial ledger is restricted to approved individuals. • robust system back-up and restore procedures are in place (for the financial ledger and council’s network where supporting records are held).
Methodology and approach	<p>To deliver this audit we will:</p> <ul style="list-style-type: none"> • hold interviews with key officers. • review supporting documentation (electronic and hardcopy) for all specified controls. • undertake walkthrough, substantive and compliance testing on a risk and sample basis to assess the design and operation of the controls in place, performing data analytics as appropriate.

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ToR 15 Financial Systems (Accounts Receivable)	
Introduction	The Council’s processes for reviewing staff performance and development have recently undergone a review led by the Strategic Director. The aim of the review was to refine current documentation used in the staff development process in line with the new Corporate Plan and Corporate Objectives and also to assess whether the same documentation can be adapted for all staff groups, including manual worker roles such as cleaners.
Objectives and scope	<p>The overall objective of our review is to determine whether an efficient, effective and robust control environment is in place in relation to accounts receivable and to provide an independent assurance opinion. To achieve this objective, we will review the following controls:</p> <ul style="list-style-type: none"> • there are formal, structured processes in place to ensure that income is raised promptly and completely. • income received is allocated to the correct debtor accurately and promptly. • timely action is undertaken to follow up outstanding debt. • aged debt is reported to and scrutinised by an appropriate forum within the organisation. • authorised credit notes are accurately and promptly raised. • there is a formal authorisation process for the write off of debt. • system access permissions ensure segregation of duties.
Methodology and approach	<p>To deliver this audit we will:</p> <ul style="list-style-type: none"> • document, via walk-through testing, our understanding of the system processes and controls • undertake risk-based sample testing to assess the effectiveness of the controls in place, identifying risks and any mitigating controls • supplement our sample testing with whole population testing using data analytics where possible <p>focus on 2023/24 transactions, ensuring a spread of coverage throughout the year up to the time of our audit.</p>

ToR 16 Payroll and Expenses	
Introduction	The payroll processing for the Authority has been provided for a number of years under a Service Level Agreement with East Midlands Shared Service hosted by Leicestershire County Council. The value of the monthly payroll is approximately £500,000, with salaries paid to about 180 employees. A planned upgrade to the payroll system operated by EMSS, delayed for much of 2022/23, commenced in February 2023. The 2022/23 review examined the design of controls for the revised process to be operated for the upgraded system. The 2023/24 audit will test the operational application of these controls.
Objectives and scope	<p>The objective of the review is to provide assurance that salaries and expenses are paid in an accurate, timely and complete manner. To achieve this objective, the following areas are to be considered:</p> <ul style="list-style-type: none"> • new starters are authorised and entered accurately onto the payroll system. • leavers are authorised and accurately processed on a timely basis – final salary payments are adjusted to reflect leaving date. • changes to payroll records are authorised, controlled and accurately processed.

	<ul style="list-style-type: none"> • changes to an employee’s bank details are strictly controlled. • access to the payroll system is restricted so that only authorised officers may make additions, amendments and deletions. • the organisation verifies the payroll data prior to upload to the financial ledger. • checks are in place to ensure the accuracy of payroll runs prior to authorising payment. • back-up and recovery arrangements are in place for the payroll system.
Methodology and approach	<p>To deliver this audit we will:</p> <ul style="list-style-type: none"> • interview key staff to determine and document the current controls and processes in operation. • undertake sample testing to confirm compliance with controls and processes as recorded.

ToR 17 Benefits	
Introduction	The operation of effective processes and controls in relation to housing benefits (HB) and council tax support (CTS) is important for the sound management of Council finances in ensuring that all HB payments and reductions in liability for CT are made to properly assessed, eligible claimants and in the correct amount in accordance with regulations and procedures. The estimated annual value of CTS provided for 2023/24 is £160,340 (as at the end of 09/05/2023). Estimated HB payment for 2023/24 is £136,490. The overall total of HB payments made has been reducing in recent years as more claimants move to universal credit payments that are administered by the Department for Work and Pensions (DWP).
Objectives and scope	<p>The objective of the review is to provide assurance that HB payments and CTS are accurate, timely and in accordance with regulations and procedures. To achieve this objective, the audit is to consider the following areas:</p> <ul style="list-style-type: none"> • Housing Benefit and Council Tax Support claims are accurate, valid and processed promptly. • Housing Benefit and Council Tax Support data is held securely and accurately recorded within relevant Council systems. • Housing Benefit and Council Tax Support overpayments are identified and recovered promptly and effectively. • Processing times, accuracy, overpayment levels, fraud case outcomes and other key performance indicators are regularly monitored.
Methodology and approach	<p>To deliver this audit we will:</p> <ul style="list-style-type: none"> • interview key staff to determine the current controls and processes in operation to manage the contract with SLM. • review and comment on the adequacy of contract and performance reporting documentation. • undertake sample testing to confirm that controls and processes are operating in practice.

ToR 18	Revenues
Introduction	<p>The operation of effective management controls in relation to business rates and council tax is important to the sound management of the finances of the Council in ensuring that all relevant collectable rates and taxes are identified, charged and collected.</p> <p>The estimated income from the council tax for 2023/24 is £36,504,357 and from business rates is approximately is £12.2m.</p>
Objectives and scope	<p>The objective of the review is to provide assurance that business rate and council tax income is collected promptly and in full. To achieve this objective, the following areas are to be considered:</p> <ul style="list-style-type: none"> • Property records are accurately, comprehensively and efficiently maintained and updated. • Billing procedures are in accordance with statutory regulations and amounts due in respect of each chargeable property have been correctly calculated and promptly demanded from the person(s) liable. • The application of reliefs and exemptions is authorised in accordance with statute, the authority’s policy and is supported by documentary evidence. • Collection rates and other key performance indicators are regularly monitored and reported on. • Recovery and enforcement procedures are managed efficiently and in accordance with statutory requirements. • The security and integrity of the revenues system is properly maintained.
Methodology and approach	<p>To deliver this audit we will:</p> <ul style="list-style-type: none"> • interview key staff to determine and document the current controls and processes in operation. • undertake sample testing to confirm compliance with controls and processes as recorded.

As part of our contract with the Council we agreed a number of Key Performance Indicators. Those that can be measured on a quarterly basis are included below; others will be reported in our Annual Report later in the year. Please note these are compiled on a cumulative basis.

So far in 2023/24 we have issued 18 Terms of Reference and issued six final reports.

360 Assurance KPIs	Target	Q1	Q2	Q3	Q4
Issue a Client Satisfaction Questionnaire following completion of every audit.	100%	100%	100%	100%	
Terms of Reference issued before commencement of the audit.	100%	100%	100%	100%	
Draft report issued within 10 working days of exit meeting.	100%	100%	100%	100%	
Final report issued within 5 working days of executive sign-off.	100%	100%	100%	100%	
Overall client satisfaction rating of satisfied or highly satisfied.	90%	No responses yet received	No responses yet received	100% (1 response received)	
Client KPIs	Target	Q1	Q2	Q3	Q4
Terms of Reference to be agreed within 10 working days of being received.	100%	100%	100%	100%	
Information has been provided and staff have been available to meet the timescales set out within the Terms of Reference.	100%	100%	100%	100%	
Management response received within 10 working days of receiving the final draft report.	100%	100%	100%	100%	

The table below provides a summary of actions due on or by 31st December 2023 that have yet to be implemented (this includes actions where extensions to original implementation dates have been agreed and historical actions originally due prior to 1 April 2023 that remain open).

Audit reference	Low	Medium	High	Total	Comments / Latest Status Update
2021/22 Council Tax	1	0	0	1	Documents and Resources. Original due date: 30.09.2022 Revised Implementation date: 31.03.2024
<p><u>Latest Status Update</u> The functionality of IDOX has been reviewed and it cannot provide a workflow system. A wider project to appraise alternatives to IDOX is needed. Benchmarking has commenced with 150 responses to a FOI request made being reviewed to date. Further data and alternative systems will be appraised to inform a business case to support the need for change. The wider project means significant investment of time and resource is needed to prepare the business case and implement changes, this has been reflected in the revised timescale.</p>					
2022/23 Key Financial Systems	4	5	0	9	3 actions due by 31.07.2023 (1 medium and 2 low in relation to accounts payable and financial management) 4 actions due by 30.09.2023 (2 medium and 2 low in relation to accounts receivable, accounts payable and system access) 2 actions due by 31.12.2023 (2 medium in relation to accounts receivable)
<p><u>Latest Status Update:</u> No status updates have been received and no revised dates agreed.</p>					
2022/23 Safeguarding	0	1	0	1	Safeguarding related grants. Original implementation date: 31.03.2023 Revised implementation dates: 31.05.2023
<p><u>Latest Status Update:</u> Training for managers and officers responsible for grants is to be developed in April 2023, and a list of those who require the training procured.</p>					
2022/23 Alcohol and Entertainment Licensing	0	1	2	3	Recording evidence Original implementation date: 30.04.2023 Revised Implementation date: 31.01.2024 Annual Fees Original implementation date: 31.05.2023 Revised Implementation date: 12.12.2023 Performance Information Original implementation date: 31.07.2023 Revised Implementation date: 31.01.2024

<p><u>Latest Status Update:</u> Recording evidence: Detail of inspections and actions now recorded on Uniform. Templates not set up correctly to allow proper integration or full use. This element will be picked up through the work to secure new templates and automate systems. Annual Fees: Work continues to secure payment of fees and this has included the employment of a part time resource. Work is expected to conclude in December 2023. Performance information: Benchmarking is taking place across the County. Measures to be introduced following system updates. Many measures are statutory. Performance measures will be introduced following work with NWLDC to digitised our systems and integrate forms.</p>					
2022/23 Anti Fraud and Corruption	0	1	0	1	Annual Report on Fraud and Corruption. Original implementation date: 31.07.2023 Revised implementation date: none received
<p><u>Latest Status Update:</u> This will be actioned and reported to Audit Committee at its meeting on the 4th October 2023. New target date 4th October 2023.</p>					
2022/23 Capital and Programme Management	0	2	2	4	Policy and procedure documentation. Refresh of project management methodology. Resourcing project management. Corporate Project Board meetings. Original implementation date: 30.04.2023 Revised implementation date: none received
<p><u>Latest Status Update:</u> None received.</p>					
2022/23 Grounds Maintenance and Street Cleaning	1	7	1	9	4 actions due by 30.06.2023 (4 medium risk actions in relation to Street cleaning, Employee health and safety training, health and safety risk assessments and grounds maintenance specifications) Revised implementation dates: none received. 4 actions due by 30.09.2023 (2 medium, 1 low and 1 high risk actions in relation to monitoring cleanliness, parks and open spaces strategy, KPI reporting on street cleaning and maintenance documentation. Revised implementation dates: none received. 1 action due by 31.12.2023 (medium risk in relation grounds maintenance and performance monitoring)
<p><u>Latest Status Update:</u> None received.</p>					
2022/23 Housing Rents	1	1	0	2	Rent Uplift reconciliation. Rent arrears recovery action. Original implementation date: 30.04.2023 Revised implementation date: none received
<p><u>Latest Status Update:</u> None received.</p>					

Agenda Item 8



Audit Committee	Wednesday, 24 January 2024	Matter for Information
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Report Title: **Strategic Risk Update (2023/24)**

Report Author(s): **Bev Bull (Head of Finance / Interim Section 151 Officer)**

Purpose of Report:	To present the Strategic Risk Register (2023/24) to Committee for information.
Report Summary:	In accordance with the requirements of the Council's Risk Management Policy, this report presents the Strategic Risk Register for the Committee's consideration. The register is updated on a regular basis through discussions with the internal Risk Management Group and members of the Senior Leadership Team.
Recommendation(s):	That the content of the report and Strategic Risk Register (as set out at Appendix 1) be considered and noted.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	Sal Khan (Interim Strategic Director) (0116) 257 2690 sal.khan@oadby-wigston.gov.uk Bev Bull (Head of Finance / Interim Section 151 Officer) (0116) 257 2649 bev.bull@oadby-wigston.gov.uk
Strategic Objectives:	Our Council (SO1)
Vision and Values:	"Our Borough - The Place To Be" (Vision) Resourceful & Resilient (V4)
Report Implications:-	
Legal:	There are no implications arising from this report.
Financial:	There are no implications directly arising from this report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Key Supplier / Partnership Failure (CR2) Political Dynamics (CR3) Reputation Damage (CR4) Effective Utilisation of Assets / Buildings (CR5) Regulatory Governance (CR6) Failure to Respond to a Significant Incident (CR7) Organisational / Transformational Change (CR8) Economy / Regeneration (CR9) Increased Fraud (CR10)
Equalities and Equalities Assessment (EA):	There are no implications directly arising from this report. EA not applicable

Human Rights:	There are no implications directly arising from this report.
Health and Safety:	There are no implications directly arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	<ul style="list-style-type: none"> • Risk Management Group • Senior Leadership Team
Background Papers:	None.
Appendices:	1. Strategic Risk Register (2023/24)

1. Background

- 1.1 In line with the Risk Management Policy which was approved by the Audit Committee at its meeting in January 2023, this report presents the Strategic Risk Register (2023/24) at Appendix 1.
- 1.2 The 'Risk Management Group' has met, reviewed, and updated the risk register which has then been reviewed and approved by the Senior Leadership Team (SLT).
- 1.3 This report presents a high level summary of the risks contained within the register and highlights key movements in scores from the position reported in October 2023.

2. Strategic Risk Register

- 2.1 The Strategic Risk Register contains a total of 14 risks and there have been no additional risks added.
- 2.2 The change in mitigated score is visually represented by the arrows shown in the far-right column "Direction of Travel of mitigated risk score".
- 2.3 The mitigated score for CR11 (Economy/Regeneration) has increased from 12 to 16.
- 2.4 Changes have been made to existing controls, management actions and target dates, which are detailed in the 'Review Commentary' column of the Risk Register.

