



Leicester
City Council

Minutes of the Meeting of the
GOVERNANCE AND AUDIT COMMITTEE

Held: WEDNESDAY, 19 JULY 2023 at 5.30pm

P R E S E N T :

Councillor Kaur Saini (Chair)
Councillor Surti (Vice Chair)

Councillor Cassidy

Councillor Kitterick

Councillor Whittle

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1. APOLOGIES FOR ABSENCE

Councillor Kaur Saini as the Chair led on introductions.

Apologies for absence were received from Councillor Dave.

The Chair took the opportunity to thank The Chief Accountant for his support to the Committee and wished him the best on his new role.

2. DECLARATIONS OF INTEREST

Councillor Whittle declared that he was a beneficiary of the Local Government Pension scheme, should the topic come up for discussion at the Committee.

Councillor Kitterick declared that he was employed by HMRC.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the previous meeting be confirmed as a correct record.

4. MEMBERSHIP OF THE COMMITTEE

The Membership of the Committee was noted.

Councillor Kitterick for the record stated it was bad practice for the effective

Chief Executive of the organisation to appoint the Chair and Vice Chair of the Audit and Governance Committee and should be discontinued as soon as possible.

5. TERMS OF REFERENCE

The Terms of Reference were noted.

6. SCHEDULE OF MEETINGS AND WORKPLAN

The schedule of meetings and the workplan for the municipal year were noted.

Councillor Kitterick requested the Chair if appropriate, to consider adding the item on Commercial Loans and the Haymarket Loan to the Work Plan focussed on the financial management. The Director of Finance informed the Committee that this could be requested to be added to the work programme for the year and this would be based on the governance of the decision making processes.

7. DRAFT STATUTORY STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2022-23

The Chief Accountant introduced the report and provided an overview of the report on the Draft Statutory Statement of Accounts and the Annual Governance Statement 2022/23 and provided a brief update on the External Audit of the 2021/22 accounts.

As part of the discussions, it was noted that:

- The Local Enterprise Partnership was effectively a separate body and did not impact any direct funding to the authority. Although the future was uncertain currently, there was guidance anticipated to plan the transition arrangements and options going forward, this could be updated on in the future.
- The two voluntary controlled schools referenced that were not owned by the council have to be included in the accounts as the authority controls the assets.
- Surplus assets such as potential development sites were capital assets and if sold could only fund capital expenditure and could not be used to solve any revenue budget issues.
- Reports to the Pension Committee for which the Council had representation on, would address any liability to pensions from any divestment from fossil fuels, these impacts were currently unknown.
- The fall in government grants was related to the Covid support grants and a report on this went to Council figures in the accounts were best estimates and should remain the same.
- The position with the claim by Biffa and the impacts on the accounts was currently unknown and was a contingent liability in the accounts currently.
- Investment limits were approved by Council in the Treasury Strategy,

which sets out all limits in line with risk factors. The controls of treasury investments is something that could be considered by the Committee.

- The increase in the value of the museum asset was not able to be disclosed in the meeting due to insurance purposes, but Members of the Committee could request this information outside of the meeting.

Members of the Commission raised concerns on the pension deficit which was 0 and could not be quantified and requested Officers to further elaborate on this matter. It was noted that these varied year on year but in simplistic terms assets had stayed flat, but the liability for future pensions provisions had changed, as it was effectively discounted using interest rates in terms of liability and as those interest rates have increased, it is estimated that the future liability had dropped and these estimates would be challenged by auditors.

The External Auditor introduced the report and noted that the full audit plan was not yet being issued and this was primarily down to an updated auditing standard which included a lot more documentation to be completed. Most of what was presented to the Committee would be included as part of the audit plan and was a good reflection overall. The document Informing an Audit Risk Assessment underpins the plan.

Members of the Committee noted that they were happy with what was being reported in the accounts which were consistent with their what they have previously been presented with in their roles in the Council.

