



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: TUESDAY, 22 NOVEMBER 2022 at 5:30 pm

P R E S E N T :
Councillor Kaur Saini (Chair)
Councillor Dr Moore (Vice Chair)

Councillor Cassidy

Councillor Valand

Councillor Whittle

Mr Bipun Bhakri – Independent Member

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23. APOLOGIES FOR ABSENCE

The Chair welcomed those present and led introductions.

Apologies for absence were received from Councillor Pantling and Neil Jones, Head of Internal Audit and Assurance.

24. DECLARATIONS OF INTEREST

Members were asked to declare any pecuniary or other interests they may have in the business on the agenda.

Councillor Whittle declared that he was in receipt of a Council pension.

Councillor Dr Moore declared that she was in receipt of a Council pension.

Both Members retained an open mind for the purpose of discussion and neither interest declared was considered so detrimental as to require them to withdraw from the meeting.

**25. MINUTES OF THE PREVIOUS MEETING HELD WEDNESDAY 28TH
SEPTEMBER 2022**

RESOLVED:

That the minutes of the meeting held on 28th September 2022 be confirmed as a correct record.

26. CHAIRS ANNOUNCEMENTS

The Chair congratulated Amy Oliver on her recent appointment to the role of Director of Finance.

The Chair reminded members of the committee about the member development training session scheduled to take place on Tuesday 29th November 2022 at 6pm at City Hall and asked members to confirm their attendance as soon as possible.

27. RISK MANAGEMENT UPDATE

The Director of Delivery, Communications and Political Governance submitted a report providing an update on the Strategic and Operational Risk Registers and Health and Safety data.

The Manager (Risk Management) introduced the report explaining the review process that had been undertaken relating to the risk registers. The risk registers presented included the introduction of the PESTLE framework, (that is the Political, Economic, Sociological, Technological, Legal and Environmental factors that influence an organisation) and PESTLE analysis.

Attention was drawn to the following points:

- Appendix 1A summary of the strategic risks facing the council containing an example of a risk control action plan. It was noted detailed control action plans were now completed by Strategic Directors/other relevant officers making the system more robust and to ensure controls were being implemented and progress made.
- Appendix 2 providing a summary of the operational risks affecting day to day running of divisions.
- Appendix 3 Operational Risk Register which supports appendix 2 and providing more detail in relation to the council's operational risks.
- During the review, risks were amended, 2 were deleted (i.e. no-longer high scoring on the scale after mitigating factors implemented) and 10 new risks were added, that was due to changing environment internally and externally.
- Appendix 4 Health and Safety report and data including an early update on the revised corporate audit programme and initial outcomes.

In relation to Health and Safety data members were informed that:

- 340 incidents had been reported,
- 155 near misses occurred in the last reporting period but this reporting period had seen that level go down.
- Managers were being encouraged to report all incidents on the Health & Safety System.

The Chair thanked the officer for the report and invited members comments which included the following:

Members welcomed the report and concise description of risks. Members noted that in relation to elections there was now a requirement for people voting to show identification and it was queried whether this had been factored

into the risk register. The Manager, Risk Management agreed to confirm how the issue of checking identification will be managed by Electoral Services.

Concern was expressed about increasing backlogs in relation to the risk around cases identified in children missing from education and it was indicated in the risk register that may be related to staffing capacity, but this would be confirmed outside of the meeting.

Members queried Risk 27 Budget and what “investigates building an external funding strategy/toolkit in order to aid and encourage bid creation and consistency” meant. Officers agreed to explore that further and provide a response to the next meeting.

Members were interested to know if there were any risks associated with the cost of living crisis in particular increased costs of energy and impact on services. It was advised that such a risk is evidenced in the Strategic Risk Register e.g., economic instability and rising inflation and this was a long term strategic risk.

Members considered the health and safety data noting the large number of high RAG ratings across the council and asked how best members could scrutinise such ratings moving forward. Members were advised they were expected to note and raise any specific concerns which could be feedback to the service. The committee could request more information and the Manager, Risk Management could contact the risk owner to provide this information. It was suggested that whilst this committee should review and note the report, maybe there was a need for specific risks to be discussed at relevant scrutiny commissions.