IMPACT		
Level	Score	Description
Insignificant	1	<ul style="list-style-type: none"> no impact on service no impact on reputation complaint unlikely litigation risk remote
Minor	2	<ul style="list-style-type: none"> slight impact on service slight impact on reputation complaint possible litigation possible
Moderate	3	<ul style="list-style-type: none"> some service disruption potential for adverse publicity - avoidable with careful complaint probable litigation probable
Major	4	<ul style="list-style-type: none"> service disrupted adverse publicity not avoidable (local media) complaint probable litigation probable
Extreme / Catastrophic	5	<ul style="list-style-type: none"> service interrupted for significant time major adverse publicity not avoidable (national media) major litigation expected resignation of senior management and board loss of beneficiary confidence

LIKELIHOOD		
Level	Score	Description
Remote	1	<ul style="list-style-type: none"> may only occur in exceptional circumstances
Unlikely	2	<ul style="list-style-type: none"> expected to occur in a few circumstances
Possible	3	<ul style="list-style-type: none"> expected to occur in some circumstances
Probable	4	<ul style="list-style-type: none"> expected to occur in many circumstances
Highly probable	5	<ul style="list-style-type: none"> expected to occur frequently and in most circumstances

		Impact				
		1	2	3	4	5
Likelihood	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5




Risks that are red require mitigating action to reduce to amber or white

Strategic Risk Register																				
Ref	Risk Definition What is the headline risk/issue?	2019-2024	Root Cause: What is the root cause or problem? What could go wrong?	Consequence/Effect: What could occur as a result, how much of a problem would it be?	Inherent Risk Score (no controls)			Existing Controls (sources of assurance)			Mitigated Risk Score (with controls)			Further management actions/controls	Target Implementation date for further mgt actions	Target Score with further management actions/	Risk Owner	Review Date	Review Commentary	Direction of Travel of mitigated risk score
					Likelihood	Impact	Overall risk rating	Likelihood	Impact	Overall risk rating	Likelihood	Impact	Overall risk rating							
CR1	Decreasing Financial resources / Increasing Financial Pressures	Providing Excellent Services (CO3)	<ul style="list-style-type: none"> □ Increase demand for services e.g. benefits □ Continuing Austerity □ Political promises □ Change in priorities □ Deflated housing market □ Lack of business growth □ Further changes in legislation □ Pooling/Unpooling of NNDR □ Universal Credit □ Political hesitancy in decision making for fundamental service reform. □ Cost-of-living crises □ Supplier price variations as a result of inflation 	<ul style="list-style-type: none"> □ Cuts in services □ Political and customer expectations not met □ Quality of service □ Reputation damage □ Knock on impact on the local community and economy e.g. spiral effect □ Legal challenge, □ Reduction in rent/monies owed to the council through the introduction of UC. □ Increased homelessness adding stresses to council finances and the local economy. □ Supplier price variations significant. 	5	4	20	<ul style="list-style-type: none"> □ Budgetary Control processes and committee reporting □ Medium Term Financial Strategy and HRA Business Plan - including scenario planning □ Setting and monitoring of savings and efficiency targets □ Annual Fees and Charges review □ Disclosure of expenditure over £250 □ Review of reserves and balances □ Treasury Management and Investment Strategy □ Prudential Indicators □ Revised Financial Regulations □ Business Rates Pooling □ Procurement Policy, □ Homelessness team increased □ Assessment of viability of capital projects. □ Financial Inclusion Officer in post. □ Service/Review Transformation Programme across the council to improve service □ Ongoing impacts of inflation captured in medium term financial plan. □ New MTFS approved September 2022 □ Engagement with MP, LGA and DLUHC about the council's unique financial Sustainability Programme now □ Project Initiation Documents (PIDS) completed for all projects in the sustainability programme. □ Improve engaged to support the outcome based budgeting approach to align budgets and Corporate Plan □ CMT/SLT Financial Sustainability session held 5th Sept 2023 □ Budget Monitoring report 2023/24 and Budget Approach including MTFP/ sustainability programme update and taken to PFD 12/9. □ Members workshop held on Corporate plan and MTFP update 13/9 □ Star Chamber □ Draft budget and MTFP update presented at PFD and Full Council Dec 2024 □ approved not to use reserves to balance budget □ Service Delivery Changes - Financial Sustainability Plan approved □ Provisional local government finance settlement for 2024/25 received and consultation will be responded to. 	4	4	16	<ul style="list-style-type: none"> □ Review of Financial Regulations □ Final Approval of 2024/25 budget □ Delivery of Service Delivery Changes – Financial Sustainability Plan. 	<ul style="list-style-type: none"> □ June 2024 □ February 2024 □ September 2024 	4	4	16	Chief Financial Officer	Jan-24	Updated existing controls to reflect Star Chamber, approval of no use of reserves to balance budget and Service Delivery Changes – Financial Sustainability Plan. Further controls/actions updated for final approval of 2024/25 budget and delivery of Service Delivery Changes – Financial Sustainability Plan.	↔
CR2	Key Supplier Failure	Providing Excellent Services (CO3)	<ul style="list-style-type: none"> □ Change in circumstances □ Capacity and competency □ Further decline of the Economy □ Relationship breakdown □ Changes in legislation □ Changes in personnel □ Liability issues □ Economic conditions - inflation and interest rates 	<ul style="list-style-type: none"> □ Cost implications □ Business Continuity □ Loss of revenue □ Service failure □ TUPE issues □ Potential court action □ Increased complaints □ Reputation issues □ Political damage □ Delays 	5	4	20	<ul style="list-style-type: none"> □ Formal contracts and agreements including realistic notice periods □ Tender arrangements and pre qualification financial assessments □ provisional local government finance settlement received □ Qualified internal officers to provide legal advice □ Use of external counsel □ Performance management of contracts, Comprehensive Contract Register, Partnership working with Local Authority Partners □ Welland Procurement also providing support. □ Part of management Board to oversee delegated services such as Lightbulb and Building Control. □ Procurement Team □ Partnership and contract risk registers □ Contract term renegotiation with key providers as necessary □ Contract Management review will be undertaken as part of the Sustainability Programme □ Contracts information has been incorporated into draft service plan template. □ Contracts an item on 1-2-1's. □ Specialists engaged where required i.e. Leisure Operator Contract (LOC) negotiations. □ LOC Contract renegotiation approved at Council 12 December 2023 	4	3	12	<ul style="list-style-type: none"> □ Improving contract management processes (sustainability programme). □ Complete renegotiation for LOC 	<ul style="list-style-type: none"> □ March 2024 □ Feb 2024 	2	2	6	Head of Law and Democracy/ Monitoring Officer	Jan-24	Updated existing controls to reflect LOC Contract renegotiation approved at Council 12 December 2023. Target Date for LOC contract negotiation to be fully complete updated from Oct 2023 to Feb 2024. (The approval to accept the new LOC position had been feedback to SLM we are now waiting for their confirmation of accepting the new arrangements).	↔
CR3	Failure to work effectively with other public sector partner organisations (PSOs) and 3rd sector organisations	Building, Protecting and Empowering Communities (CO1); Growing the Borough Economically (CO2)	<ul style="list-style-type: none"> □ Poor service delivery from PSOs the Council has agreements with □ Lack of engagement from partner PSOs □ Governance arrangements which foster effective relationships may be inadequate leading to relationship breakdown □ Failure of relationships at strategic level in County & across members 	<ul style="list-style-type: none"> □ Loss of public confidence in Community Safety Partnership □ Loss of funding for LLR Sports Alliance partnership □ May not realise potential economies of scale □ Impact on staff morale 	4	3	12	<ul style="list-style-type: none"> □ Formal agreements with public sector partners which clearly identify roles & responsibilities □ Governance arrangements which manage performance against agreements □ Lead officer arrangements/contract manager □ Financial controls ensuring payments are only authorised where service being delivered by partner organisation is received and is of appropriate quality □ Strategic Planning Group - governance arrangements are in place for this. □ Member Advisory Group also in place □ Performance of these arrangements is formally reviewed and changes are made if necessary. □ Regular account meetings with contracted 3rd sector organisations. □ Service Level Agreements in place where necessary. □ Cost of Living support programme has funded 3rd sector organisations and support for warm hubs. 	2	3	6	<ul style="list-style-type: none"> □ Sustainability Programme - Contract Management Project 	<ul style="list-style-type: none"> □ March 2024 	2	3	6	Chief Executive	Jan-24	No changes	↔




Strategic Risk Register

Ref	Risk Definition What is the headline risk/issue?	2019-2024	Root Cause: What is the root cause or problem? What could go wrong?	Consequence/Effect: What could occur as a result, how much of a problem would it be?	Inherent Risk Score (no controls)			Existing Controls (sources of assurance)	Mitigated Risk Score (with controls)			Further management actions/controls	Target Implementation date for further mgt actions	Target Score with further management actions/	Risk Owner	Review Date	Review Commentary	Direction of Travel of mitigated risk score		
					Likelihood	Impact	Overall risk rating		Likelihood	Impact	Overall risk rating									
CR4	Hard to reach demographics feel disenfranchised through lack of specific communication and engagement.	Building, Protecting and Empowering Communities (CO1)	<ul style="list-style-type: none"> Staff capacity could impact on engagement hard to reach communities some resident groups not digitally connected change in political power could result in non-statutory service being stopped Citizens panel not representative of demographic. Funding changes impacting on roles Digital exclusion as a result of cost of living crises 	<ul style="list-style-type: none"> Reputational damage lack of support for community initiatives missed opportunity to impact on equalities agenda and HWB of residents Citizens panel not representative of demographic. Services may not meet the needs of this demographic 	4	4	16	<ul style="list-style-type: none"> Public consultation surveys to obtain feedback for influencing strategy/policy through Citizens Panel and other communication channels, compliant with the Code of Practice on Consultations Refreshed Communications Strategy launch due June 2022 Gov Delivery digital e-mail system – targeted delivery on specific topics e.g. tenants newsletter – launch June 2022 Financial Inclusion Officer Volunteer community champion Digital Newsletter - specifically relating to health and wellbeing targeting socially vulnerable Events programme, run by Community Health Improvement Officers to target vulnerable and hard to reach residents/communities. Statement of community involvement in place Residents Forums reinstated Sports and physical activity commission plan to target hard to reach Customer Experience Strategy consultation outcome due to be reviewed by members in March includes an Action Plan to introduce Appointment Hubs. Tenant Engagement Review taking place to support Tenant Satisfaction Review through gov legislation launched April 2023. Appointment hubs going live 5th June 2023. Reception point to open when relocate to Brockshill Community events held to mark the Kings Coronation. Our Borough paper Comms going to all residents end of Summer 2023. Website offers the facility to change language. Use language line for translation services. Tenant & Leaseholder focus group established and meeting on a quarterly basis. Language Translation Service incorporate 	2	2	4	<ul style="list-style-type: none"> Customer Experience Strategy Action Plan to be monitored against Housing Regulators new Tenant Satisfaction measures to be collected throughout 2023/24. 	<ul style="list-style-type: none"> March 2024 March 2024 	1	2	3	Head of Customer Service and Transformation	Jan-24	No changes	
CR5	Political Dynamics	Providing Excellent Services (CO3)	<ul style="list-style-type: none"> Change in political power Change in leader New members Public perception changes 	<ul style="list-style-type: none"> Change in priorities Change in member/officer engagement Breakdown in communication Inability to meet expectations Reputation issues (organisational and political) Reactive decision making (rather than planned) Failure to follow legislative requirements e.g. equalities Further strain on council finances 	3	4	12	<ul style="list-style-type: none"> Member development programmes New Code of Conduct has been adopted which comes into force on 1/4/22, with training planned to familiarise members with its content Policies e.g. Safeguarding/Equalities and DBS checks Provision of chairing skills training Constitution, which is in the process of being reviewed to reflect new management structure Public consultation, Development of member enquiry system Training for members covering a range of areas including IT and Planning Budding system Members bulletin Customer Service training - June 2022 Political awareness training for officers June 2022 Member and officer training undertaken with Centre for Governance and Scrutiny November 2022 Full review of members induction programme has been completed. Induction training delivered for members during May to July 2023. SLT/Member workshops July, Sept, Nov CMT/Member training sept 'meet the teams'. Introductory Best Value OFLOG report at Full Council 26/9. 	3	3	9	<ul style="list-style-type: none"> Best Value OFLOG self assessment to be completed Planning Member training externally facilitated 	<ul style="list-style-type: none"> Feb 2024 Jan 2024 	2	3	6	Head of Law and Democracy/Monitoring Officer	Jan-24	Existing controls updated for in SLT/Member workshop in Nov 2023. Further Management action updated for externally facilitated members training.	
CR6	Reputation Damage	Providing Excellent Services (CO3)	<ul style="list-style-type: none"> Litigation Breakdown in a partnership Failure to have regard to officers advice Whistle blowing Freedom of Information (FoI) Inconsistent decision making Poor Media Relations Poor communication Failure to provide or reduce services Poor performance Poor business planning and consideration of financial implications 	<ul style="list-style-type: none"> Intervention Loss of public confidence Ombudsman findings Court costs Quality of service affected Breakdown in a partnership Adverse publicity Lower public satisfaction level Time spent mitigating damage/rectifying the situation Low Morale Difficulties to recruit/retain staff Inadequate budget provision, inappropriate financial decisions made 	4	4	16	<ul style="list-style-type: none"> Review of external communication by Heads of Service Use of modern gov Whistle blowing and Anti Fraud and Corruption policies Freedom of Information log Qualified in house legal team Officer complaints training & new complaints process Performance reporting and Key Performance Indicators Public and media consultation Achieved accreditation for customer service excellence award Communications Policy and Communications Plan in place Online customer care training in place for all new staff and a separate module also in place for managers. Partnership working eg Lightbulbs & Local Plan Marketing & Communications Manager Social Media Policy Service Standards Project Comms Plans Performance Review Plans Standardised project appraisal and affordability approach as per Corporate Peer Review Action Plan built into new MTFS Complaints handling and investigation training for all managers undertaken November 2022 Safety Risk assessments always consider reputational damage as a risk. Anti Fraud Policy reviewed and approved PFD July 2023. Good relationships built with media i.e. cemetery Consultations conducted i.e budget 	2	2	4	<ul style="list-style-type: none"> Public and media consultation 	<ul style="list-style-type: none"> 2 2 	2	2	Chief Executive	Jan-24	Existing Controls updated for public consultations taking place.		



Strategic Risk Register

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					Likelihood	Impact	Overall risk rating		Likelihood	Impact	Overall risk rating			Likelihood	Impact	Overall risk rating				
CR7	Effective utilisation of Assets/Buildings (non housing)	Building, Protecting and Empowering Communities (CO1); Providing Excellent Services (CO3)	<ul style="list-style-type: none"> Failure to follow Health and Safety Insurance/Public Liability Financial investment Contractor going into liquidation Political will Facility Management Depreciation 	<ul style="list-style-type: none"> Loss of investment opportunities Loss of income Loss of capital Higher revenue costs Costs Death or injury Higher insurance premiums Reputation damage Public liability Personal liability for corporate team e.g. corporate manslaughter 	4	3	12	<ul style="list-style-type: none"> Physical controls (e.g. Door Codes, fire alarms) Designated first aiders Capital Programme and HRA Business Plan - annual reiteration and regular monitoring Fixed Asset Register Annual valuation of property by external valuer Designated Health and Safety Officer Implementation of controls within Health and Safety Executive review Health and Safety risk assessments Designated Facilities Manager Accommodation Reviewed Health and safety assessments carried out on all buildings Move to Bushloe House to Brooks Hill complete Repurposing of public toilets business case currently in development with member engagement underway via PFD Asset Management a theme as part of the Sustainability Programme Health and Safety Action Plan approved by full Council April 2023 Budget established for H&S works at the depot Asset Review received end of November 5 member working group to be established to assess assets for disposal. 	3	3	9	<ul style="list-style-type: none"> Revision of Asset Management Policy and Capital Expenditure Plan Asset review Holistic Asset Management database/system purchased and timetabled for implementation Completion of the sale of Bushloe House and Gadbby Pool site. 	<ul style="list-style-type: none"> March 2024 Jan 2024 March 2024 Dec 2024 	2	2	4	Head of Law and Democracy/ Monitoring Officer	Jan-24	Existing Controls updated for Asset Review received end of November and ad-hoc 5 member working group to be established to assess assets for disposal.	
CR8	Regulatory Governance	Providing Excellent Services (CO3)	<ul style="list-style-type: none"> New or changes to legislation Resources (staff) Failure to identify new legislation 	<ul style="list-style-type: none"> Substantial fines e.g. Data Protection Judicial review Reputation Code of conduct Financial loss Cost orders Personal liability 	3	4	12	<ul style="list-style-type: none"> Data Protection Policy and log Freedom of Information log Code of Conduct and training HR Induction Statutory Monitoring Officer Subscriptions (e.g. legal journals and LGA) and CPD of legal officers Prosecution Policy Dedicated Policy, Compliance and Data Protection Officer Purchased GDPR/DPA learning modules to be rolled out in the future. Appraisal training and 1-2-1 training has been rolled out to all managers. New Social Housing Regulation Act 2023 strengthens the regulation regime associated with the Council as a social landlord. A full inspection by the regulator can be expected by end of 2026 Building Safety Act 2022 places increased compliance responsibilities and scrutiny on Building Control and the construction industry generally. 	1	1	1	<ul style="list-style-type: none"> Refresher training on GDPR/DPA to be completed by all New starter course (office and manual workers) to be implemented for GDPR Review and improve HR induction <p>Resources in Housing Team to be focused around meeting the requirements of the new act. Leicestershire Building Control Partnership has put in place an action plan to manage this risk</p>	<ul style="list-style-type: none"> Summer 2024 February 2024 February 2024 	1	1	1	Head of Law and Democracy/ Monitoring Officer	Jan-24	Existing Control and further actions have been updated in relation to the Social Housing Regulation Act 2023 and Building Safety Act 2022. Target dates on existing further actions have been updated.	
CR9	Failure to respond to significant incident	Providing Excellent Services (CO3)	<ul style="list-style-type: none"> Loss of staff Loss of ICT Loss of Building Loss of Key supplier Loss of facilities Loss of public confidence Act of God Adverse Weather Pandemic Adverse staff impact as a result of cost of living 	<ul style="list-style-type: none"> Insurance – higher premiums Loss of essential services Adverse publicity Reputation damage Loss of public confidence Loss of income Financial damage Death and injury Litigation risks Insurance – higher premiums Loss of essential services Adverse publicity Loss of public confidence Financial damage Death and injury Litigation risks Staff unavailable after major incident large proportion of staff becoming ill 	4	4	16	<ul style="list-style-type: none"> Insurance policies and annual review - new insurers from 1 Jan 2024 Risk Management policies and procedures Membership of Local Resilience Forum Standby rota IT backup, Business Continuity Plans in place Community Engagement with Health professionals Agile Working Policy Coordination of Out of Hours Service Additional training from Leicestershire Resilience Partnership underway (incl power loss scenario) Business Continuity training exercise and refresh undertaken December 2022 BC Plans refresh and incorporation into service plans Dec 2022 SLT and CMT additional training scheduled with LRF Mighty Oak national power outage LRF Training exercise Brockhill project has incorporated business continuity improvements inc generator if power outage. New accident investigation form Refresher of Health and Safety Training Health and Safety face to face training for manual workers delivered. 	2	3	6	<ul style="list-style-type: none"> LRF training course attendance to be reviewed by SLT Risk Management Training via the new insurers to be investigated New insurance processes being rolled out to operational staff 	<ul style="list-style-type: none"> Jan 2024 July 2024 Feb 2024 	2	3	6	Head of Law and Democracy/ Monitoring Officer	Jan-24	Existing controls updated to reflect new insurers from 1 Jan 2024 and refresher and manual worker Health and Safety Training. Further management actions updated to reflect SLT review of LRF training attendance, Risk Management Training and new insurance processes.	