Members of the Committee requested that the skills shortages and alternatively qualified practitioners in Childrens Services be recommended to come to scrutiny to consider what the implications of this would be to the authority. The Director of Finance noted that Overview Select Committee had requested a report on the Workforce Planning across the entire authority and this would be covered as part of the report to the OSC.

In summary it was noted that Members of the Committee would be required to approve publishing the reports on an audited set of accounts following the audit process carried out by the External Auditors for an independent audit of the accounts.

The external Auditor drew Members attention to the significant risk of the audit and noted that there were some risks that were presumed which couldn't be rebutted and this would be addressed in the plan. There was a discretion on the revenue income streams where there was a presumed risk of fraud or manipulated accounts, but as most income was generated through council tax, business rates or grant incomes and the risks around these could be rebutted as the risk of material fraud was low. The two big significant risks were around valuations of land and buildings as they were complex estimates and secondly, the pension liability.

It was noted that IT control deficiencies had been identified last year and these would be looked into, and the progress made following the identified

risks would be addressed as part of the audit work. Members of the Committee were also informed of the revised auditing standards, which required auditors to look into IT systems which linked into the accounts and impacted on the statement of accounts not all IT systems and any issues would be reported to the Committee.

In further discussions it was noted that the final External Audit Annual Report 2021/22 (the Value for Money report) were close to being finalised and no significant weaknesses of that work have been identified at this point, this would be delivered to the Committee as soon as they were available.

Members of the Commission queried the current debates in government around the AI Regulations and Workers Rights Bill and whether any new threats had been identified or AI used. It was suggested that as a firm the external auditors were investigating how AI could be utilised internally to drive more efficient auditing, but it was still a new area, and a lot of learning would be required before it could be used. The Director of Finance noted that cyber security was on our risk register and it was suggested that this could be a potential item for consideration by the Committee and that the Head of IT could be invited to the Committee.

RESOLVED:

That the report be noted

8. PROGRESS AGAINST INTERNAL AUDIT PLANS 2022-23 AND 2023-24 AND THE INTERNAL AUDIT ANNUAL REPORT 2022-23

The Internal Auditor from Leicestershire County Council presented an overview of the report on Progress against Internal Audit Plans 2022-23 and 2022-23 and 2023-24 and the Internal Audit Annual Report 2022-23 which was a two-part report. Part one provided a routine progress against the plans report and part two was the Head of Internal Audit's Annual Report.

As part of the discussions, it was noted that:

- Members of the Committee were pleased that overall, the report was positive.
- Members queried the high importance recommendations and requested an update on CCTV to be provided in January 2024 which had a target date of December 2023 and in response Members were reassured that a progress report would be provided as soon as it was available.
- Resiliency testing of the ICT Controls were ongoing after Russia's invasion of Ukraine as there was a clear danger and Anti-Virus approaches had changed.

RESOLVED:

That the contents of the report be noted, and the comments raised by the Committee be considered.

9. NATIONAL FRAUD INITIATIVE UPDATE 2022-23

The Investigations Officer provided a report which updated the Committee on the National Fraud Initiative currently underway.

As part of the discussions, the Chair queried the £189,000 overpayment which had been highlighted in the report. In response to the Chair, it was noted that this overpayment had been received in full and had been identified by the NFI and this would be added to the internal audit plan.

RESOLVED:

That the Committee note the report.

10. EQUAL PAY AUDIT 2022

The Head of Human HR introduced the report and provided an overview of the Equal Pay report. It was noted that:

- This report provided an overview of the outcomes of the recent Equality Pay Audit conducted in May 2022 by an independent specialist.
- The findings of the audit pay credit to a well-constructed pay and grading structure and effective management of the Council's pay policies. The Audit report overall concluded that the authority had robust provisions, criteria and practices within the organisation that prevent unequal pay.
- A small number of recommendations were made to further investigate potential differences to ensure equality in pay remained.

As part of the discussions, it was noted that Members of the Committee were satisfied that the pay grading was fair and robust measures were in place to maintain these standards.

RESOLVED:

That the report be noted.

11. ANY OTHER URGENT BUSINESS

There being no other items of urgent business, the meeting closed at 7:12pm.