

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 6  
AUGUST 2025**



<b>Title of Report</b>	<b>MANAGEMENT RESPONSE TO ANNUAL AUDIT OPINION 2024/25</b>	
<b>Presented by</b>	Paul Stone Director of Resources	
<b>Background Papers</b>	Management Response to Internal Audit Opinion 2023/24 – Audit & Governance Committee 7 August 2024. <a href="#">NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL</a>	<b>Public Report:</b> Yes
<b>Financial Implications</b>	There are no direct financial implications to be considered.	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	There are no direct legal implications arising from this report.	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	There are no direct staffing or corporate implications arising from this report.	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	This report provides details of the Management Response to Internal Audit Opinion 2024/25.	
<b>Recommendations</b>	<b>THAT THE COMMITTEE NOTES THE MANAGEMENT RESPONSE TO THE ANNUAL AUDIT OPINION 2024/25.</b>	

## **1.0 BACKGROUND**

- 1.1 In accordance with the Public Sector Internal Audit Standards (PSIAS) the Chief Audit Executive (the Internal Audit Manager at North West Leicestershire District Council) is required to produce an annual report. The report covering the financial year 2024/25 is set out on a separate item on the Committee's agenda.
- 1.2 The Opinion covers the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The draft Internal Audit Annual Opinion for 2024/25 is 'Limited Assurance'.

- 1.3 This marks the third consecutive year of 'Limited Assurance', presenting an opportunity for continued enhancement. Reflecting on the last two years, the Council has implemented numerous initiatives to address these challenges. There has also been a renewed focus on governance and risk management, with further information provided in section 2.0 below.
- 1.4 Before considering the management response to this year's opinion, the Committees attention is drawn to the progress on the action plan in response to the 2023/24 opinion. The action plan is attached to this report at Appendix One. Significant progress has been made in a number of areas identified on the action plan including:
- Approval of additional resource for Internal Audit
  - Continued focus on the Internal Audit function
  - Appointment of two independent Audit Committee Members
  - Governance training completed for senior officers
  - Regular meetings between internal and external auditors

## **2.0 MANAGEMENT RESPONSE AND ACTIONS**

- 2.1 The assurance provided by the internal audit function is an important part of the overall corporate governance framework of the Council. The Council is committed to improving the effectiveness of internal audit to optimise assurance. It is recognised this will require process, procedural and, most importantly, cultural change across the Council to provide the appropriate level of assurance.
- 2.2 It is disappointing that the Internal Audit Opinion fails to recognise the actions taken in response to other areas of assurance, governance and risk management which are detailed as follows:
- In November 2024, the Council organised dedicated governance training sessions for both the Corporate Leadership Team and the Extended Leadership Team. These sessions addressed key areas such as information governance, risk management, contracting good practice and report writing. The training sought to strengthen the practical skills of senior leaders and support the Council's broader efforts to drive continuous improvement in governance and assurance.
  - In addition to the governance training initiatives highlighted above, the Council's Section 151 officer and monitoring officer, together with the Leisure Services Team Manager, collaborated to record an "in session with" video. This session explained important decision-making and governance topics in clear terms, with the goal of making them easier to understand and applying useful ideas across the organisation. The video served both as a resource for staff development and as a means of reinforcing a culture of transparency.
  - The recent LGA peer review also noted the Council's proactive steps to raise the profile of good governance across the organisation since June 2024. In particular, the review highlighted the introduction of mandatory governance training for all managers, alongside the comprehensive training programme delivered in November 2024. These initiatives were commended for embedding greater awareness of core governance responsibilities and for fostering a culture of consistent, organisation-wide standards. The peer review concluded that these measures have contributed to a stronger foundation for effective decision-making and accountability at every level of the Council.