Strategic Risk Register

Ref	Risk Definition What is the headline risk/issue?	2019-2024	Root Cause: What is the root cause or problem? What could go wrong?	Consequence/ effect: What could occur as a result, how much of a problem would it be?	Inherent Risk Score (no controls)			Existing Controls (sources of assurance)	Mitigated Risk Score (with controls)			Further management actions/controls	Target Implementation date for further mgt actions	Target Score with further management actions/			Risk Owner	Review Date	Review Commentary	Direction of Travel of mitigated risk score
					Likelihood	Impact	Overall risk rating		Likelihood	Impact	Overall risk rating			Likelihood	Impact	Overall risk rating				
CR10	Organisational/ Transformational Change	Providing Excellent Services (CO3)	<ul style="list-style-type: none"> Restructure Transformational change Transferable skills Reduction in funding Change in personnel Change in the way the council delivers services Redundancy Less controls in place due to limited resources Change in office location 	<ul style="list-style-type: none"> Redundancy Staff morale Staff retention Change in working practices Impact on quality of services Legal implications HR implications Regulation Reputation damage/perception Financial loss Possible litigation Increased fraud 	3	3	9	<ul style="list-style-type: none"> Organisation review policy Recruitment and selection policies and procedures Union and staff consultation Wellbeing Group and Wellbeing Teams Staff Health and Wellbeing Action Plan Internal Audit Staff newsletters Monitoring and supervision of management/1.1's Training and professional qualification support Performance appraisal process Formal induction programme Staff engagement (Brocks Hill staff engagement day) Comms plans for key projects - i.e. Brocks Hill, includes PR, Public, Staff and member and other stakeholder comms plans Staff engagement on organisational culture and values as part of People Strategy underway Introduction of live vacancy management plan with SLT People Strategy approved by PFD 12/09/2023 Organisation Change Policy update completed. Clean & Green / Corporate Assets Service Review concluded. 	3	2	6	<ul style="list-style-type: none"> Organisation Strategy to be approved. Service Reviews being undertaken. 	<ul style="list-style-type: none"> On hold/ TBC Ongoing 	2	2	4	Strategic Director	Jan-24	Existing controls updated for Organisation Change Policy update and Clean & Green / Corporate Assets Service Review. Further actions updated as draft Org Strategy on hold following December PFDC.	
CR11	Economy/ Regeneration	Growing the Borough Economically (CO2)	<ul style="list-style-type: none"> Further decline in the economy BREXIT COVID Ukraine/Russia conflict and also energy costs crisis (uncertainty of cost impact) Pooling/Unpooling of NNDR Cost of living Crisis <p>Economic Regeneration Manager and Economic Development posts removed from establishment to enable savings to Council budget</p>	<ul style="list-style-type: none"> Relocation (Business and Domestic) Lack of inward investment Increased demand for certain services e.g. benefits Loss of value in public assets Need to continually adapt/change Conflicting pressures - decreased funding – increased demand Spiral effect Short term decision making – uncertainty Increased autonomy leads to greater risk Decrease in collection levels 	5	4	20	<ul style="list-style-type: none"> Demand management of services that come under pressure as a result of decline in economy Debt Recovery Policy in place Local Council Tax and Business Rate Retention scheme in place Contract monitoring of bailiffs Paying out business grants to support local businesses during pandemic Regular programme of business webinars to provide information and support to businesses Monthly newsletter issued to businesses Helping Hands - energy champion Business microsite live and accessible via Council's website. Economic Regeneration Team restructured to maximise opportunities to bring forward regeneration and revenue generating projects UKSPF Investment Plan 2022 to 2025 being implemented Levelling Up bid developed in partnership with The University of Leicester and ready to submit if an opportunity arises Capital Projects Sub-committee established Specialist support procured to advise on the deliverability of regeneration projects (Oadby Pool and Horsewell Lane) Cost of Living report to members sets our proposal to review discretionary rates relief which may provide additional relief to businesses. Business Networking Event held 14/09/2023 - 80 businesses attended. Another one planned for Spring 2024 Business Improvement District - Phase feasibility completed and to be progressed during 2024 	4	4	16	<ul style="list-style-type: none"> Develop the Tourism offer for the Borough BID 	<ul style="list-style-type: none"> On-going July 2024 	3	3	9	Head of Built Environment	Jan-24	Economic Regeneration Manager and Economic Development Officer posts removed from establishment to enable savings to Council budget. Likelihood scores increased because there is no longer the resource to fully deliver on the objective of 'Growing the Borough Economically'.	
CR12	Increased Fraud	Providing Excellent Services (CO3)	<ul style="list-style-type: none"> Dilution of internal controls due to less staff Increase in unemployment Reduction in benefits Inflation Debt Opportunity March 16 Sub-letting of Council properties 	<ul style="list-style-type: none"> Homelessness, poverty and social deprivation Financial loss Resources of the authority to investigate fraud issues Reputation impact Litigation 	3	3	9	<ul style="list-style-type: none"> Internal and External Audit Financial Regulations Segregation of Duties Supervision and Management Investigation and disciplinary procedures Litigation Anti Fraud and Corruption Policy Whistle blowing process Tone from the top - no tolerance Budgetary Control Participation in National Fraud Initiative Transaction review (e.g. invoices/mileage) All related Policies to be reviewed and an annual rolling training programme to be implemented. Anti Fraud Policy reviewed and approved 	2	3	6	<ul style="list-style-type: none"> Implement internal audit recommendations 	<ul style="list-style-type: none"> March 2024 	2	2	4	Chief Financial Officer	Jan-24	Existing Controls updated to reflect the fraud training has been rolled out. Target date for implementation of further action updated to reflect capacity of officers.	

Strategic Risk Register

Ref	Risk Definition What is the headline risk/issue?	2019-2024	Root Cause: What is the root cause or problem? What could go wrong?	Consequence /effect: What could occur as a result, how much of a problem would it be?	Inherent Risk Score (no controls)			Existing Controls (sources of assurance)	Mitigated Risk Score (with controls)			Further management actions/controls	Target Implementation date for further mgt actions	Target Score with further management actions/			Risk Owner	Review Date	Review Commentary	Direction of Travel of mitigated risk score
					Likelihood	Impact	Overall risk rating		Likelihood	Impact	Overall risk rating			Likelihood	Impact	Overall risk rating				
CR13	Cyber Threat/Security. Cyber security is seen as an ICT risk and not a corporate risk that needs to be managed and monitored by senior management.	Providing Excellent Services (CO3)	Cyber threats are increasing on a worldwide basis, with criminals known to target public sector organisations in an attempt to obtain personal data on a significant scale. The Council is thus at high risk of being attacked.	<input type="checkbox"/> Financial loss <input type="checkbox"/> Resources of the authority to investigate fraud issues <input type="checkbox"/> Reputation impact <input type="checkbox"/> Litigation, Loss of data, breaches of GDPR, SMT lack of oversight	4	5	20	<input type="checkbox"/> As part of the new ICT Team, there is a dedicated IT Security Manager and cyber threats and security fall within his remit. <input type="checkbox"/> A range of IT Security Policies are in place and will be reviewed and approved by SLT. <input type="checkbox"/> Also part of Leicestershire Resilience Forum and have access to their specialisation if a breach occurs. In addition as partner their role is to act as 'check and balance' on policies. They also provide training events on cyber security matters. <input type="checkbox"/> Increased cyber threat security technology implementation underway <input type="checkbox"/> Cyber Training rolled out across the organisation <input type="checkbox"/> BCP has been reviewed by IT Security Manager. <input type="checkbox"/> LRF exercise re cyber threats attended in July 2023 by one Technical Officer and one none Technical Officer.	2	3	6	<input type="checkbox"/> Cyber Threat training for members	Feb-24	2	3	6	Head of Finance	Jan-24	Target date for further action updated to reflect capacity.	
CR14	19. Staff lone working including out of hours	Providing Excellent Services (CO3)	Increased risk of staff harm from violence & aggression from service users.	Staff could suffer physical and emotional harm, which could lead to long periods of sick leave.	4	5	20	<input type="checkbox"/> Council has Lone Worker Policy & Procedure <input type="checkbox"/> Equipment is available such as panic alarms & body cameras <input type="checkbox"/> Records are maintained of challenging residents which are reviewed prior to visits taking place <input type="checkbox"/> Relationship with local Police, who will attend visits where there is a potential for aggression & violence <input type="checkbox"/> DBS checks undertaken for relevant staff <input type="checkbox"/> Training session undertaken for lone working staff on (pick Protect) system <input type="checkbox"/> Contract ended for Solo Protect and moved to Pick Protect. <input type="checkbox"/> Risk Assessment for appointment hubs included consideration of lone working and guidance provided.	2	3	6	Include in induction and also carry out training awareness exercise for all current staff Need to review utilisation and cost of equipment	Mar-24	2	3	6	Head of Law and Democracy/ Monitoring Officer	Jan-24	No changes	

Agenda Item 9



Audit Committee	Wednesday, 24 January 2024	Matter for Information and Decision
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Report Title: **Audit Committee Self-Assessment**

Report Author(s): **Bev Bull (Head of Finance / Interim Section 151 Officer)**

Purpose of Report:	To inform Audit Committee of the Self-Assessment exercise undertaken against the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022 – A Self-Assessment of Good Practice
Report Summary:	A self-assessment of the Audit Committee and the knowledge and skills assessment is provided for
Recommendation(s):	That the committee: 1) Notes the content of the report and appendices; and 2) Agrees the findings within the self-assessment and the action plan.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	Sal Khan (Interim Strategic Director) (0116) 257 2690 sal.khan@oadby-wigston.gov.uk Bev Bull (Head of Finance / Interim Section 151 Officer) (0116) 257 2649 bev.bull@oadby-wigston.gov.uk
Strategic Objectives:	Our Council (SO1)
Vision and Values:	"Our Borough - The Place To Be" (Vision) Resourceful & Resilient (V4)
Report Implications:-	
Legal:	There are no implications directly arising from this report.
Financial:	There are no implications directly arising from this report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Economy / Regeneration (CR9)
Equalities and Equalities Assessment (EA):	There are no implications directly arising from this report.
Human Rights:	There are no implications directly arising from this report.
Health and Safety:	There are no implications directly arising from this report.
Statutory Officers' Comments:-	

Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	<ul style="list-style-type: none"> • Member Working Group
Background Papers:	<ul style="list-style-type: none"> • Report entitled Audit Committee Self-Assessment Approach to Audit Committee on 04 October 2023 (https://moderngov.oadby-wigston.gov.uk/ieListDocuments.aspx?CIId=364&MIId=2549&Ver=)
Appendices:	<ol style="list-style-type: none"> 1. OWBC Self-Assessment Questionnaire 2. Audit Committee Action Plan

1. Self-Assessment

- 1.1 A small, elected member working group from the Audit Committee was established to undertake the self-assessment of the audit committee and the knowledge and skills assessment, with the support of the Head of Finance (Interim Section 151 Officer).
- 1.2 The self-assessment covered "strengths / what works well" and "areas for improvement". The completed document is provided as Appendix 1.
- 1.3 An Audit Committee action plan has been established to address the areas for improvement this is included as Appendix 2.



1. HIGH LEVEL REVIEW OF KEY PRINCIPLES

	GOOD PRACTICE QUESTIONS	SELF ASSESSMENT (KNOWLEDGE) (Please indicate with X in the relevant box)			STRENGTHS / WHAT WORKS WELL	AREAS FOR IMPROVEMENT
		YES	PARTLY	NO		
Audit committee purpose and governance						
1	Does the audit committee report directly to full council?	X			Under the constitution the committee reports to Full Council.	
2	Do the Terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s Position Statement?	X			Statement of Purpose included in the terms of reference is in accordance with the CIPFA’s position statement. The Terms of Reference are part of the constitution and are therefore checked by Legal Services, the Monitoring Officer and approved by Full Council.	
3	Is the role and purpose of the audit committee understood and accepted across the authority?		X		The role of Audit Committee is covered in the members induction and the Introduction to Local Government Finance training all members.	Introduce the annual report from Audit Committee to Council on its role and performance as required by the Audit Committee Terms of Reference 1.14.31 and 1.14.32 and as required by the good practice guidance – this will improve the understanding of the role of the committee.

AUDIT & GOVERNANCE COMMITTEE - SELF ASSESSMENT OF GOOD PRACTICE



	GOOD PRACTICE QUESTIONS	SELF ASSESSMENT (KNOWLEDGE) (Please indicate with X in the relevant box)			STRENGTHS / WHAT WORKS WELL	AREAS FOR IMPROVEMENT
		YES	PARTLY	NO		
4	Does the audit committee provide support to the authority in meeting the requirements of good governance?	X			The audit committee provides independent review of governance, risk management and control frameworks including internal controls via internal audit.	The Local Code of Governance forms part of the Constitution. This currently references PFD committee having responsibility for the Council governance and audit. This will be amended to the Audit Committee. The Local Code of Governance will be reviewed annually and reported to Audit Committee.
5	Are the arrangements to hold the committee to account for its performance operating satisfactorily?		X		Accountability arrangements are included in the terms of reference but are not being fully delivered.	Introduce the annual report from Audit Committee to Council on its role and performance as required by the Audit Committee Terms of Reference 1.14.31 and 1.14.32 and as required by the good practice guidance – this will improve the arrangement for holding the committee to account for its performance.
Functions of the committee						
6	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?					

