



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 24 NOVEMBER 2021 at 5:30 pm

P R E S E N T:

Councillor Kaur Saini (Chair)

Councillor Joshi

Councillor O'Donnell

Councillor Dr Moore

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26. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Pantling, and from Nicola Coombe (Grant Thornton, External Auditors).

27. DECLARATIONS OF INTEREST

There were no declarations of interest.

28. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting held on 29 September 2021 be confirmed as a correct record.

29. LEICESTER CITY COUNCIL AUDIT PROGRESS REPORT AND SECTOR UPDATE

The External Auditor submitted a report to the Audit and Risk Committee for noting, on progress in delivering responsibilities as external auditors.

Grant Patterson, External Auditor, presented the report on progress and brought to Members' attention finalisation of the 2021 audit of the statement of accounts. The following points were highlighted:

- Members were reminded that at the end of September 2021, the detailed Audit Findings Report was reported to the Committee, which included outstanding matters and some works in progress and an unqualified opinion was anticipated on the financial statements. A final version of the Audit

Findings Report had been provided to management on 15 October 2021 with signed audit opinion, and it was confirmed an unqualified opinion was issued.

- Final changes in the accounts were summarised in the report as:
 - Four adjusted misstatements, none of which resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement, nor impacted on the Council's usable reserves.
 - Four unadjusted misstatements which management did not adjust for on the grounds of materiality.
 - The errors were considered immaterial both individually and in aggregate, with the next impact of an increase of Property, Plant and Equipment by £1.0m had the adjustments been made.
- The 2020/21 Value for Money work was in progress and was close to completion, with a draft report to be provided before Christmas, then to be finalised in the new year.
- For the certification of grant claims, External Auditors were on track.
- Audit of the Housing Benefits Subsidy claim was fairly well progressed with the deadline for completion at the end of January 2022.
- In relation to the annual Pooling of Housing Capital Receipts, auditors were in the process of sharing letters of engagement with the Council.
- It was noted the City Council had purchased the CFO Insights tool from Grant Thornton. This was an annual subscription of £12,500 for three years. This was being reported for information and to provide assurance this was within the ethical standards.
- The FRC reported in October 2021 on their inspections of auditors work in the public sector, and the findings were summarised in the report. It was confirmed nine of Grant Thornton's audits were inspected in 2021. 70% were graded as good, and the independent reviewers were satisfied with the auditor's progress and quality of work. External Auditors hoped the report gave the Audit and Risk Committee Members confidence into the external auditors work.

Councillor Dr. Moore commended the statement made on page 16, "As Auditors we have had to show compassion to NHS staff deeply affected by the crisis", which she applauded and said it was refreshing to see the statement, in what was largely a financial report, had human interest which affected external audit actions.

Members brought to the attention of the meeting an email from an external organisation raising the point that Leicester City Council audits had not been signed off. Officers noted the point and informed the meeting that a statement was placed on the website following publication of the accounts by the due date, and that they had been audited. Officers had responded swiftly to the email, but would discuss with the City Mayor and Communications Team the consideration of further publicity in future years. It was noted that delays in external audits were a national problem for number of reason including the availability of resources in the audit sector, and guidance being released late, amongst other things. Members were informed a financial update that would cover these issues would be brought to the next meeting of Audit and Risk Committee.

It was further noted the whole of government accounts were yet to be complete, as they were yet to be issued by the Treasury.

Members were informed the Council was in the fortunate position of having had its accounts signed off before many other authorities.

Grant Patterson put into context that accounts had to be published by September 2021 and the external auditors had issued an opinion in mid-October. He added that it was widely publicised that there were challenges in both quality and amount of work to be done amidst a pandemic, in a field that had resource issues. They would continue to monitor the situation, but there were no issues to report with the Council's accounts, and that external auditors continued to work well with good support from the Council's Finance Team.

The Chair thanked the External Auditor and Finance Team, noting the difficulties to undertake audit work during the difficult times being experienced by everyone.

RESOLVED:

1. That the Audit and Risk Committee note the report.
2. Officers note the comments made by Members and discuss with the City Mayor and Communications Team further publicity on the publication of the Council's audited accounts prior to be taken to Full Council.

30. ANNUAL INSURANCE REPORT 2021

The Deputy Director of Finance submitted a report which presented an overview of the Council's internal and external insurance arrangements which provided information on the claims received in recent years and the results of the claims handling process.

