



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE
Microsoft Teams Meeting

Held: TUESDAY, 24 NOVEMBER 2020 at 5:00 pm

P R E S E N T:

Pantling (Chair)
Councillor O'Donnell (Vice Chair)

Councillor Bajaj
Councillor Joshi

Councillor Kaur Saini
Councillor Dr Moore

Councillor Rahman

* * * * *

61. APOLOGIES FOR ABSENCE

There were no apologies for absence.

62. DECLARATIONS OF INTEREST

There were no declarations of interest.

63. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting held on 23 September 2020 be confirmed as a correct record.

64. STATUTORY STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2019/20

The Director of Finance submitted a report which sought the approval of the Committee for Council's Annual Governance Statement, Annual Accounts 2019/20 and Letter of Representation. The Committee were also provided an update from the External Auditor, which detailed the conclusion of their audit work and any recommendations.

The Chief Accountant gave an update on the Statutory Statement of Accounts and noted the changes from the draft previously seen by the committee, these included:

- A reduction in the pension liability of £5m, due to a change in estimates
- A post balance sheet event had been added, recognising the impact Covid-19 was having on uncertainties and the uncertainty going forward.

The External Auditors presented their report and noted they were planning to issue an unqualified audit opinion for the Statement of Accounts and Value for Money opinion. The External Auditors noted the following key points:

- The significant risk Covid-19 had placed on the Local Authority however, no significant issues were found.
- Whilst there was no modification in the accounts an 'Emphasis of Matter' had been proposed covering two areas: Property, Plant and Equipment valuation and Valuation Material uncertainties. This was standard for most Authorities due to the impact of Covid-19 pandemic and the impact on valuers' estimations.
- A number of areas for improvement were noted. The Chief Accountant noted that the teams were already working on these.

Members raised concerns over Covid-19 and the robustness of the Council's finances, the Chief Accountant informed Members that:

- The plan was to continue using the managed reserve strategy to balance budgets for this and future years. In addition, additional funding had been received in year from Government through various grants to support the budget in 2020/21.
- It was noted it was still difficult to produce a long-term plan due to a one-year national spending review.
- It was further noted the Council was currently in a better position than many other local authorities. As the Council was not yet facing measures to make in year cuts. The managed reserves strategy had allowed us time to plan savings.

RESOLVED:

That:

1. The report be noted.
2. The Annual Statement of Accounts be approved.
3. The Annual Governance Statement be approved.
4. That Letter of Representation submitted by the Director of Finance be approved.
5. The authority to approve any minor amendments to the Annual Accounts and Annual Governance Statement be delegated to the Director of Finance, subject to a report to the Committee at the next meeting.

Councillor Rahman joined the meeting during deliberation of this item.

65. THE IMPACT OF BREXIT ON LEICESTER CITY COUNCIL

The Chief Operating Officer and Director of Delivery, Communications and Political Governance submitted a report with the findings of the impact and risk

analysis carried out on Brexit.

An overview was provided highlighting the key areas of risk facing the Council in relation to Brexit. It was noted this may be further amplified by the Covid19 pandemic. It was noted this was an area continually being monitored. In addition, it was highlighted the Local Resilience Forum (LRF) and Leicester and Leicestershire Local Enterprise Partnership (LLEP) were working with businesses to help them to prepare.

In response to Members' queries, the Risk Manager noted the request by Members for the following information:

- Statistical information on UK nationals planning to return from other EU countries and potential demand on housing and education.
- For businesses that fell short of complying with the new rules and laws, if they would be given extra time to comply due to Covid-19.

Councillor Pantling stressed the ongoing need to monitor identified risks.

RESOLVED:

That:

1. The report be noted.
2. Statistical information on UK nationals planning to return from other EU countries and potential demand on housing and education be provided to Members.
3. For businesses that fell short of complying with the new rules and laws, a question whether they would be given extra time to comply due to Covid-19 be provided to Members.
4. Identified risks continue to be monitored.

66. CORPORATE COMPLAINTS (NON-STATUTORY) 2019/20

At this point, the Chair agreed to consider items out of the order listed on the agenda, as follows:

The Director of Finance submitted an update report to the Committee on corporate non-statutory complaints for 2019/2020.

It was reported that:

- The Social Care Local Government and Social Care Ombudsman (LGSCO) had determined that social care complaints should be considered under the Corporate Complaints Policy as outlined in the report.
- The number of annual complaints was summarised and a reduction in numbers for the year noted reducing to 365 from 544 in the previous year. The Council was deemed not to be at fault in 64% of cases.
- It was further noted the main sources of complaint were for housing repairs and council tax.
- The Housing Ombudsman Complaint Handling Code had been introduced from July 2020 and provided a framework for effective complaint resolution

by landlords and would help to create a positive complaint handling culture for the benefit of both landlord staff and residents.

The Chair praised how customer-focussed the service was and relayed that they had been helpful when she had received complaints from constituents.

RESOLVED:

1. That the report be noted.

Councillor Bajaj left the meeting during the deliberation of this item.

67. LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN COMPLAINTS 2019/20

The Director of Finance submitted an update report to the Committee on complaints made to the Local Government and Social Care Ombudsman (LGSCO) in 2019/20 regarding Leicester City Council. Members were asked to note the outcomes, and comment on actions in response to the lessons learned, the planned improvements, and how they would influence planned future delivery.