AUDIT & GOVERNANCE COMMITTEE - SELF ASSESSMENT OF GOOD PRACTICE



	GOOD PRACTICE QUESTIONS	SELF ASSESSMENT (KNOWLEDGE) (Please indicate with X in the relevant box)			STRENGTHS / WHAT WORKS WELL	AREAS FOR IMPROVEMENT
		YES	PARTLY	NO		
	<ul style="list-style-type: none"> Good governance 	X			Included in Terms of Reference	
	<ul style="list-style-type: none"> Assurance framework, including partnerships and collaboration arrangements 		X		Assurance framework is included Terms of Reference but does not specifically include partnerships and collaboration arrangements.	Update terms of reference to include partnerships and collaboration arrangements.
	<ul style="list-style-type: none"> Internal audit 	X				
	<ul style="list-style-type: none"> External audit 	X				
	<ul style="list-style-type: none"> Financial reporting 	X				
	<ul style="list-style-type: none"> Risk Management 	X				
	<ul style="list-style-type: none"> Value for money or best value 	X				
	<ul style="list-style-type: none"> Counter fraud and corruption 		X			This is included in the remit of the committee but is not currently being reported on to the Committee – the Fraud Policy was approved by PFD. Fraud Policy and updates will be reported to Audit Committee.
	<ul style="list-style-type: none"> Supporting the ethical framework 			X	Included in PFD terms of reference.	Consider where the ethical framework fits – Audit Committee or PFD. If Audit Committee terms of reference to be updated and information will be reported to Audit Committee.

AUDIT & GOVERNANCE COMMITTEE - SELF ASSESSMENT OF GOOD PRACTICE



	GOOD PRACTICE QUESTIONS	SELF ASSESSMENT (KNOWLEDGE) (Please indicate with X in the relevant box)			STRENGTHS / WHAT WORKS WELL	AREAS FOR IMPROVEMENT
		YES	PARTLY	NO		
7	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	X			This is the first assessment.	This assessment will be repeated on annual basis.
8	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?				Treasury Management reports to PFD. Improvement programmes report to Services. Therefore, not required to report to Audit Committee also.	
9	Where coverage of core areas has been found to be limited, are plans in place to address this?	X				See comments made against each core area above.
10	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	X			All decisions by the Committee are inline with the core purposes set out in the terms of reference.	
Membership and Support						
11	Has an effective audit committee structure and composition of the committee been selected?		X			Consideration should be given by the Committee as to whether the committee is in agreement that

AUDIT & GOVERNANCE COMMITTEE - SELF ASSESSMENT OF GOOD PRACTICE



	GOOD PRACTICE QUESTIONS	SELF ASSESSMENT (KNOWLEDGE) (Please indicate with X in the relevant box)			STRENGTHS / WHAT WORKS WELL	AREAS FOR IMPROVEMENT
		YES	PARTLY	NO		
	This should include: <ul style="list-style-type: none"> ▪ Separation from the executive ▪ An appropriate mix of knowledge and skills among the membership ▪ A size of committee that is not unwieldy 				7 members plus an independent – not unwieldy.	the Leader and Chair of Services are on the committee. Consideration should be given by the committee as to whether an independent member is appointed to the Committee.
12	Does the chair of the committee have appropriate knowledge and skills?		X		Experience of working in local government with responsibility for managing contract performance, performing a scrutiny role. The Chair has attended training delivered by the PSAA and the internal training sessions held.	To attend further training.
13	Are arrangements in place to support the committee with briefings and training?	X				A training programme has recently been developed for the audit committee – first session has been completed on the role of internal audit. Members of the committee are included in training offered to all members such as introduction to Local Government Finance.

AUDIT & GOVERNANCE COMMITTEE - SELF ASSESSMENT OF GOOD PRACTICE



	GOOD PRACTICE QUESTIONS	SELF ASSESSMENT (KNOWLEDGE) (Please indicate with X in the relevant box)			STRENGTHS / WHAT WORKS WELL	AREAS FOR IMPROVEMENT
		YES	PARTLY	NO		
14	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			X		This is an action to be completed following this self-evaluation.
15	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?		X		The external audit, internal audit and the CFO attend committee regularly and currently have good working relations.	Changes to post holders will mean new relationships will need to be established.
16	Is adequate secretariat and administrative support to the committee provided?	X			Provided by Democratic Services	
17	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		X		Where required items are escalated to Full Council e.g. the Annual Auditors Report, meaning there is opportunity for feedback.	Annual feedback from Full Council will be gained through the introduction of the annual report.
18	Are meetings effective with a good level of discussion and engagement from all members?	X			Good level of discussions and challenge take place.	Change in members may mean new members need to be embedded into the Audit Committee role.

AUDIT & GOVERNANCE COMMITTEE - SELF ASSESSMENT OF GOOD PRACTICE



	GOOD PRACTICE QUESTIONS	SELF ASSESSMENT (KNOWLEDGE) (Please indicate with X in the relevant box)			STRENGTHS / WHAT WORKS WELL	AREAS FOR IMPROVEMENT
		YES	PARTLY	NO		
19	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with responsible officers?	X			Managers are asked to attend and update on specific issues examples included licensing, housing, IT contractor.	To ensure this happens when it is appropriate.
20	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	X			The committee agrees officer recommendation and may add/amend recommendations. Enacting on recommendations/actions is ensured through future reports to committee and through actions being minuted and followed up in the next meeting.	
21	Has the committee evaluated whether and how it is adding value to the organisation?	X			This self-assessment. Referenced in the Annual Governance Statement.	
22	Does the committee have an action plan to improve any areas of weakness?	X				There will be an action plan following this assessment and improvement actions identified.
23	Does the committee publish an annual report to account for its performance and explain its work?			X		An annual report from Audit Committee to Council is to be introduced.

AUDIT & GOVERNANCE COMMITTEE - SELF ASSESSMENT OF GOOD PRACTICE



	GOOD PRACTICE QUESTIONS	SELF ASSESSMENT (KNOWLEDGE) (Please indicate with X in the relevant box)			STRENGTHS / WHAT WORKS WELL	AREAS FOR IMPROVEMENT
		YES	PARTLY	NO		

2. EVALUATING THE EFFECTIVENESS OF THE AUDIT COMMITTEE

Assessment Key

5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited
1	No evidence can be found that the audit committee has supported improvements in this area

AUDIT & GOVERNANCE COMMITTEE - SELF ASSESSMENT OF GOOD PRACTICE



AREAS WHERE THE AUDIT COMMITTEE CAN ADD VALUE BY SUPPORTING IMPROVEMENT	EXAMPLES OF HOW THE AUDIT COMMITTEE CAN ADD VALUE AND PROVIDE EVIDENCE OF EFFECTIVENESS	SELF EVALUATION, EXAMPLES , AREAS OF STRENGTH AND WEAKNESS	OVERALL ASSESSMENT 5-1 (SEE KEY ABOVE)
Promoting the principles of good governance and their application to decision making	<ul style="list-style-type: none"> ▪ Supporting the development of a local code of governance ▪ Providing robust review of the AGS and the assurances underpinning it ▪ Working with key members to improve their understanding of the AGS and their contribution to it ▪ Supporting reviews/audits of governance arrangements ▪ Participating in self- assessments of governance arrangements ▪ Working with partner audit committees to review governance arrangements in partnerships 	<p>Action to be implemented - Local Code of Governance to be presented and reviewed by the Audit Committee.</p> <p>The AGS is reviewed annually by Audit Committee.</p> <p>The AGS is presented to the Audit Committee on an annual basis.</p> <p>Regular reports are included from internal and external auditors and on risk management.</p> <p>Completing this self-assessment on an annual basis.</p> <p>Area for improvement – will be included in action plan – Lightbulb, helping hands, SLM</p>	4
Contributing to the development of an effective control environment	<ul style="list-style-type: none"> • Actively monitoring the implementation of recommendations from auditors • Encouraging ownership of the internal control framework by appropriate managers • Raising significant concerns over controls with appropriate senior manager 	<p>Regular reports re received covering progress against recommendations.</p> <p>Managers are asked to attend and update on specific internal control issues examples included licensing, housing, IT contractor.</p> <p>CFO asked to provide committee update on historical audit recommendations.</p>	4

AUDIT & GOVERNANCE COMMITTEE - SELF ASSESSMENT OF GOOD PRACTICE



AREAS WHERE THE AUDIT COMMITTEE CAN ADD VALUE BY SUPPORTING IMPROVEMENT	EXAMPLES OF HOW THE AUDIT COMMITTEE CAN ADD VALUE AND PROVIDE EVIDENCE OF EFFECTIVENESS	SELF EVALUATION, EXAMPLES , AREAS OF STRENGTH AND WEAKNESS	OVERALL ASSESSMENT 5-1 (SEE KEY ABOVE)
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<ul style="list-style-type: none"> • Reviewing risk management arrangements and their effectiveness, eg risk management benchmarking • Monitoring improvements • Holding risk owners to account for major/strategic risks 	Audit Committee receive a quarterly report on the Strategic Risk Register. Includes actions being taken and progress on actions.	4
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<ul style="list-style-type: none"> • Specifying its assurance needs, identifying gaps or overlaps in assurance • Seeking to streamline assurance gathering and reporting • Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit 	Review and approve the Annual Governance Statement. Area for improvement – Annual review of the Local Code of Governance by the Committee.	4
Supporting the quality of the internal audit activity, particularly by underpinning its	<ul style="list-style-type: none"> • Reviewing the audit charter and functional reporting arrangements • Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements 	Included in the annual internal audit plan approved by the Committee. Achieved by reviewing and noting the regular monitoring reports from internal audit.	4

AUDIT & GOVERNANCE COMMITTEE - SELF ASSESSMENT OF GOOD PRACTICE



AREAS WHERE THE AUDIT COMMITTEE CAN ADD VALUE BY SUPPORTING IMPROVEMENT	EXAMPLES OF HOW THE AUDIT COMMITTEE CAN ADD VALUE AND PROVIDE EVIDENCE OF EFFECTIVENESS	SELF EVALUATION, EXAMPLES , AREAS OF STRENGTH AND WEAKNESS	OVERALL ASSESSMENT 5-1 (SEE KEY ABOVE)
organisational independence	<ul style="list-style-type: none"> Actively supporting the quality assurance and improvement programme of internal audit 	The internal audit monitoring reports include key performance indicators for the internal audit provision.	
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	<ul style="list-style-type: none"> Reviewing how the governance arrangements support the achievement of sustainable outcomes Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place Reviewing the effectiveness of performance management arrangements 	Annual Governance Statement. Area for improvement – Corporate Projects Assurance Board to periodically report to Audit Committee. Not Audit Committee remit covered by Services Committee.	3
Supporting the development of robust arrangements for ensuring value for money	<ul style="list-style-type: none"> Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee Considering how performance in value for money is evaluated as part of the AGS 	The Committee receive, review and notes the Annual Audit report from the External Auditors on the Value for Money arrangements. The Committee receive, review and notes the AGS including improvement actions.	4
Helping the authority to implement the values of good	<ul style="list-style-type: none"> Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) 	Fraud is included in the remit of the committee but is not currently being reported on to the Audit Committee. It is being reported to PFD. The Fraud Policy was approved by PFD and	2

AUDIT & GOVERNANCE COMMITTEE - SELF ASSESSMENT OF GOOD PRACTICE



AREAS WHERE THE AUDIT COMMITTEE CAN ADD VALUE BY SUPPORTING IMPROVEMENT	EXAMPLES OF HOW THE AUDIT COMMITTEE CAN ADD VALUE AND PROVIDE EVIDENCE OF EFFECTIVENESS	SELF EVALUATION, EXAMPLES , AREAS OF STRENGTH AND WEAKNESS	OVERALL ASSESSMENT 5-1 (SEE KEY ABOVE)
governance, including effective arrangements for countering fraud and corruption risks	<ul style="list-style-type: none"> Reviewing fraud risks and the effectiveness of the organisation’s strategy to address those risks Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<p>report. The Fraud Policy and Fraud update report will now be reported to Audit Committee.</p> <p>Ethics and Standards currently reports to PFD committee. An action is to consider where the ethical framework fits – Audit Committee or PFD.</p>	
Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability	<ul style="list-style-type: none"> Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency Publishing an annual report from the committee 	<p>Meetings are hybrid and can be attended by the public in person or online and they are recorded and available online.</p> <p>Area for improvement – will be included in action plan – governance at partnership arrangement such as Lightbulb, Helping Hands, SLM.</p> <p>Area for improvement – Introduce Annual Report from the Committee to Full Council.</p>	3

Audit Committee – Action Plan – following Self-Assessment

Action	Responsible Officer	Target Date
Introduce an annual report from Audit Committee to Council on its role and performance.	Chair of Audit Committee/Section 151 Officer/Democratic Services	July 2024
Monitoring Officer to update the Constitution, to make the following amendments - <ul style="list-style-type: none"> • Remove from the terms of references for PFD committee, the responsibility for the Council governance and audit. • Add to the terms of reference for the Audit Committee, the responsibility for the Council governance and audit. • Add to the terms of reference for the Audit Committee to include providing assurance in relation partnerships and collaboration arrangements. 	Monitoring Officer	February 2024
The Local Code of Governance will be reviewed annually and reported to Audit Committee.	Section 151 Officer	July 2024 (with the AGS)
Fraud Policy and Fraud update report to be presented to Audit Committee (not PFD).	Revs and Bens Manager / Section 151 Officer	July 2024 (Fraud Update)
Consider where the ethical framework fits – Audit Committee or PFD	Audit Committee – on advice from Monitoring Officer/S151 Officer. Audit Committee to recommend to Full Council.	January 2024
Consider the Audit Committee structure, including <ul style="list-style-type: none"> • If the Leader and Chair of Services should be on the committee • Appointing an Independent member 	Audit Committee – on advice from Monitoring Officer/S151 Officer. Audit Committee to recommend to Full Council.	January 2024

Action	Responsible Officer	Target Date
Corporate Projects Assurance Board to report to Audit Committee on major projects and programmes.	Corporate Project, Systems and IT Manager/ Section 151 Officer	
Audit Committee self - assessment will be repeated on annual basis.	Section 151 Officer and nominated	January 2025
Chair to attend further suitable training as identified.	Chair of Committee	On-going
Committee members to attend the training sessions identified in the training programme.	Committee Members	On-going
To complete the core knowledge and skills framework.	Committee Members	July 2024

Training Plan for Audit Committee

Session to be 30 mins before the Committee meeting

Training Area	Officer leading the training	Date of training session
Role of internal audit -	Ruby Deo – 360 Assurance Internal Audit	4 th October 2023 - completed
Statement of accounts	Chief Accountant/Finance Manager	July 2024
Fraud overview	Revs and Bens Manager / Section 151 Officer	TBC – to be included when relevant agenda items
Risk management overview	Section 151 Officer	TBC – to be included when relevant agenda items
Role of external audit TBC	Grant Thornton	TBC– to be included when relevant agenda items



Audit Committee	Wednesday, 24 January 2024	Matter for Information and Decision
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Report Title: **Interim Annual Report for 2022/23 and Key Recommendation 2023/24**

Report Author(s): **Grant Patterson (External Audit - Director, Grant Thornton)
Bev Bull, (Head of Finance / Interim Section 151 Officer)**

Purpose of Report:	To present the External Auditors Interim Annual Report for 2022/23 and an Immediate Annual Report for 2023/24 Key Recommendation.
Report Summary:	The Annual Report details the auditors' commentary on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
Recommendation(s):	That the committee: 1) Notes the content of the report and appendices; and 2) Recommends the report and appendices to be noted by Full Council.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	Sal Khan (Interim Strategic Director) (0116) 257 2690 sal.khan@oadby-wigston.gov.uk Bev Bull (Head of Finance / Interim Section 151 Officer) (0116) 257 2649 bev.bull@oadby-wigston.gov.uk
Strategic Objectives:	Our Council (SO1)
Vision and Values:	"Our Borough - The Place To Be" (Vision) Resourceful & Resilient (V4)
Report Implications:-	
Legal:	There are no implications directly arising from this report.
Financial:	There are no implications directly arising from this report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Regulatory Governance (CR6)
Equalities and Equalities Assessment (EA):	There are no implications directly arising from this report. EA not applicable
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments:-	

Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	<ul style="list-style-type: none"> • SLT
Background Papers:	None
Appendices:	<ol style="list-style-type: none"> 1. Interim Annual Auditors Report (2022/23) 2. Immediate Annual Report for 2023/24 Key Recommendation

1. Interim Annual Report for 2022/23

- 1.1. The 2022-23 Annual Auditor's Report does not identify any significant weaknesses within the Council's arrangements. However, seven new improvements recommendations were made in the areas of financial sustainability reflecting the growing challenges in that area. The Council has made progress in addressing recommendations from the prior year but five are being carried forward into 2023-24.