Catherine Taylor, Financial Strategy and Insurance Manager, presented the report, and highlighted the main points in the report to Members:

- The Council's approach to risk financing as a large organisation was to have a high deductible (excess) level which kept down the overall costs of insurance and then managed the remaining risk by self-insuring.
- The annual costs of insurance were held as a corporate budget that did not affect individual departments budgets. The Council had an insurance fund put aside to meet claims as they needed paying. The fund usually reviewed by an independent external actuary annually to give assurance there were sufficient funds. It was noted the last review had been delayed due to the pandemic. However, there were no reasons to think there were not sufficient funds based on information officers held.
- In terms of external insurance it was a difficult market with cost pressures both in property insurance with concerns around fire and flood risk, and liability insurance where the costs tended to be very significant especially if relating to life changing injuries. It was noted there were ongoing reforms

- around personal injury cases.
- It was also noted there were ongoing national issues around liability in social care cases, some of which went back a long time, in some cases decades.
 - It was highlighted that one insurance provider had decided to withdraw from the UK market following Brexit, as it was not cost effective to maintain their registration in the UK. As this was the only one at the time of this meeting the impact was believed to be minimal but if more chose to withdraw from the market, we could see less competition and premium increases.
 - The report contained information on claims received and handled. It reflected a positive position, showing a reduction in claims particularly in relation to council housing.
 - The appendix to the report provided a broad summary of the cover and main policies.

The Chair thanked the officer for the report.

RESOLVED:

1. That the contents of the report be noted.

31. ANNUAL REPORT ON THE NATIONAL FRAUD INITIATIVE (NFI)

The Deputy Director of Finance submitted a report which provided information to the Audit and Risk Committee on the National Fraud Initiative (NFI) exercises which were currently underway. The Committee was recommended to note the report.

Stuart Limb, Corporate Investigations Manager, presented the report and drew Members attention to the following points:

- The authority participated in two separate NFI exercises, one in which involved matching datasets with external organisations, including other local authorities, and secondly matching data held within the Council.
- There were 26,769 matches for 2020/21, and the different matches were given a risk score. We are expected to investigate those matches that are deemed to be high risk.
- To date nearly 6,000 matches had been checked, with only one error identified and no frauds. This provided a good level of assurance that processes were good.

The Chair was impressed with the result of the checks. Members acknowledged the achievement by officers noting the citizens of Leicester could be assured the authority was looking after the public purse.

The Chair thanked the officer for the report.

RESOLVED:

1. That the report be noted.

32. COUNTER FRAUD MID-YEAR UPDATE REPORT 2021

The Deputy 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 (CIT) for the period 1st April to 30th September 2021. The Committee was recommended to receive and comment on the report.

Members noted that:

- A report was presented to the Committee on 21st July 2021, and information provided at the meeting was an update on the previous report.
- The CIT continued to check Right to Buy (RtB) applications, school admission application, and vet council house properties to ensure they were being occupied by the correct tenant.
- The period covered by the report showed combined loss avoidance and income generated savings of £619,000.

The Chair thanked the officer for the report.

RESOLVED:

1. That the report be noted.

33. STRATEGIC AND OPERATIONAL RISK REGISTERS / HEALTH AND SAFETY DATA

The Director of Delivery, Communications and Political Governance submitted a report to the Audit and Risk Committee which provided an update on the Strategic and Operational Risk Registers and Health & Safety data. The Committee was recommended to note the report.

Sonal Devani, Manager (Risk Management) drew Members' attention to the following information:

- A summary of risks was provided at Appendix 1 to the report, with comprehensive details provided at Appendix 2 to the report.
- For the reporting period, two new risks were added:
 - Safeguarding – Skills Shortage (risk no. 8 – high risk at 20)
 - Asylum / Refugees (risk no. 21 – medium risk at 9)
- As detailed in the report, risk controls for risk numbers 5, 9, 13 and 14 were amended.
- The risk scores for risk numbers 9 and 16 (School Improvement and Provision of Secondary School Places) were reduced to 9 from 12.
- The score on risk no. 12 (Resource: Capacity, Capability, Retention and Development) was increased from 9 to 12, to reflect current challenges around recruitment and retention.
- The Summary of operational risks was provided at Appendix 3, with detailed risks presented in the Operational Risk Register (ORR) at Appendix 4 to the report, compiled using risk registers submitted by each Divisional Director.
- 20 ORR risks had been amended, two deleted and three new risks added

- for the reporting period.
- New risks were at 1, 22 and 23.
- It was noted that when a risk was 'deleted', it was not eliminated, but no longer scored as 'high'.
- For Health and Safety (H&S) data, a total of 386 incidents were reported in the last quarter, of which 205 were described as near misses.
- The H&S data included two new reporting categories:
 - Observed Hazard;
 - Non-Work Related.
- A 150 injuries were reported in Q1, an increase of 14%.