The Monitoring Officer welcomed the point made and recognised it was a very good idea to take that by theme or look at by a particular department and to say that the relevant scrutiny commission on a regular basis should review the risk register for their area, so whilst not looking to divest this committee of that if there was need for deeper dive into risk registers it could go to scrutiny.

In relation to the new process members welcomed the PESTLE approach being taken and felt the number of risks identified was good for an organisation of this size however it was suggested that the Operational Risk Register contained too much detail and the use of jargon should be limited.

A question was raised about risk exposure and appetite and how that was addressed. The corporate risk assessment process covers the 4T's which is risk response strategy action (treat, terminate, tolerate and transfer the risk) which helps with addressing risk appetite. At LCC, risk is scored with controls in place and the officer/team/service/department will decide whether further controls are required.

There was a brief discussion about scoring risk, risk treatments and whether those were appropriate for the risk involved as well as what is acceptable in terms of risk scoring and risk appetite. Members were informed that “scoring

risks and risk appetite” are both covered in training for those completing risk assessment/registers and guidance is available to staff on how to score risks. In some cases, certain risks queried by members such as the appetite for political risk, would have to be discussed a strategic board level. Members were advised that the approach taken with each risk is to use the 4 T’s – Treat, Tolerate, Terminate or Transfer risk and the detail sitting behind this for strategic risks is in the control action plan.

Members noted this was the first report of the new strategic risk register process and progress made on managing the risks over time will become clearer.

The Chair thanked officers for the report and responding to the points made.

RESOLVED:

1. That the Strategic Risk Register and the Operational Risk Register (as of 30 September 2022) be noted,
2. That the Health and Safety data report be noted.

28. WHISTLEBLOWING POLICY REVIEW REPORT

The City Barrister and Head of Standards submitted a report inviting the Committee to review the Whistleblowing policy.

The City Barrister and Head of Standards introduced the report explaining that the cover report set out in the broadest terms what the Whistleblowing policy was designed to do, and that whistleblowing was essentially an employment law protection.

The report explained what whistleblowing was, what it wasn’t and where it links to other policy’s and how the council would support someone raising a whistleblowing complaint as well as how the organisation would deal with that whistleblowing matter while protecting the integrity of the public purse/organisation etc.

It was confirmed that this policy formed part of the terms and conditions of employees and when making any change to those terms and conditions, officers did consult the unions, on that basis if Members were happy to take the policy forward the unions would be consulted on this re-drafted policy.

Members considered the policy to be well written, very clear and straightforward but expressed concern that looking wider across the economic sector Whistleblowers were seen losing their jobs and risked being unemployable. Members queried how employees could have confidence that the outcomes of following a whistleblowing procedure were safe for them?

It was advised that one mechanism to gain confidence was to consult unions as they can provide a different perspective to senior officers, anecdotally it was believed the number of whistleblowing complaints each year was in single

figures and not high. Members were also informed that if people were not happy going to their line manager or manager above, they could come directly to the Monitoring Officer who by inference can act as an arbiter to support employees and act as conduit to escalate the complaint.

It was acknowledged there was a need to treat matters sensitively and that the right corporate culture needed to be in place to support whistleblowing. The Monitoring Officer felt that this was the case at Leicester. The organisation had to have a policy and had to be open that it was there.

Members were advised that there were also options for external whistleblowing and the whistleblowing charity was referenced in the policy to provide alternative routes. It was suggested that almost all cases of whistleblowing were best dealt with when presented to the organisation so the policy was steered towards making internal whistleblowing disclosures and officers had refrained from referencing multiple external sources as they would rather make people feel confident and safe to whistleblow internally.

The Chair thanked officers for the report.

RESOLVED:

1. That the Whistleblowing Policy and comments made during discussion be noted,
2. That the Whistleblowing Policy be supported and approved subject to consultation with unions.

29. 2021/2022 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT UPDATE

The Director of Finance submitted a report providing a progress update on the 2021/22 Statement of Accounts.

The Chief Accountant introduced the report reminding members that the 2020/21 statement of accounts was approved at the September 2021 meeting however as reported since a national accounting issue concerning the valuation of infrastructure assets continued to delay closure of those accounts. Members were advised that an adjustment to the accounts maybe required. However national guidance was awaited.