2. Key Recommendation Report for 2023/24

- 2.1. In line with the requirements of the NAO's Code of Audit practice and due to the increasing financial challenges that the Council is facing within 2023-24 and the deterioration in its financial position and the reported risk that it could run out of money in 2025/26 unless further significant and challenging savings are achieved the auditor's have issued an immediate report highlighting a significant weakness in financial sustainability arrangements and have made a key recommendation as set out in the report.

Auditor's Interim Annual Report on Oadby and Wigston Borough Council

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2022/23

16 January 2024



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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.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our 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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but seven improvement recommendations made and three prior year recommendations carried forward.	A The Council addressed the 2020/21 significant weakness, but three improvement recommendations made.	↓
Governance	No risks of significant weakness identified.	A Our work did not identify any areas where we considered that key or improvement recommendations were required, but one prior year recommendation carried forward.	A The Council addressed 2020/21 the significant weakness, but six improvement recommendations made.	↑
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	A Our work did not identify any areas where we considered that key or improvement recommendations were required, but one prior year recommendation carried forward.	A No significant weaknesses in arrangements identified, but two improvement recommendations made.	↑

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Financial sustainability

The Council is in a challenging financial position over the medium term and is working with officials from the Department for Levelling Up, Housing and Communities (DLUHC) to present the case that it is not fairly funded. However, the Council cannot be dependent on additional government funding. Officers have identified income generation and savings schemes which, if fully implemented, would significantly improve the financial position, but difficult decisions are needed to implement these.

As Officers have identified opportunities which would significantly reduce the financial challenge we have stopped short of concluding that financial sustainability is a significant weakness in 2022/23. We have therefore not raised a “Key recommendation” but would urge the Council to take the opportunities available.

Financial planning is sound, but there is scope to enhance public reporting and the accuracy of revenue and capital budget setting. We have raised seven improvement recommendations to support the Council in this

We have noted that the Council’s latest reporting to Members in December 2023 shows a revised forecast cumulative deficit of £6.88m over the five year period 2023/24 to 2027/28 – an increase of £4.23m on the cumulative deficit of £2.64m reported in February 2023 before savings are factored in. Even if all planned savings are achieved, the Council is still estimating an underlying deficit of around £0.3m a year. We consider this is a significant deterioration in the Council’s position. As this primarily relates to 2023/24 arrangements we will report separately upon this as part of 2023/24 work.

Governance



The Council has appropriate risk management arrangements in place and ensures that proper standards and behaviours are maintained. Members are provided with the information they need to make decisions and the internal audit service meets the Council’s needs, providing a wide range of reviews each year.

From May 2023 the composition of the Audit Committee is, in our experience, unusual and not fully aligned to best practice as laid out in CIPFA’s *Audit Committees: Practical Guidance For Local Authorities And Police (2022 edition)*. However, we have not witnessed any potential conflicts in our attendance at Audit Committee and recognise that there is no statutory requirement to have an Audit Committee, the CIPFA guidance is best practice and that the Council has some safeguards in place to support independent decision making and scrutiny. We have recommended that when rolling forward our recommendation from last year in respect of undertaking the planned review of effectiveness against best practice it consider this at the same time.



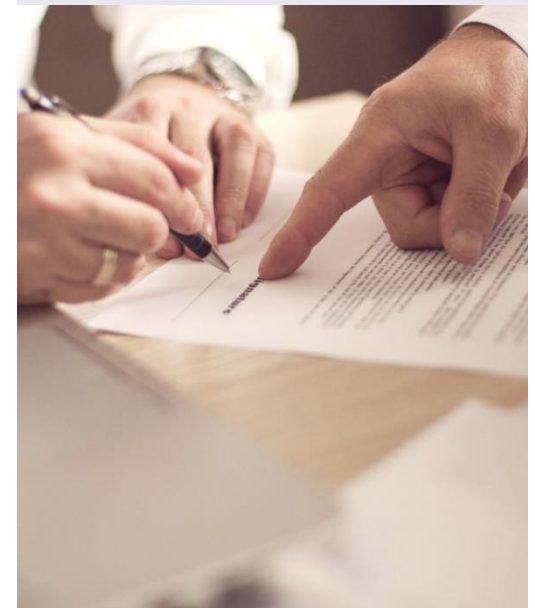
Improving economy, efficiency and effectiveness

The Council has sound performance management arrangements in place, including ensuring that data underpinning Key Performance Indicators is accurate. The Council recognises that it can make better use of benchmarking and is working on this. Arrangements when working in partnership and commissioning and evaluating services are appropriate, including utilising external support when needed.



Financial Statements opinion

We are currently in the process of completing our audit of your financial statements. We anticipate issuing an unqualified audit opinion but will report our findings in a final version of this report once our work is complete.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

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 written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

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 make an application to the Court.

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 any advisory notices.

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 make an application for judicial review.

Securing economy, efficiency and effectiveness in the Council's 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:



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.



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.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 29.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)



Local context

Oadby and Wigston Borough Council (the Council) covers a small geographical area of just nine square miles, two thirds of which is urban. The population of around 57,000 people is comprised around 18% people under 15 years of age and 21% over 65.

The Council has not been able to capitalise on growth within the borough. This is because the area is densely populated and there is limited opportunity for housing or employment land growth. This has meant the Council has not seen dramatic increases in council tax and new homes bonus from housing growth or additional retained business rates achieved through business growth which other councils have enjoyed.

Council tax

Compared to peers, the Council has a high level of Band D council tax. However, the Oadby and Wigston area is unparished, and as such, this level of council tax will also be funding spending that for other councils may be funded and delivered by a parish or town council.

Whilst the Council's level of Band D is high, proportionately across the borough, the Council has a heavier weighting of properties in a lower band (bands A – C) which generate less in council tax income compared to properties in higher bandings.

Additionally, since housing growth is restricted, the Council's tax base is towards the lower quartile when compared to other Councils.

Business rates

The Council has benefitted very little from business rates growth above the baseline – the level at which the government expect business rates to be generated. This is in contrast to some councils who have been able to retain significant amounts of rates, meaning greater opportunity to bolster reserves and remain financially sustainable.

To overcome these challenges the Council is starting to develop alternative income streams including a Selective Licensing Scheme for the housing rental market and car parking charges. The other main sources of non statutory income is garden waste collection. The Council faces considerable financial challenges and is working with government and identifying opportunities of its own to address these.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Short and medium term financial planning

The Council has re-established sound arrangements to support financial planning, but there is scope to further enhance public reporting by including more of the key assumptions and sensitivity analysis undertaken. In the medium to longer term the Council faces a significant financial challenge.

2023/24 financial planning

The Council's financial planning includes latest government funding settlements. For 2023/24 budget setting there was comparatively little change required to the final settlement owing to accurate earlier forecasts. The changes are set out in detail within reports, despite being relatively modest. The Medium Term Financial Plan 2022-27 (MTFP) includes the assumptions used. However, the revenue budget setting report in February 2023 does not clearly set out assumptions in the growth of the council tax base (through new properties being built) or business rates. Earlier versions of the report (for example December 2022) indicate that the finance and planning teams have worked together to forecast growth in the council tax base, and key assumptions are published at that time. However, the assumptions are not published alongside the budget and MTFP. The report does clearly include the earlier reports as "Background" reports though, so readers are able to review the assumptions used if they wish. We have made an improvement recommendation on the next page.

The adjacent table, taken from the Medium Term Financial Plan presented in February 2023, shows the significant financial challenge the Council faces, even it manages to deliver all of the planned savings in its 'Sustainability Plan Programme'.

Item	2023/24	2024/25	2025/26	2026/27	2027/28
In-Year Budget Gap / (Surplus)	422,000	271,000	810,000	686,000	457,000
Cumulative Budget Gap / (Surplus)	422,000	693,000	1,503,000	2,189,000	2,646,000
Sustainability Plan Programme Savings		- 237,000	-237,000	- 237,000	
In-Year Budget Gap / (Surplus) after delivery of savings	422,000	34,000	573,000	449,000	457,000
Cumulative Budget Gap / (Surplus) after delivery of savings	422,000	456,000	1,029,000	1,478,000	1,935,000

Financial sustainability (continued)

Short and medium term financial planning (continued)

2023/24 financial planning (continued)

The Council's financial planning reports include considerable detail around the funding settlement. The report also includes the proposed fees and charges for 2023/24, which underpin the £3m of locally generated income. However, there is little detail reported around how proposed increases in fees have been derived, other than to state that it is based on benchmarking or inflation. It is also unclear whether any sensitivity analysis has been conducted to assess whether the increase in costs to users is likely to lead to reduced demand.

A presentation to the Member' workshop in September 2023 and the Policy, Finance and Development Committee in December indicates that the assumptions used are reasonable, and the Council has used external advisors as appropriate - for example - on the savings that could be achieved by moving to alternative weekly bin collections.

In our prior year report we made an improvement recommendation "*Ensure that there is greater transparency in the budget setting process of the consideration of trends and risks and their impact on projected financial outturn, and of alternative proposals and scenarios.*"

While this has been addressed internally, it could be clearer in public reporting. Improving clarity on the assumptions around income will support readers to form a judgement on whether they are realistic. This is an area for improvement and we have made a recommendation below.

The Council's financial planning report from February 2023 states that inflation has been included based on the Office for Budget Responsibility forecast from November 2022. However, the report does not state what the rate is, or whether the Council still considers it appropriate three months later. It is also unclear that one rate would apply to all expenditure categories, except pay. An earlier version of the report, from December 2022, states that pay costs have been assumed to increase by 3.5%. We would expect to see these key assumptions clearly set out and considered in the budget setting report. Improving clarity on the assumptions around expenditure will support readers to form a judgement on whether they are realistic and we have made a recommendation below.

The Council should enhance its public reporting of financial planning by including more detail on the work that has taken place to develop key assumptions and any sensitivity analysis, especially around increased charges for services it provides.

Senior finance staff present regular sessions to Members so that they are informed of latest challenges and opportunities.

The Council undertakes appropriate cash flow forecasting covering a sufficient period. However, the cash balance is forecast to decrease from £15.5m at 1 April 2022 to £0.025m at 31 March 2024. This includes the repayment of £16m of borrowing which will need to be replaced as appropriate. A further £16.5m of borrowing is due for repayment on 1 April 2024.

The Council's performance against key financial and performance metrics is set out in the table below.

	2022/23	2021/22
Planned revenue expenditure	£6.5m	£7.1m
Actual revenue expenditure	£7.0m	£6.8m
Planned capital spend	£10.9m	£14.1m
Actual capital spend	£4.6m	£3.5m
Year-end cash position	£3.8m	£13.2m

Financial sustainability (continued)

Short and medium term financial planning (continued)

Financing carbon reduction

The adjacent text box sets out some of the carbon reduction challenges all councils face. The Housing Revenue Account (HRA) capital programme for 2023/24 includes £0.51m slippage from 2022/23 in relation to match funding the Social Housing Decarbonisation Fund - to reduce carbon emissions in 130 council houses.

The Council's "Environment Strategy and Action Plan", updated in December 2022, includes many references to carbon reduction, but it is clear that there is no specific budget for this, and that projects are evaluated, including cost, on a piece meal basis. Given the size of the Council, this is reasonable.



Carbon reduction

The UK government has a target of 100% reduction in 1990 greenhouse gas emissions by 2050. Many of the carbon budgets set by the government are relevant to Local Authorities. By June 2022, more than 250 English Local Authorities in England had declared Climate Change Emergencies and set carbon reduction targets of their own.

To deliver value for money whilst also implementing carbon reduction, Local Authorities need strong processes. Carbon reduction costs need to be reflected within medium-term financial plans; funding needs to be consistent with other strategic priorities; costs need to be accurately recorded and monitored; and the relative costs of acting versus not acting need to be evaluated on an ongoing basis.

Climate change is often already reflected on Local Authority risk registers and where Local Authorities set themselves strategic goals around carbon reduction, effective processes for monitoring progress against those goals is needed. Training should be kept up to date both for executives and for members overseeing climate change and carbon reduction risk and performance. As legal requirements are evolving and new sources of funding and grants continue to come forward, horizon scanning for new duties and opportunities will also need to be vigilant.

Financial sustainability (continued)

Identifying savings

The Council is in a challenging financial position and is working with officials from the Department for Levelling Up, Housing and Communities (DLUHC) to present the case that it is not fairly funded. Officers have identified income generation and savings schemes which, if fully implemented, work significantly improve the financial position. Difficult decisions are needed. There is also scope to improve reporting of delivery of these schemes.

In its February 2023 report the Council was forecasting a cumulative deficit of £2.64m over the five year period 2023/24 to 2027/28. Of this, £0.422m is in 2023/24, on expenditure of £7.5m (5.6%). The Council has developed a "Sustainability Plan Programme" (SPP) to deliver savings. At February 2023 £0.711m had been identified in the period 2024/25 to 2026/27 to leave the cumulative budget gap at the end of 2027/28 as £1.935m (see Table on page 9).

The Council's latest reporting to Members in December 2023 shows a revised forecast cumulative deficit of £6.88m over the five year period 2023/24 to 2027/28 – an increase of £4.23m on the cumulative deficit of £2.64m reported in February 2023 (before savings from the SPP are factored in). Reserves which could be set against the forecast deficit are expected to be £1.667m at 31 March 2024. The forecast deficit for 2024/25 of £1.267m is 14% of Net Revenue Expenditure. Through its SPP the Council believes it has identified £1.267m of annual savings from 2024/25 but, even if they are all achieved, the Council is still estimating an underlying deficit of around £0.3m a year (whereas previously small surpluses were being forecast if all savings were achieved). We consider this is a significant deterioration in the Council's position. As this primarily relates to 2023/24 arrangements we will report separately upon this as part of 2023/24 work.

The 2023/24 budget setting report shows that £0.200m of the savings were achieved in 2022/23 through reviewing earmarked reserves. This is not a genuine saving - it is one-off use of reserves, albeit that they may no longer be needed for their original purpose. There is a total of £0.500m for "service reviews", of which £0.050m is scheduled for 2023/24. The report is transparent in that it is unclear where this will be achieved. While the uncertainty around this is therefore clearly reported, we would recommend that schemes are only included in finance plans or reports once they are fully worked up and savings can be reliably forecast. This is an improvement area and we have made a recommendation.

The Council should only include savings or income generation schemes in financial plans when they are fully worked up and, ideally, have been approved by Members.

The table below, taken from the Medium Term Financial Plan presented in February 2023, shows the significant impact on Council reserves, even it manages to deliver all of the planned savings in its 'Sustainability Plan Programme'.



Financial sustainability (continued)

Identifying savings (continued)

In our prior year report we made an improvement recommendation “Ensure that financial plans are developed and implemented to close the funding gap that are not dependent on the use of reserves.”

Savings plans are not yet fully worked up, are currently insufficient to bridge the forecast deficit, and the Council is reliant on the use of reserves over the next five years. The February 2023 report forecasted that reserves will be used up during 2026/27 (revised to 2025/26 in December 2023), even if all of the anticipated and currently agreed savings are realised. This therefore remains an area for improvement.