- Membership of the Corporate Risk Group has recently been reviewed to ensure that it is fully representative of the Council's diverse functions and priorities. Following this review, the group welcomed new members, further enhancing its ability to offer balanced oversight and expert perspectives across all key service areas. In addition, the Corporate Leadership Team regularly review the Corporate Risk Register providing valuable input. This refreshed membership reflects the Council's commitment to robust risk management.
- Members of the Audit and Governance Committee have also benefited from a programme of regular training delivered throughout the year. Notably, in January 2025, a dedicated refresher session was held to revisit the core responsibilities and statutory role of the Committee. This ongoing commitment to training ensures that Members remain well-equipped to provide effective oversight and assurance, and supports the Council's continued emphasis on strong governance practice. There are also focused sessions dedicated to reinforcing the Code of Conduct and clarifying member/officer protocols that have been arranged for upcoming months.
- Throughout the year, the Corporate Leadership Team has convened dedicated audit meetings, with the Internal Audit Manager in attendance, to specifically review and track progress against outstanding audit recommendations. These sessions have provided a focused forum for discussing barriers to implementation, agreeing on remedial actions, and reaffirming the Council's commitment to continuous improvement and effective internal controls.
- The Section 151 Officer has ensured that the Audit and Governance Committee remains fully apprised of the status and progression of the Statement of Accounts for both 2023/24 and 2024/25. Regular updates have been provided to keep members informed of key milestones, challenges, and anticipated timelines for completion. In parallel, comprehensive reports have been presented to the Committee detailing progress against the planned enhancements to the Council's financial system, Unit4.
- A comprehensive policy list has been implemented. Each policy within this register has a clearly designated owner responsible for its ongoing relevance and effectiveness. A formal process has been established for regular review cycles, during which policy owners assess and update their respective policies to reflect legislative changes, organisational priorities, and best practice standards. This approach ensures that all Council policies remain current, consistent, and fit for purpose.
- The Council has also developed comprehensive guidance for staff which outlines the procedures to be followed when making key decisions and provides clear criteria for identifying projects of significant strategic importance. It details the requirement for such projects to be subject to oversight by a relevant internal steering group, ensuring that appropriate checks and balances are in place.
- To further embed these improvements and ensure clarity of purpose across all leadership and oversight structures, the terms of reference for the Corporate Leadership Team, Extended Leadership Team, and internal steering groups have been comprehensively updated. These revisions define clear roles, accountabilities, and decision-making frameworks, reflecting current priorities and best practice standards.

- Representatives from Internal Audit have been invited to participate as members of relevant project groups, including those overseeing regeneration programmes. This direct involvement enables Internal Audit to provide expert guidance during the project lifecycle, offer early assurance on controls, and strengthen alignment with the Council's governance and risk management frameworks.
- The Council has also introduced newly developed Contract Procedure Rules. These updated rules are aligned with the latest legislation as well as recognised good practice, and have been carefully drafted to ensure they are user-friendly and straightforward for officers to implement. By streamlining the procedures and clarifying the steps required, the Council is supporting officers in navigating procurement processes with greater confidence.
- The Council has delivered targeted contract management training to officers involved in procurement and contract oversight. Recognising the varying levels of experience and responsibility across the organisation, more in-depth training options are currently being explored and developed for those officers requiring enhanced expertise in this area. This tiered approach ensures all staff have access to the knowledge and skills necessary for effective contract management, while providing additional support and development opportunities for those in roles with more complex contract portfolios.
- A suite of standardised forms and templates has been established. These include forms for logging data breaches, which ensure that incidents are recorded quickly and comprehensively, enabling prompt investigation and remedial action in line with statutory requirements. Dedicated forms are also utilised for the signing and sealing of official documents, providing clear records of authorisation and ensuring compliance with internal controls. In addition, a structured process is in place for officers to formally request legal advice, with requests documented and tracked to guarantee transparency, consistency, and an effective audit trail.
- Regular meetings between statutory officers—including the Section 151 Officer, Monitoring Officer, and Head of Paid Service—have been convened to specifically consider and address concerns relating to governance.
- A governance toolkit has been established to support officers in understanding and adhering to the relevant provisions of the Council's constitution. This toolkit serves as an accessible resource, offering practical guidance, explanatory notes, and illustrative case studies to clarify procedural requirements and good governance principles. It provides step-by-step instructions for navigating key constitutional processes, helping officers to fulfil their responsibilities with confidence and ensuring consistent application of governance standards across the organisation.
- The service planning process has also been refined to enhance collaboration and ensure robust scrutiny at the earliest stages. Plans are now initially reviewed by relevant support services, enabling subject matter experts to provide input and identify any cross-cutting considerations before plans progress further.

2.3 It is important to recognise that these comprehensive measures already reflect significant and positive momentum across the Council. Notably, there are numerous examples where officers have proactively considered and enhanced processes, demonstrating an encouraging shift towards continuous improvement in governance, transparency, and accountability. While the full impact of these changes will continue

to unfold over time, the Council is confident that its culture is evolving in the right direction.

- 2.4 Embedding new ways of working and ensuring they become second nature is supported by the sustained commitment and enthusiasm of staff, regular reinforcement, and open communication. With strong leadership and a shared sense of purpose, these ongoing efforts are fostering meaningful and lasting cultural change, ensuring that improvements are not only implemented but embraced throughout the Council.