The Ombudsman reported 112 complaints received in 2019/20 compared to 128 received in 2018/19. Decisions had been made on 119 of these complaints, some complaints from 2018/19 were not heard until 2019/20. 36 of these complaints were investigated and of those investigated 22 were upheld with the Council required to remedy the situation. Leicester City Council had a compliance rate of 100% compared with 99.4% across councils nationally.

The summary of annual complaints by department was reported.

The Chair supported the review on future changes and noted that it had been well thought through. She further stressed the importance as a council of listening to complaints.

RESOLVED:

1. That the report be noted.

68. COUNTER FRAUD MID-YEAR UPDATE REPORT 2020

The Director of Finance submitted a report to the Committee which provided a mid-year update on the work carried out by the Corporate Investigations Team for the period 1 April 2020 to 30 September 2020. Members were recommended to note the report and make any recommendations to the Executive and/or Director of Finance.

It was noted the Fraud team had worked with the Revenues team to ensure there was controls in place to assist with preventing fraudulent applications in relation to the £80m of business grants being paid out during 2020/21.

RESOLVED:

1. That the report be noted.

69. UPDATE IN DEVELOPMENTS IN LOCAL (EXTERNAL) AUDIT ARRANGEMENTS

The Head of Internal Audit and Assurance Service provided an update on developments in External Audit arrangements and the outcomes of the national Redmond Review.

It was noted:

- The Redmond review looked at whether the current financial reporting and auditing arrangements allow accountability and transparency. Following this a number of recommendations have been made.
- Changes to the Code of Audit Practice had come into force in April 2020.

It was highlighted some of the recommendations would require primary legislation, such as changing the audit completion deadline. Others were localised recommendations such as adding independent members to the Audit Committee and an Auditor report to Council.

External Auditors commented that the Code of Audit Practice would impact more immediately, which came into force from 1 April 2020 and NAO guidance to auditors was published in October 2020. It was reported that changes included fleshing out the Value for Money opinion and a new report would replace the Annual Audit Letter. External Auditors commented they were pleased with the recommendations from the review, and hoped they would be enacted promptly, although it was recognised that this may be challenging.

The Chief Accountant stated that along with the Deputy Director of Finance a training programme would be developed for Members to be delivered in 2021 including the impact of the changes detailed as part of this report. In addition, the Council was currently putting a plan to ensure we can comply with the changes.

The Chair referred to the recommendation of adding independent members to the Audit and Risk Committee and asked how it would work. The Head of Internal Audit and Assurance Service commented that after researching practice with other councils, he had noticed a 70/30% split against the idea of having independent members on the Audit Committee. He concluded that it was important to weigh up benefits with negative effects and not to implement the idea simply as a 'tick-box' exercise. External Auditors added that the drive for independent members would depend on whether they had the correct financial reporting expertise, and that there might be costs involved.

RESOLVED:

That:

1. The report be noted.
2. A training programme for Members of the Audit and Risk Committee be delivered in 2021.

70. PRIVATE SESSION

RESOLVED:

That the press and public be excluded during consideration of the following reports, in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because they involved the likely disclosure of “exempt” information, as defined in the Paragraph detailed below of Part 1 of Schedule 12A of the Act, and taking all circumstances into account, it was considered that the public interest in maintaining the information as exempt outweighed the public interest in disclosing the information.

Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

APPENDIX H – Progress Against the 2019-20 and 2020-21 Internal Audit Plans

71. PROGRESS AGAINST THE 2019-20 AND 2020-21 INTERNAL AUDIT PLANS

The Head of Internal Audit and Assurance Service submitted a report to the Committee which provided a summary of progress against the 2019-20 and 2020-21 Internal Audit Plans, information on resources used to progress the plans, and summary information on high importance recommendations and progress with implementing them. Members were recommended to note the content of the report.

The report outlined both planned progress details and high-importance recommendations. It further outlined the pressures and impact of Covid-19. It was reported that staff had continued to work remotely but engagement had been good and accommodating. Pressures and challenges brought about by Covid-19 had led to delays to some audits and changes on timings. The Statement of Intent built on the flexibility of audits and officers were being worked with where delays were experienced.

Members noted the contents of the appendices referred to.

Councillor Joshi raised the High Importance Recommendation on Concessionary travel, stating that people were finding it difficult to obtain concessionary travel cards with inconsistencies over the issuing and retention of application forms and payments. He asked what assurances could be given to ensure replacing cards was a quick and easy process.

The Internal Audit Manager responded that a review had been done and had been extended due to the main recommendations on trading agreements. This

had been done in consultation with Leicestershire County Council. He further added that formal testing was carried out to ensure processes were being implemented and would report back to the next meeting of the Committee.

Responding to a query from the Chair on how tests were carried out, The Internal Audit Manager clarified that the speed of the process of applications was looked at on sample applications.

RESOLVED:

That:

1. The contents of the report be noted.
2. Information on the issuing of concessionary travel cards be provided to Members of the Committee.

72. ANY OTHER URGENT BUSINESS

Referring to the previous meeting of the Committee, Councillor Dr Moore referred to the sampling of housing benefit payments for reporting to the Department of Work and Pensions (DWP). She recalled that 900 cases had been sampled to spot errors and enquired as to whether this number was split into the same number of investigations per category or a random selection.

Nicola Coombe (External Audit) clarified that the initial sampling was done across categories, but if errors were found then that category was focussed on and more testing was done. The DWP required the selection of 20 cases from each category, where errors were found, 40 more cases were looked at. Sometimes the whole population was considered to discover the exact value of the error.

There being no further items of urgent business, the meeting closed at 7.07pm.