The Senior Leadership Team and Corporate Management Team have identified a range of potential savings and income generation opportunities. Key Members have been engaged from an early stage, with a series of workshops held for all Members to raise awareness. Opportunities include increasing the cost of various services and car parking charges, stopping two discretionary services (£0.150m a year saving), reducing staff numbers, increasing the cost of green waste collection (£0.110m a year generated) and introducing alternate weekly bin collections (£0.240m a year saving). The opportunities total around £1.2m per year. Of these Officers anticipate that £0.7m will be the most difficult for Members to agree. But the Council needs to achieve all of the savings and income generation opportunities identified in order to achieve financial balance, even if there are no further unexpected pressures or costs, which is highly unlikely. Officers therefore need Member support to take difficult decisions in order to ensure that the Council remains financially stable. This is an improvement area and we have made a recommendation.

Officers and Members need to work together, taking difficult decisions where required, to ensure that the Council is put on a more financially stable longer term footing.

The need for contingency

The Quarter One 2023/24 Budget Monitoring Report to the September 2023/24 Policy, Finance and Development (PFD) Committee forecast an outturn deficit of £0.282m against a breakeven budget. This represented 4.1% of the revised revenue budget of £7.6m. The December 2023 Quarter Two Report shows a worsening position with a forecast deficit of £0.488m.

The report sets out the main reasons, including an increase in cost to support the homeless of £0.397m, £0.254m in leisure services, £0.119m staff vacancy savings not achieved, £0.147m pay awards being higher than budgeted, £0.123m of permanent salary staff savings offset by interim agency costs on essential posts and £0.118m errors in setting the original budget. These are offset to some degree through savings in capital financing charges of £0.417m due to minimum revenue provision savings and slippage in capital programme funding requirements and £0.206m of grant funding to support homelessness.

The Council is therefore failing to maintain expenditure within budget in 2023/24. This makes the need for developed savings plans even more important, so that some contingency is built in.

The Council met with officials from the Department for Levelling Up, Housing and Communities (DLUHC) in May 2023 to present the case that it is not fairly funded. Further work and comparison was requested, which the Council has done, and it is now seeking a further meeting in the hope of securing additional grant funding. This has been delayed as a result of a re-organisation within DLUHC. The Council is now engaging with the new representative and continuing to liaise with other councils and national bodies.

Reporting savings

In our prior year report we made an improvement recommendation “Progress with delivering the recently agreed Sustainability Plan which needs to be monitored and reported to the Policy, Finance and Development (PFD) Committee.” The Council's MTFP explains that the regular finance reports to the PFD Committee will be extended to include reporting on the progress of delivery of the Sustainability Plan. Throughout 2022/23, including the outturn report to the June 2023 meeting, there is no evidence of this. The Quarter One and Quarter Two 2023/24 finance report to September and December Committees include a brief section. As the Council implements additional savings and income generation schemes it will need to enhance the public reporting of these. It may also be easier to report them together, rather than the Sustainability Plan and other areas of savings separately - there may be overlaps. Clear public reporting is crucial to give Members the assurance they need that savings or income generation is being achieved, or corrective action being taken where not. This is especially important where Members have made difficult decisions. This is an improvement area and we have made a new recommendation as below.

The Council needs to enhance reporting against all savings and income generation plans to provide both Members and the public with assurance that progress is being made and to identify areas where corrective action is required.

Financial sustainability (continued)

Financial planning and strategic priorities

There is scope to better link capital projects to the Council's priorities.

In our prior year report we made an improvement recommendation "Consider distinguishing between core statutory services service and discretionary service costs in financial plans."

The MTFP presented in February 2023 includes a chart showing the expenditure on statutory and discretionary services, noting that discretionary services generate £0.600 of income. The report states "Further work will be undertaken so that a more in depth analysis on the total spend of individual Core Statutory and Discretionary Service areas can be shared in future." Statutory expenditure is shown as £8m. The Council has addressed this recommendation.

The budget setting report includes the capital programme for both the general fund (£2.3m in 2023/24) and Housing Revenue Account (HRA) (£4.9m in 2023/24). The information reported includes a narrative update on each scheme. Within this the Council should consider including how the project will support delivery of the Council priorities. This is an area for improvement and we have made a recommendation.

The Council should enhance public budget setting reporting to clearly demonstrate how major investments – capital or revenue – will contribute to achieving the Council's priorities.

Financial planning and other operational plans

The Council has further work to do in order to reduce overspends on the revenue budget and underspends on the capital programme.

Capital programme

There has been significant slippage on the capital programme. The total capital budget for 2022/23 was initially set at £10.905m, but only £4.643m was spent. While the reasons for this have been reported each quarter the actual expenditure represents only 43% of the original plan. The reasons are clearly set out in quarterly reports, with the reasons being reasonable.

In our prior year report we made an improvement recommendation "Ensure quarterly capital programme monitoring reports include the re-allocation of budgets to alternative schemes. All schemes incurring expenditure should have a budget." This recommendation has been addressed.

In year financial reporting

In our prior year report we made an improvement recommendation "Improve the accuracy of in-year forecasting of the financial outturn to prevent unexpected significant swings in the forecast position during the year and particularly between the quarter three and quarter four reports."

The original general fund revenue budget for 2022/23 had been to achieve a breakeven position with the use of £0.125m of earmarked reserves. At Quarter One, the forecast deficit was £0.644m, but this was without the

use of reserves, so would have been £0.519m had the £0.125m initially planned been applied. The Quarter Two position was broadly the same, but by Quarter Three had worsened to a forecast deficit of £0.425m, after applying £0.346m of reserves. The provisional outturn position was £0.439m deficit after applying £0.324m of reserves. This means that the Council applied £0.200m more of earmarked reserves than initially planned and made a deficit of £0.439m compared to a break even plan. The position was therefore £0.639m worse than initially planned. Net revenue expenditure is £6.970m for 2022/23, which means that the unplanned deficit was 9% of expenditure. The Quarter Four report states "The main cause of the overspend relates to pay inflation for implementing the national pay award and reduced management fee from the Leisure Centre Operator." The latter resulted in a £0.202m variance.

This remains an improvement area and we have broadened our recommendation as below.

The Council needs to ensure that both revenue and capital budgets are realistic and achievable to avoid significant revenue overspends or capital underspends.

In our prior year report we made an improvement recommendation "Incorporate relevant service activity and workforce information in the quarterly budget monitoring reports." The Council proposed to implement this after the local elections in May 2023. It has therefore not been done in 2022/23. The Quarter One and Two 2023/24 Budget Monitoring Reports to the September and December PFD Committees do not include the recommended information. This remains an area for improvement.

Financial sustainability (continued)

Financial planning and other operational plans (continued)

Treasury management

The MTFP clearly sets out the contribution that treasury management makes to financial planning, including ensuring adequate cashflow and providing funding for the capital programme, while investing any surplus funds. The Treasury Management Policy is clear that the Council has a low appetite to risk in this area, and will invest funds with low risk counterparties.

Managing risks to financial resilience

The Council has appropriate arrangements to use scenario or sensitivity analysis to model the impact of changes in key assumptions on the financial position.

As reported previously, the Council plans to use reserves to manage financial risk. We have recommended that further plans are brought forward to lessen the use of reserves and increase financial sustainability.



Financial governance

Annual budget setting

The Council has appropriate arrangements in place to consult on the budget but, as reported on page 14, needs to improve accuracy.

In our prior year report we made an improvement recommendation “Engage with external stakeholders on options and considerations as part of the 2023/24 budget setting process.” Consultation on the budget for 2023/24 consisted of statutory and public consultation between 14 December 2022 and 27 January 2023. Public consultation was online, with 85 responses. These are set out in detail, as well as summarised in public reports.

The Council has appropriate arrangements in place to consult with stakeholders over the budget. This includes with trade unions, the Federation of Small Businesses and the public. The responses are included in full in the budget setting report, which provides a high degree of transparency. Our recommendation has been addressed.

The Council has an incremental approach to budget setting, meaning that the prior year budget is rolled forward and adjusted for known changes. The budget setting report clearly explains these changes and demonstrates an appropriate level of analysis and consideration.

Budgetary control

The Council has appropriate arrangements in place to ensure that timely financial information is provided to budget holders, regular meetings are held with finance colleagues and agreed actions clearly set out.


Capacity of the finance team

Our previous Auditor's Annual Report noted the historic challenges the finance team had faced, but that these were being resolved. Our draft Audit Findings Report to January 2023 Audit Committee noted that there were no significant issues, although there are a comparatively high number of audit adjustments. A new Head of Finance joined the Council in January 2023, but since then the Section 151 Officer has left, and the Head of Finance is now Acting Section 151 Officer. The Council is trying to recruit a Head of Finance again. There have also been changes at Finance Manager level, with interim staff being used and staff with limited public sector experience.

While there is no specific evidence that these staffing changes have led to the budget errors which the Council has reported, it is important that the Council finance team is fully and properly resourced in order to meet the challenges the Council faces. While the Chief Executive is aware of the challenge and taking appropriate steps to address the capacity issue this is an improvement area and we have made a recommendation.

The Council needs to ensure that it has an appropriately resourced and skilled finance team.

Improvement recommendations

Improvement Recommendation 1	The Council should enhance its public reporting of financial planning by including more detail on the work that has taken place to develop key assumptions and any sensitivity analysis, especially around increased charges for services it provides.
Improvement opportunity identified	Improving clarity on key assumptions around income and expenditure will support readers to form a judgement on whether they are realistic.
Summary findings	The Council undertakes appropriate analysis and testing to arrive at reasonable financial planning assumptions but need to better communicate this publicly.
Criteria impacted	 Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. The budget assumptions included in the 2024/25 annual budget and MTFP were included in appendix 3 to the December report to Full Council. This will be enhanced further for the February report.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 2

The Council should only include savings or income generation schemes in financial plans when they are fully worked up and, ideally, have been approved by Members.


Improvement opportunity identified

Including income generation or savings schemes which are not fully developed could present Council financial plans in an overly optimistic light. It is also good practice for Members to have approved these before they are included in financial plans.

Summary findings

While financial planning reporting is clear that some schemes are not fully developed, it would be better not to include them at all when reporting against actual positions.

Criteria impacted

 Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed. The Council (12 December 2023) considered the emerging budget position for 2024/25. Council approved a new sustainability plan (appendix 4 to the report) with some small changes. The new sustainability plan savings and income generation schemes are worked up and specific in the exception of service transformation. Work is now being completed to develop this further with an action plan being implemented before the final budget setting report in February 2024.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 3

Officers and Members need to work together, taking difficult decisions where required, to ensure that the Council is put on a more financially stable longer term footing.

Improvement opportunity identified

The Council is in a challenging financial position but has an opportunity to significantly improve this by making difficult decisions, particularly around reducing some services and increasing the costs for users of others.

Summary findings

Officers have identified a range of savings and income generation opportunities which, if taken in full, could put the Council in a much more stable financial position over the medium to long term. The Council would then need to be able to withstand any financial shocks, so may need to identify further schemes, or ensure risk can be managed through having adequate reserves available for the purpose.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed. The Council (12 December 2023) considered the emerging budget position for 2024/25. Council approved the sustainability plan (appendix 4 to the report) in the main, including moving to alternate weekly refuse and recycling collections. Some small changes to the proposal were made requiring a small increase in savings to be found through service transformation, however all the suggestions put forward to meet the £1.267M gap have been approved including an ongoing commitment that the Council should not use reserves to balance the revenue budget.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

~ Page 70 ~

Improvement Recommendation 4

The Council needs to enhance reporting against all savings and income generation plans to provide both Members and the public with assurance that progress is being made and to identify areas where corrective action is required.


Improvement opportunity identified

We have recommended that Officers and Members need to work together, taking difficult decisions where required, in order to improve the Council's financial sustainability. Transparent public reporting of the impact of those decisions is important.

Summary findings

If Members are to take difficult decisions in order to better protect Council finances they need assurance that these are having the desired impact. Services users also need to be able to see the impact those decisions are having as they may be affected by the reduced services or increased costs.

Criteria impacted

 Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed. During 2023/24 updates on the sustainability programme have been reported to members in the quarterly budget monitoring reports for 2023/24. The longer term progress against the plan has been reported in each member budget workshop session held during 2023/24 and it was reported on in the 'Budget Setting Approach for 2024/25 & Medium-Term Financial Plan Update' report to Full Council 26 September 2023. A specific update on income generation was taken to PFD on the 5 December 2023.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 5

The Council should enhance public budget setting reporting to clearly demonstrate how major investments – capital or revenue – will contribute to achieving the Council’s priorities.

Improvement opportunity identified

The Council has strategic priorities and a capital programme, but these are not linked. It is therefore not clear how capital investments support the achievement of objectives.

Summary findings

While there is little scope for the Council to increase revenue budgets to support its priorities, it does have a capital programme in excess of £7m in 2023/24. Linking this to priorities or objectives demonstrates that it is being applied appropriately.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed. Major capital schemes in the programme are being revised and reevaluated including how they are meeting Council’s priorities, for example Ellis Park Community Facility – paused following Capital Sub Committee August 2023. The capital bids received for 2024/25 are being prioritised as identified in the December 2023 Full Council Report.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 6

The Council needs to ensure that both revenue and capital budgets are realistic and achievable to avoid significant revenue overspends or capital underspends.


Improvement opportunity identified

The 2022/23 outturn position was £0.639m worse than initially planned. Net revenue expenditure is £6.970m for 2022/23, which means that the unplanned deficit was 9% of expenditure. This is higher than we would expect to see.

Summary findings

We made a similar recommendation in our prior year report, but have broadened it to include capital expenditure.

Criteria impacted

 Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed. As part of the 2024/25 budget setting process a new approach of Star Chamber was introduced, this involved officer and member scrutiny of budgets line by line. As part of the process of officer scrutiny in preparing the information, a number of previous budget assumptions were re-assessed resulting in changes to budgets to make them realistic and achievable, which will reduce future year revenue overspends.

Major Projects monitoring has been enhanced by the introduction of the Corporate Project Assurance Board adding to the scrutiny of both major capital and revenue areas of spend or income. Improvements to the capital programme monitoring process are being progressed.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 7

The Council needs to continue with its efforts to ensure that it has an appropriately resourced and skilled finance team.


Improvement opportunity identified

The Council has not had a stable, fully resourced and appropriately skilled finance team for a number of years. While these issues are not unique to Oadby & Wigston BC they do create some challenges and the Council needs to ensure that the situation is rectified as soon as possible.

Summary findings

The Council has been trying to address the staffing challenges in its finance team for a while, but has been unable to do this on a permanent basis. Having an insufficiently resourced or skilled finance team is a risk, particularly given the challenging financial position the Council faces.

Criteria impacted

 Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

Extensive market analysis has been undertaken to support the recruitment drive for a CFO (S151 Officer) and a Finance Manager (Deputy S151 Officer) which is underway with the support of a professional recruitment agency.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal controls

The Council has appropriate arrangements in place to identify assess and report on strategic risks. The internal audit service meets the Council's needs, providing a wide range of reviews each year.

Risk management

Until April 2022, management and coordination of risk management was outsourced to the Council's appointed internal auditors. Since then, the revised arrangements are that the Strategic Director and Section 151 Officer chair a cross-organisational officer Risk Management Group which was established in April 2022. This group reviews strategic risks on a quarterly basis and recommends any changes through the Senior Leadership Team. Following this review, a Risk Management Quarterly Report is prepared and submitted to the Audit Committee. The Audit Committee will escalate any risks it considers appropriate to Full Council. The updated Risk Management Policy provides a clear process map, including guidance and tips and thresholds for when risks will be escalated.

The Internal Audit "Risk Management" report to the December 2022 Audit Committee provided "Significant" assurance, with only two low level recommendations made.

Audit Committee receives quarterly risk management reports which clearly summarise the approach to risk management and changes to reported risks since the last report. There are 14-15 risks reported, which is at the top end of what we would consider reasonable to allow Members to focus on the key corporate risks. While not an improvement recommendation at this point, if this number starts to creep up the Council could consider not reporting those risks which initially had a score of between four and nine but have been mitigated to four and below. In the July 2023 report there were two such risks.