### **3.0 PLANNED ACTIONS**

- 3.1 To further reinforce this commitment, the Council's Corporate Leadership Team will continue to prioritise the resolution of outstanding internal audit recommendations. Dedicated quarterly sessions will continue to review progress, address any barriers to implementation, and ensure ongoing accountability at all senior management levels. Outstanding recommendations are established as a standing item on the Corporate Leadership Team (CLT) agenda.
- 3.2 In agreement with the Internal Audit Manager, it is recognised that, in certain instances, a recommendation made may be consciously tolerated and not actioned. Where this approach is adopted, the justification and associated risks will be clearly documented and, where appropriate, reflected within the relevant departmental and Corporate Risk Register. This ensures transparency and maintains alignment with the Council's risk management framework.
- 3.3 An action plan has been developed specifically to address outstanding recommendations relating to key financial systems. Implementation of these actions is underway and is being progressed in tandem with the broader programme of enhancements to the Council's financial systems. This coordinated approach is designed to ensure that improvements in financial controls are integrated with system upgrades, thereby reinforcing the overall integrity and effectiveness of the Council's financial management.
- 3.4 As in previous years, there will be a continued focus on governance training for both the Corporate Leadership Team and the Extended Leadership Team. Dedicated sessions are scheduled for November 2025, aimed at strengthening collective understanding of governance responsibilities and reinforcing a culture of robust oversight across the organisation. These training initiatives are designed to complement broader improvement efforts and support the ongoing development of effective leadership at all levels.
- 3.5 Where appropriate, officers will attend meetings of the Audit and Governance Committee to present updates and respond directly to questions raised by committee members. To provide clarity and consistency in this process, a protocol has been developed in consultation with the Chair and Vice Chair of the Committee.
- 3.6 The Internal Audit Manager will collaborate closely with Heads of Service to develop and refine responses to internal audit recommendations, thereby strengthening both accountability and tailored action across departments. As part of the Council's ongoing commitment to governance enhancement, the S151 officer will deliver targeted training during the scheduled November 2025 governance sessions. This training will specifically address how to respond effectively to internal audit recommendations, with a particular emphasis on formulating SMART (Specific, Measurable, Achievable, Relevant, Time-bound) actions to drive meaningful and demonstrable improvements.

- 3.7 The Council recognises the value of fostering wider involvement of the Corporate Leadership Team in the drafting of the Annual Governance Statement which has been recommended in the recently refreshed guidance issued by the Chartered Institute of Public Finance and Accountancy. By actively engaging a broader cross-section of senior leaders in this process, the Council ensures that the statement draws on a diverse range of perspectives, operational insights, and departmental experiences.

#### **4.0 Summary**

- 4.1 The above highlights the Council's ongoing efforts to embed a culture of continuous improvement, governance, transparency, and accountability. Staff engagement, strong leadership, and open communication are recognised as essential in driving and sustaining these changes.

- 4.2 Key planned actions include:

- Continued prioritisation of unresolved internal audit recommendations by the Corporate Leadership Team, with quarterly review sessions to monitor progress and ensure senior management accountability.
- Clear documentation and risk assessment for audit recommendations that are consciously not actioned, maintaining transparency and alignment with risk management frameworks.
- Development and implementation of a targeted action plan to address outstanding recommendations related to key financial systems, coordinated alongside broader system enhancements.
- Ongoing governance training for senior leadership, with dedicated sessions scheduled for November 2025, to strengthen understanding and oversight responsibilities.
- Establishment of a protocol for officers to update and engage with the Audit and Governance Committee, ensuring clarity and consistency in communication.
- Close collaboration between the Internal Audit Manager and Heads of Service to tailor responses to audit recommendations and strengthen accountability in each department.
- Targeted training to be delivered by the S151 officer on formulating effective, SMART actions in response to internal audit recommendations, as part of the November 2025 governance training.

- 4.3 The Council believes these steps are helping to build lasting improvements in how it works, making the Council stronger and better at managing risks and following good governance practices.

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	- A Well-Run Council
Policy Considerations:	Not applicable.
Safeguarding:	Not applicable.
Equalities/Diversity:	Not applicable.
Customer Impact:	Not applicable.
Economic and Social Impact:	Not applicable.
Environment, Climate Change and Zero Carbon	Not applicable.
Consultation/Community/Tenant Engagement:	In developing the Action Plan there has been engagement with Statutory Officers, the Corporate Leadership Team and the Internal Audit Manager.
Risks:	The Council's governance arrangements are a critical part of its operations to ensure decision making is robust and effective. Internal audit is an important part of these governance arrangements. There are a number of risks to the Council if it does not have a properly functioning internal audit function. These potential risks include reputation, poor decision making, fraud, lack of control and inadequate assurance.
Officer Contact	Paul Stone Director of Resources <a href="mailto:paul.stone@nwleicestershire.gov.uk">paul.stone@nwleicestershire.gov.uk</a>