Members observed the volume of injuries was still quite high at 150.

The Chair thanked the officer for the report.

RESOLVED:

1. That the report be noted.

34. DECISION TO OPT INTO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS MANAGED BY PSAA AS THE 'APPOINTING PERSON'

The Deputy Director of Finance submitted a report to the Audit and Risk Committee which set out proposals for appointing the External Auditor to the Council for the accounts for the five-year period from 2023/24 to 2027/28. The Committee was asked to recommend that the Council accept the Public Sector Appointments' (PSAA) invitation to opt into the sector led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

Amy Oliver, Head of Finance, presented the report, and the following points were noted:

- The reasons for the recommendation to use the PSAA was to ensure suitable independent auditors, ensure both quality and price, suitably qualified auditors
- It was noted there is limited External Auditors suitably qualified in the market.
- The procurement process would be managed nationally and assured by PSAA. This removing the burden from the Council on a complex procurement.
- The report concluded the sector-wide procurement was a better, more collaborative way moving forward, and the majority of councils were using the approach rather than appointing their own auditors.
- The report would be taken to Full Council on 25th November 2021.

The Chair noted the report being taken to Council, and appreciated the reason for using the recommended method of choosing external auditors. The Chair agreed that the report and recommended action be taken to Full Council on 25th November 2021. This was seconded by Councillor O'Donnell.

RESOLVED:

1. The Audit and Risk Committee recommended that Council accept the Public Sector Appointments' invitation to opt into the sector led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

35. PROGRESS AGAINST 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 2020-21 and 2021-22 Internal Audit Plans. Information was provided 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.

Neil Jones, Head of Internal Audit and Assurance Service presented the report. The report covered progress on the past year and current year plans, and was brought to Committee under the Council's constitution to monitor performance against the Internal Audit Plan and to receive summaries of internal audit reports and the main issues arising.

Members noted that people continued to work from home and staff were being encouraged to take leave, and there would be a dip in activity over Christmas. It was further noted that Covid-19 continued to affect performance due to staff absences due to illness. The Service was continuing to monitor the situation with regular meetings with management.

A summary of progress was provided. Members noted in the plans at Appendix 1 to the report, the use of bold font depicted a status change. Appendix 2 to the report provided a short summary of issues and associated high importance recommendations. It was noted both appendices provided assurance to Members that work was moving forward even with continued Covid-19 disruptions.

The CIPFA project looking at internal audit was referred to in the report. A recent survey was responded to by the Chair of Audit and Risk Committee, and Head of Internal Audit and Assurance Service. The findings and conclusions of the research would be produced in early 2022 and would be reported back to Committee at a future meeting.

Members noted CIPFA's response to the government's recommendation following the Redmond Review, which fully supported the government's proposal to strengthen audit committees. The Department for Levelling Up, Housing and Communities (DLUHC) findings would be reported to a future meeting of the Committee.

Councillor Dr. Moore made a declaration of interest at this point in the meeting with regards to Appendix 2, Audit Title 'SEND funding' in that she was a

governor at the two special schools, and was on the advisory board. Councillor Moore raised a query on the SEND finance processes with reference to clawback. She voiced concern over the wellbeing of the children and believed as a Committee it should look at the special children in the city and ensure those needs were being met. The Head of Finance would look into the process and provide information to Councillor Moore.

The Chair thanked the officers for the report.

RESOLVED:

1. That the report be noted.
2. The Head of Finance to provide further information on SEND finances and the clawback process to Councillor Moore.

36. AUDIT AND RISK COMMITTEE WORKPLAN

The Audit and Risk Committee Workplan was noted.

37. ANY OTHER URGENT BUSINESS

There being no other items of urgent business, the meeting closed at 6.32pm.