The report provides assurance that risks are being managed - there is a column showing "Review Date", which in all cases is May 2023, a commentary to explain changes arising from the review, and a graphic showing "Direction of Travel" of the mitigated risk score. There is scope to make it clearer still how the mitigated risk score has changed - this could be included in the review commentary narrative. This does not warrant an improvement recommendation.

In our prior year report we made an improvement recommendation to "Improve the format of the Strategic Risk Register by identifying each risk against a primary corporate objective, summarise the sources of assurance and include a graphical representation the direction of travel of the mitigated risk score." This has been implemented and the risk register now includes all of the information we would expect to see and allows readers to clearly see the impact the risk could have on achieving the Council objectives, including the initial risk score, the mitigations or assurances in place, mitigated score, further actions required and timescales, the officer responsible and direction of travel.

Internal audit and counter fraud

In 2022/23 Internal Audit was provided by CW Audit Services (CWAS). From April 2023 CWAS merged with 360 Assurance. CWAS is a well established Midlands based internal audit supplier with a client base including local government and NHS bodies.

In 2022/23 CWAS undertook 20 assignments, providing an assurance level on 15. The assignments cover an appropriate base including risk management, counter fraud, financial systems, treasury management and some service areas.

The Head of Internal Audit Opinion for 2022/23 provided "Significant" assurance over the control environment, with commentary on the four reviews where "Moderate" assurance was given.

Governance (continued)

Risk management and internal controls (continued)

Internal audit and counter fraud (continued)

The Audit Committee is provided with sufficient assurance to enable it to assess whether internal controls have operated as expected.

The Council has appropriate arrangements in place in respect of the prevention and detection of fraud. The Internal Audit "Counter Fraud & Corruption" report to October 2022 Audit Committee provided "Significant" assurance. The principal finding was that the Anti-Fraud and Corruption Policy needs updating. Five recommendations were made, all medium or low risk, and all accepted with actions clearly set out. An updated policy was presented to the PFD Committee in June 2023.

Informed decision making including the Audit Committee

The Council ensures that Members are provided with appropriate information on which to make decisions. From May 2023 the composition of the Audit Committee is, in our experience, unusual, and the Council needs to take the opportunity to review this in line with best practice as scheduled for January 2024.

The Council has appropriate arrangements in place to ensure that all relevant information is provided before major decisions are made. Examples include a number of early reports on the 2023/24 budget setting approach, a new Corporate Charging Policy and seeking to increase the Council's income and seeking advance approval for unexpected capital expenditure on the Brocks Hill relocation.

Senior Members and Officers set an appropriate tone. This is reflected in the Local Government Association (LGA) Corporate Peer Challenge – Progress Review report from November 2022. Staff feedback in response to a survey on the office relocation indicates that, while not everyone is happy with it, the vast majority of people felt that communication and support was good.

Audit Committee effectiveness and composition

From May 2023 the composition of the Council's Audit Committee is, in our experience, unusual. We would not expect to see the Leader of the Council, members of the PFD Committee and Chair of the Service and Delivery Committee (SDC) as members of the Audit Committee. In our view this is inconsistent with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Audit Committees (see below). However, we have not witnessed any potential conflicts in our attendance at Audit Committee and recognise that there is no statutory requirement to have an Audit Committee, the CIPFA guidance is best practice and that the Council has some safeguards in place to support independent decision making and scrutiny.

In our prior year report we made an improvement recommendation *"The Audit Committee reviews its effectiveness against CIPFA's best practice guidance (see CIPFA's Audit Committees: Practical Guidance For Local Authorities And Police (2022 edition))."*

The Annual Governance Statement (AGS) 2022/23 shows that this is scheduled for January 2024. Our improvement recommendation remains appropriate.

The Council's performance against key governance metrics is set out in the table below.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	None	None
Head of Internal Audit opinion	"Significant" assurance	"Significant" assurance

Governance (continued)



Standards and behaviours

The Council has appropriate arrangements in place to ensure that proper standards and behaviours of Officers and Members are maintained.

The Local Government Association (LGA) Corporate Peer Challenge in January 2022 made a recommendation "Establish ways for members and officers to work more effectively together". The follow-up report, from November 2022, comments on progress made including work on a Member-led Corporate Plan; a workshop and survey of Members to improve the Member enquiry service, LGA workshops to enhance Officers' political understanding and Members' involvement in the vision for the borough; and commissioning various Centre for Governance and Scrutiny sessions between October and November 2022 to further enhance Members' and Officers' understanding of each other's roles and involvement in decision making processes.

Gifts and hospitality and Declarations of Interest

The Council's approach and policy for gifts and hospitality is included in the Constitution. The gifts and hospitality register is kept up to date and is comprised low value "Thank you" gifts, which are invariably shared.

Senior Officers make annual declarations of interest, including "Nil Returns". Members' declarations are included on their page on the Council website. Review of these indicates that they are up to date and there is no evidence of missing declarations.

Procurement

The Council website provides relevant information regarding procurement, including the latest arrangements and processes and explaining that the Council uses Welland Procurement for support for contracts over £0.050m. The public contracts register is up to date. The Council has demonstrated good procurement governance in seeking Member's approval, through the PFD Committee, in advance of agreeing a contract extension with Capita for the provision of revenues and benefits processing software.

Net Zero

The Council has appropriate arrangements in place to ensure that it monitors and complies with any legislative changes relating to climate change/net zero. This includes having a Climate Change Officer and working with APSE (Association of Public Service Excellence) Energy to produce a 2019/20 Climate Change Baseline Study to measure the carbon footprint for Council operations and to provide a trajectory report to include decarbonisation scenarios and recommendations for net-zero.



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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

The Council has sound arrangements in place for performance management, including ensuring that the underlying data is accurate. The Council recognises that it can make better use of benchmarking and is taking steps to develop this.

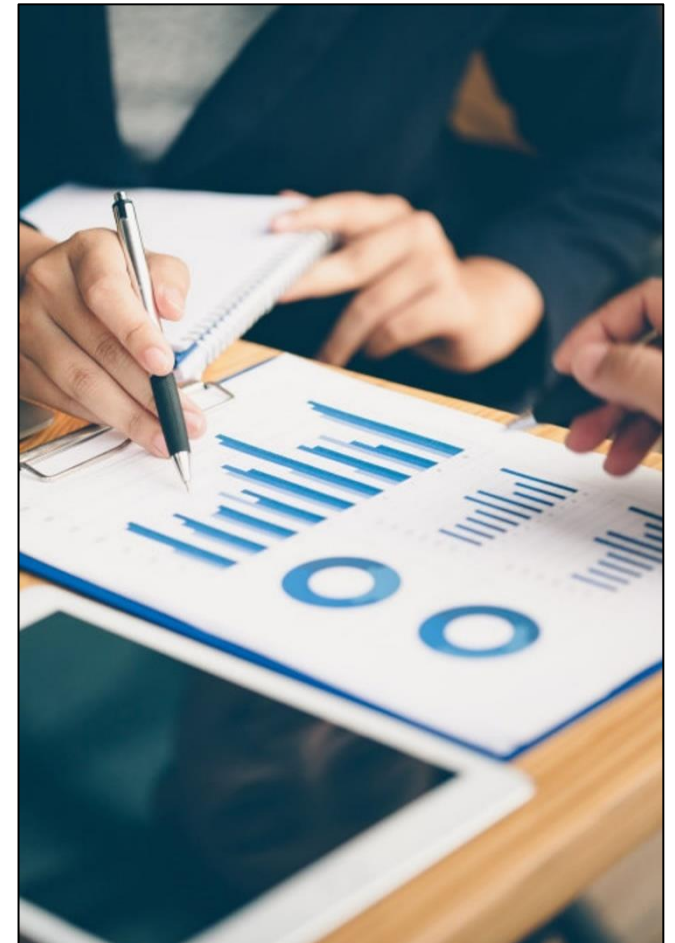
Performance management

The Council provides comprehensive quarterly performance reports to the Service and Delivery Committee (SDC). Reporting is against 44 "Continuous Improvement KPIs (Key Performance Indicators)" from the Corporate Plan 2019-2024 and a further 24 "statutory KPIs". The KPIs are summarised and shown in different ways - by the three corporate objectives and then the four departments. Where targets are being missed this is reported in detail with clear actions. The reports then provide detailed narrative of activity and performance for each area of the Council - housing, planning, economic regeneration etc.

The performance reports are comprehensive. This is appropriate as they are presented to SDC.

Accuracy of information used

The Council has appropriate arrangements in place to obtain assurance over the accuracy of financial data through the work of internal audit, in particular the "Financial Management and Reporting" work. Assurance arrangements for performance data have been strengthened following an internal report in previous years, with a rolling sample of five KPIs per quarter being checked back to supporting evidence by the Customer Service and Transformation team.



Improving economy, efficiency and effectiveness (continued)

Use of financial and performance information (continued)

Benchmarking and learning from others

In our prior year report we made an improvement recommendation “Periodically benchmark cost and performance indicators with other similar authorities (for example Nearest Neighbour Group) and investigate reasons for any areas where other authorities appear to be achieving better results.” The Council recognises that it can make better use of benchmarking and is taking steps to develop this, with progress being reported through the Annual Governance Statement (AGS) action plan. As the new arrangements were not in place during 2022/23 our prior year improvement recommendation remains valid.

The Council has appropriate arrangements in place to learn from inspectors, including the LGA. Their follow-up report, in November 2022, observed “The peer team was genuinely impressed by the amount of positive work that OWBC has undertaken since publishing its action plan on 16 May 2022 to progress the CPC’s key recommendations”. The Council has continued to make progress against the recommendations, and has provided update reports to Members.

Assessing performance and identifying improvement

The Council has appropriate arrangements in place to evaluate service delivery and identify alternative approaches.

For example, the 2023/24 budget setting report includes a proposal to amend service delivery of the Community and Wellbeing Team. The proposal is for a shared service with Blaby District Council. While the proposal will actually result in a small increase in cost, it is clear that the service is not viable without the change from in-house delivery.

The LGA has recognised that the Council has responded very positively and quickly to the earlier recommendations it made. The progress reports on the AGS actions also identifies good progress against recommendations, with clear explanations for any delays. While a number of the recommendations made in our prior year report are still in progress at the end of March 2023, this is not unexpected given that the report was presented in January.

Partnership working

The Council has appropriate arrangements in place when working in partnership, the outcome of which is fed back to Members.

The work of partnerships is fed back to the SDC through the quarterly performance reports. This includes the work with UK Gas Services for void property work and the Lightbulb project to support residents to remain safe and well in their own homes.

The Council has appropriate arrangements in place to consult with key stakeholders and to report the outcomes. Examples include the 2023/24 budget setting proposals and the potential disposal of public open space – the latter receiving 606 responses.



Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement

The Council has appropriate arrangements in place when commissioning services, including utilising external support when needed.

The adjacent text box sets out some of the common procurement challenges. The Council website provides relevant information regarding procurement, including the latest arrangements and processes and explaining that the Council uses Welland Procurement for support for contracts over £0.050m. The public contracts register is up to date. The Council has demonstrated good procurement governance in seeking Member's approval, through PFD Committee, in advance of agreeing a contract extension with Capita for the provision of revenues and benefits processing software.

The Corporate risk register includes a high rated risk around supplier failure. The risk report to April 2023 Audit Committee showed that the initial risk of 20 has been mitigated down to 12, with assurance obtained from existing controls. Further actions are planned. The controls in place, particularly using external support, ensures that risk of supplier failure is appropriately mitigated, although it can never be eliminated.

Capital programme

The Council has appropriate arrangements in place to report on the capital programme, incorporating this into the quarterly finance reports to PFD Committee. The Council has demonstrated good contract management governance arrangements by seeking Member approval to use part of the contingency budget for Brocks Hill to reflect unexpected repairs before committing to having the work done.



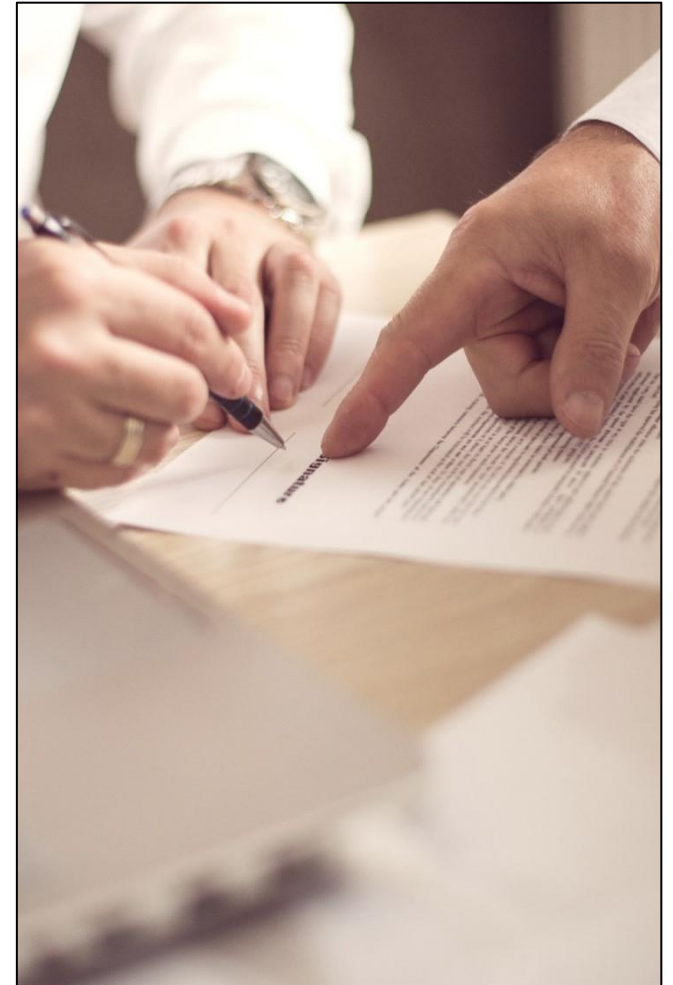
Procurement

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector.

Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall from commercial partners.

Within this, local authorities run local services and deliver high value capital projects every year, balancing the complicated requirements of the Procurement Act and the Social Value Act together, often under close review from electors and other stakeholders. Whole of Government Accounts show that local government spending on goods and services outweighs spending by any one other individual UK government sector.

Given the current focus on net zero, local growth, and efficiency, the opportunity for local authority procurement to make a difference to the wider government agenda has perhaps never been higher. The importance of maintaining good practice has also perhaps never been higher. Local authority members and officers, for the most part, already work well with the commercial partners they appoint. However, with so much public money at stake, there is always scope for continuous improvement and for learning from examples of procurements that did not work entirely as intended.



Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 Ensure that financial plans are developed and implemented to close the funding gap that are not dependent on the use of reserves.	Improvement	January 2023	The Council is forecasting a cumulative deficit of £2.63m over the five year period 2023/24 to 2027/28. Savings plans are not fully worked up, are in any event insufficient to bridge the forecast deficit, and the Council is reliant on the use of reserves over the next five years. Reserves will be used up during 2026/27, even if all of the anticipated savings are realised. This remains an improvement area. See page 13.	No	Yes – the Council needs to implement the original recommendation.
2 Progress with delivering the recently agreed Sustainability Plan which needs to be monitored and reported to the Policy, Finance and Development (PFD) Committee.	Improvement	January 2023	The Council's Medium Term Financial Strategy (MTFS) explains that the regular finance reports to the Policy, Finance and Development Committee will be extended to include reporting on the progress of delivery of the Sustainability Plan. Throughout 2022/23, including the outturn report to the June 2023 meeting, there is no evidence of this. This remains an improvement area. See page 13.	No	Yes – the Council needs to implement the original recommendation, which we have revised to include all savings or income generation schemes.
3 Consider distinguishing between core statutory services service and discretionary service costs in financial plans.	Improvement	January 2023	The Council clearly understands and reports the cost of delivering core statutory services (£8m) and discretionary services (net income of £0.6m). The Council plans to undertake further analysis in this area. See page 14.	Yes	No
4 Ensure that there is greater transparency in the budget setting process of the consideration of trends and risks and their impact on projected financial outturn, and of alternative proposals and scenarios.	Improvement	January 2023	The Council has appropriate arrangements to use scenario or sensitivity analysis to model the impact of changes in key assumptions on the financial position. See page 10.	Yes	No

Follow-up of previous recommendations (continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5 Engage with external stakeholders on options and considerations as part of the 2023/24 budget setting process.	Improvement	January 2023	The Council has appropriate arrangements in place to consult with stakeholders over the budget. This includes with trade unions, the Federation of Small Businesses and the public. The responses are included in full in the budget setting report, which provides a high degree of transparency. See page 16.	Yes	No
6 Improve the accuracy of in-year forecasting of the financial outturn to prevent unexpected significant swings in the forecast position during the year and particularly between the quarter 3 and quarter 4 reports.	Improvement	January 2023	<p>While in year forecasting has improved, the outturn was significantly different to the initial budget. The Council applied £0.2m more of earmarked reserves than initially planned and made a deficit of £0.439m compared to a break even plan. The position was therefore £0.639m worse than initially planned. Net revenue expenditure is £6.970m for 2022/23, which means that the unplanned deficit was 9% of expenditure.</p> <p>The total capital budget for the year was initially set at £10.905m, but only £4.643m was spent. While the reasons for this have been reported each quarter the actual expenditure represents only 43% of the original plan.</p> <p>This remains an improvement area. See page 14.</p>	No	Yes – the Council needs to implement the original recommendation, which we have broadened to include capital as well as revenue
7 Incorporate relevant service activity and workforce information in the quarterly budget monitoring reports.	Improvement	January 2023	The Council intend to implement this after the local elections in May 2023. It has therefore not been done in 2022/23. The Quarter One 2023/24 Budget Monitoring Report to the September PFD Committee does not include the recommended information. This remains an area for improvement. See page 14.	No	Yes – the Council needs to implement the original recommendation.

Follow-up of previous recommendations (continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
8 Improve the format of the Strategic Risk Register by identifying each risk against a primary corporate objective, summarise the sources of assurance and include a graphical representation the direction of travel of the mitigated risk score.	Improvement	January 2023	The Council has implemented our prior year improvement recommendation to further enhance the risk register reported to Audit Committee from January 2023. The risk register now includes all of the information we would expect to see and allows readers to clearly see the impact the risk could have on achieving the Council objectives, including the initial risk score, the mitigations or assurances in place, mitigated score, further actions required and timescales, the officer responsible and direction of travel. See page 24.	Yes	No
9 The Audit Committee reviews its effectiveness against CIPFA's best practice guidance [see CIPFA's Audit Committees: Practical Guidance For Local Authorities And Police (2022 edition)].	Improvement	January 2023	The Annual Governance Statement 2022-23 shows that this is scheduled for January 2024. From May 2023 the composition has changed and members include the Leader of the Council and members of the PFD Committee and Chair of the SDC Committee. Our improvement recommendation still stands. See page 25.	No	Yes – the Council needs to implement the original recommendation.
10 Periodically benchmark cost and performance indicators with other similar authorities (for example Nearest Neighbour Group) and investigate reasons for any areas where other authorities appear to be achieving better results.	Improvement	January 2023	The Council recognises that it can make better use of benchmarking and is taking steps to develop this, with progress being reported through the Annual Governance Statement action plan. As the new arrangements were not in place during 2022/23 our prior year improvement recommendation remains valid. See page 28.	No	Yes – the Council needs to implement the original recommendation.
11 Ensure quarterly capital programme monitoring reports include the re-allocation of budgets to alternative schemes. All schemes incurring expenditure should have a budget.	Improvement	January 2023	There has been significant slippage in the original capital plan. The majority of this is moved to subsequent years. However, the Quarter Two report noted "Council Office Refurbishment (£22.8k) and Bushloe House Car Park Resurfacing (£28k) both of these schemes will not go ahead. The budgetary provision has been reprofiled to form a new capital maintenance provision for Brocks Hill of £10k per annum from 2023/24." See page 14.	Yes	No

Opinion on the 2022-23 financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

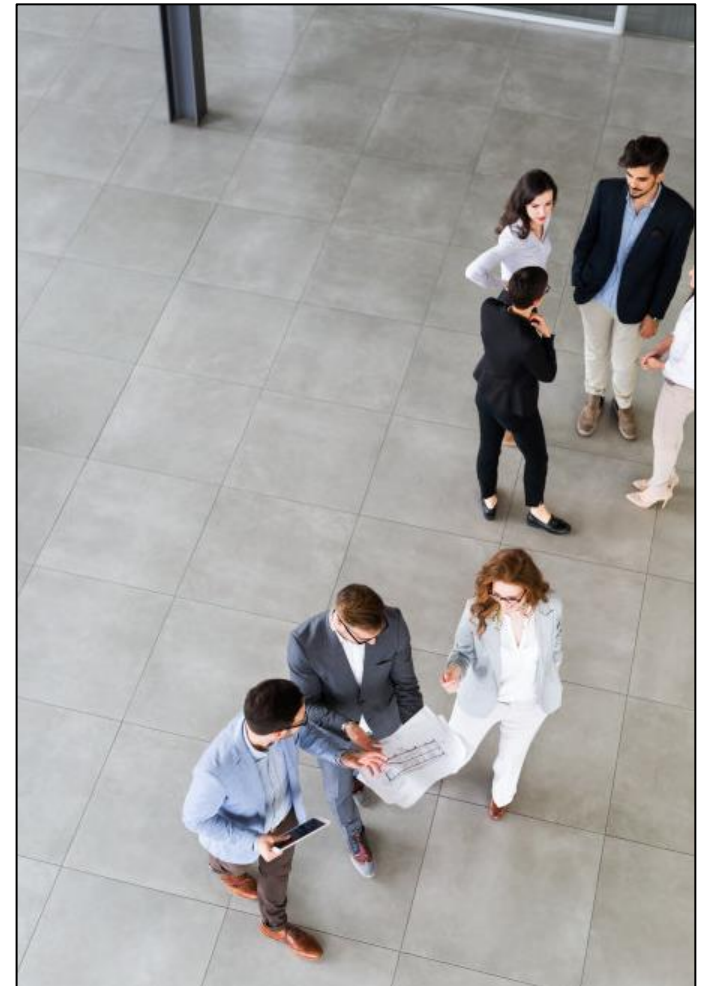
We conduct our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We are currently in the process of completing our audit of your financial statements. We anticipate being able to issue our opinion in February 2023. From our work completed to date we anticipate issuing an unqualified audit opinion but will report our detailed findings in our Audit Findings Report and summarise them in a final version of this report once our work is complete.



Appendices

Appendix A: Responsibilities of the Council

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) 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:

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(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's 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	17-23 and 30-32



Significant weakness in respect of Oadby and Wigston Borough Council Value for Money arrangements

~ Page 88 ~

2023/24

16 January 2024



Executive summary

Value for money arrangements and key recommendations

Requirements of auditors

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 was the third year that we have reported our findings in this way and 2023/24 will be the fourth. As part of our work, we consider whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's 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'.

The Code requires auditors to report in a commentary each year under the specified reporting criteria and expects that where auditors identify significant weaknesses in arrangements as part of their work, they will raise them promptly with those charged with governance at the body ('immediate reporting').

Our 2022/23 value for money work

In our Auditor's Annual Report for 2022/23, in relation to financial sustainability, we noted that, based on its financial planning at February 2023, "*The Council is forecasting a cumulative deficit of £2.64m over the five year period 2023/24 to 2027/28.*"

We also commented "*The Quarter One 2023/24 Budget Monitoring Report to the September Policy, Finance and Development (PFD) Committee forecasts an outturn deficit of £0.282m against a breakeven budget. This represents 4.1% of the revised revenue budget of £7.6m. The report sets out the main reasons, including £0.241m leisure services, £0.106m staff vacancy savings not achieved and £0.115m errors in setting the original budget. There are savings in capital financing charges of £0.132m due to significant slippage in capital programme funding requirements. The Council is therefore failing to maintain expenditure within budget in 2023/24. This makes the need for developed savings plans even more important, so that some contingency is built in.*"

We concluded "*Officers have identified income generation and savings schemes which, if fully implemented, would significantly improve the financial position, but difficult decisions are needed to implement these. As Officers have identified opportunities which would significantly reduce the financial challenge we have stopped short of concluding that financial sustainability is a significant weakness. We have therefore not raised a "Key recommendation", but would urge the Council to take the opportunities available.*"

The Council is now forecasting a significant deterioration in its financial position. We consider that this is occurring within the 2023/24 financial year therefore do not propose to revisit our conclusions in respect of 2022/23. However, we do need to consider whether there are any matters which may require 'immediate reporting' in 2023/24. We consider these on the following page.

Executive summary

The Council finances in December 2023

The position in December 2023

The 5 December 2023 Policy, Finance & Development Committee received a report on the 2024/25 Draft Revenue Budget and Medium Term Financial Plan. The report highlights a significantly worse position than the one forecast in February 2023.

It states *“The report outlines the draft budget position for the 2024/25 year for the Council’s General Fund, which is an anticipated deficit position of £1.267m. The report outlines an updated MTFP position for 2024/25 to 2027/28 which shows a cumulative gap of £6.883m.”* (see table opposite).

The cumulative gap is an increase of £4.23m on the cumulative deficit of £2.65m reported in February 2023 (before savings from the "Sustainability Plan Programme" (SPP) are factored in). Through its SPP the Council believes it has identified £1.267m of annual savings from 2025/26.

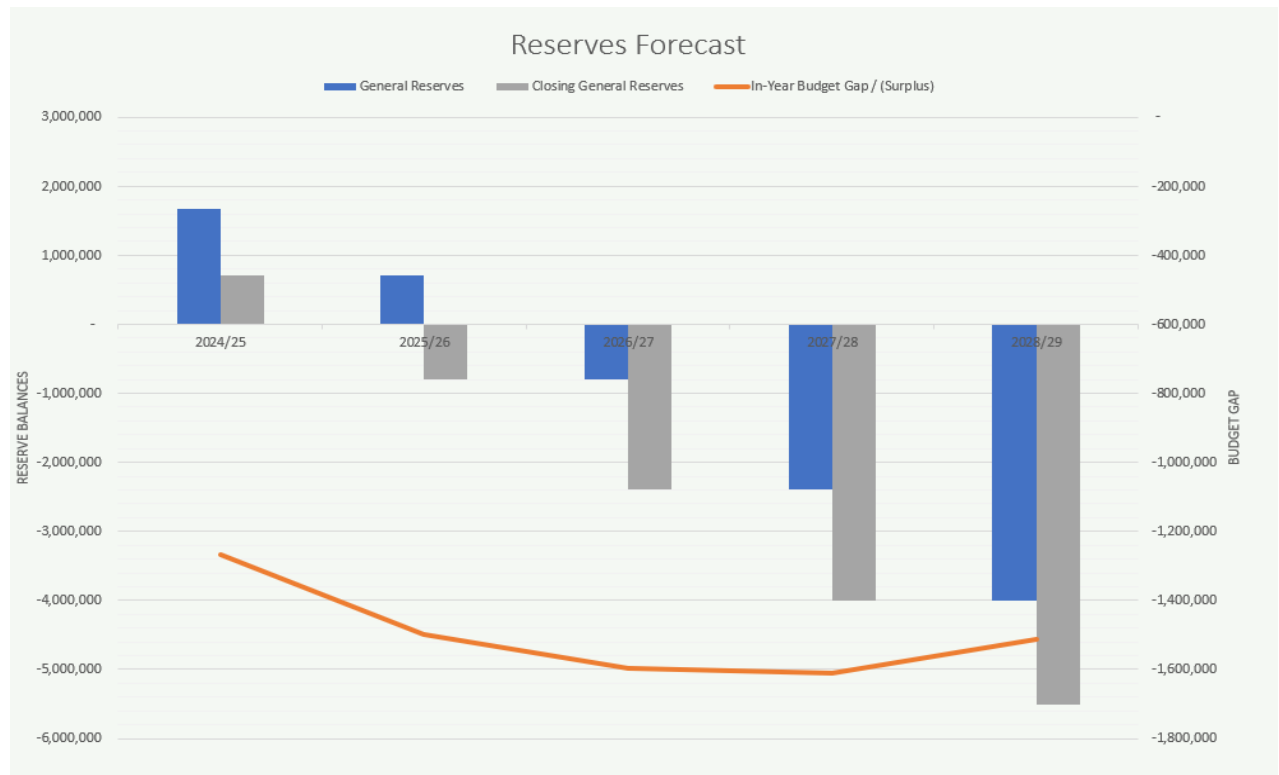
In our 2022/23 Auditor’s Annual Report we considered these in some detail, noting that around £0.7m of savings *“will be the most difficult for Members to agree. But the Council needs to achieve all of the savings and income generation opportunities identified in order to achieve financial balance, even if there are no further unexpected pressures or costs, which is highly unlikely.”*

Even if all of the savings are achieved, the Council is still estimating an underlying deficit of around £0.3m a year (whereas previously small surpluses were being forecast if all savings were achieved). The report also highlights that reserves used to balance the budget will run out in 2025/26, a year earlier than anticipated in the February 2023 report (see Chart opposite).

Judgement

We consider that the deterioration in the Council’s financial position and the risk that it will basically run out of money in 2025/26 unless further significant and challenging savings are achieved, is a significant weakness in arrangements and we have made a key recommendation as set out on the next page.

	February 2023		November 2023	
Financial Year	In-year Gap	Cumulative Gap	In-year Gap	Cumulative Gap
2023/24	£431,000	£431,000	£912,566	£912,566
2024/25	£269,000	£700,000	£1,267,000	£2,179,566
2025/26	£810,000	£1,510,000	£1,498,000	£3,677,566
2026/27	£686,000	£2,196,000	£1,596,000	£5,273,566
2027/28	£457,000	£2,653,000	£1,609,000	£6,882,566



Key recommendation

Key Recommendation 1

The Council needs to take urgent action to implement savings plans identified in order to ensure that the use of reserves to balance the budget does not continue and that the Council does not find itself in a position where it is unable to fund its expenditure in 2025/26.

Identified significant weakness in arrangements

The Council's latest financial projections are that its Medium Term Financial Plan shows a cumulative gap to 2026/27 of £6.883m before planned savings. Based on the Council's in order to maintain services reserves will need to be used to balance the budget with projections that these will run out in 2025/26. The Council has identified around £1.2m of potential savings. It now needs to implement these. Even if these savings are achieved in full there remains an annual underlying deficit of around £0.3m for which additional savings or funding will be required.

Summary findings

The risk of Chief Finance Officers having to issue a S.114 notice, effectively declaring a body bankrupt, is increasing. The latest financial forecasts show that, without significant action, Oadby and Wigston Borough Council is likely to be in that position some time in 2025.

Criteria impacted by the significant weakness



Financial Sustainability

Auditor judgement

Based on the work undertaken, we are not satisfied that Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.

Management comments

The Council (12 December 2023) considered the emerging budget position for 2024/25. Council approved the sustainability plan (appendix 4 to the report) in the main, including moving to alternate weekly refuse and recycling collections. Some small changes to the proposal were made requiring a small increase in savings to be found through service transformation, however all the suggestions put forward to meet the £1.267M gap have been approved including an ongoing commitment that the Council should not use reserves to balance the revenue budget.

Progressing the actions management has identified to address the recommendation made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