In relation to the 2021/22 accounts delay this also related to the national accounting issue but also some additional items in relation to asset and pension valuations.

Members were assured that none of the accounting issues identified affected the money the Council has to run its services.

The External Auditor presented an update on the progress of the external audit and the work delivered noting that the interim audit findings report was written at a point in time and when concluded it would be presented as a final audit report.

In regard to the Value for Money work undertaken by the external auditors, members noted that an audit letter explaining the reasons for delay was presented at the last meeting and it was expected the final audit report would be available for consideration at the meeting in March, this was in line with meeting the National Audit Office's revised deadline.

The External Auditor noted as part of their audit work any risks or significant weakness in the Council's arrangements for securing economy, efficiency, and effectiveness of its use of resources were considered. It was noted that 4 significant risks had been identified (set out in interim report) and that had not changed during the course of the audit and work was underway in that regard.

The external auditor confirmed that any technical adjustments referred to on the accounts would not affect the money available to the Council to spend on services.

Members enquired whether there had been a recent revaluation of assets of the pension fund in the context of possible impact of recent economic events and how much of the local pension fund was exposed to government bonds and how that might affect pension fund ability to reach its liabilities. The external auditor advised that they did not have access to that information, however timing of valuations was based on estimations and there was a time lag issue which was the nature of estimations.

There was a brief discussion about the Annual Governance Statement as a recommendation was included in the interim audit findings report. It was noted that whilst the Council does meet the requirements for the Annual Governance statement, in light of issues in the sector it would be beneficial for it to be reviewed and consideration given to including additional information. The City Barrister and Head of Standards assured members that the issue of governance and good governance was important to the Council and cited recent failures in local government elsewhere noting this Council had done a lot of work around governance which was seen as a definite priority.

The Director of Finance reminded members that the Annual Governance Statement came to committee in July 2022 for members to comment on before approving a final version. It was advised that any comments could still be fed into the draft before the final version was presented at the March 2023 meeting.

Members noted that throughout the interim findings report it referred to "queries yet to be answered" and it was clarified that the audit continued to be underway with some outstanding queries yet to be resolved which were listed in the report. The final audit report would be clearer and references to things outstanding would be removed.

Members were informed that the complexity of accounts was increasing along with scrutiny of audit. Assumptions and judgements were a softer area, needing professional judgement and more nuance. The audit also went beyond

the finance team into areas where there was more expertise and working through the process took time. It was reiterated that there were no key concerns, but it took time to get through the process.

The Director of Finance confirmed that the whole audit process was resource intensive especially compared to 5-6 years ago and a lot of officer time was spent on this.

Members suggested it would be helpful to have a timetable/timeline from the external auditors to understand the process better in future. The external auditor advised in relation to the current deadline, that 30 November was the date given for audited published accounts but clearly that would not be met, and Leicester would not be the only council in that position. In terms of current position, the aim was to sign off the accounts in January that meant completing audit work in December.

The Chair thanked officers and the external auditors for their update.

RESOLVED:

That the contents of the report be noted.

30. ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY - 3 YEAR REVIEW

The Director of Finance submitted a report on the review of the Anti-Fraud, Bribery and Corruption Policy as required under the terms of reference of the Audit & Risk Committee.

The Corporate Investigations Manager presented the report noting this was a 3 year review of the policy and whilst there were a number of amendments these were of a housekeeping nature to ensure the policy remained up to date, accurate and timely.

The key principles and approach of the policy were set out and members noted the policy sat alongside the Whistleblowing policy and the new Anti-money Laundering policy.

Members noted that there were no significant legislative changes since the policy was last reviewed and that a new learning package, which included a self-monitoring element, was available online which was mandatory for all new staff and was also being rolled out to existing staff.

RESOLVED:

That the Anti-Fraud, Bribery and Corruption Policy be approved and further reviewed in 3 years.

31. ANTI-MONEY LAUNDERING POLICY

The Director of Finance submitted a report providing details of the new Anti-

Money Laundering Policy.

The Corporate Investigations Manager presented the report explaining the new policy came about as part of an internal audit of this area and formalises and outlines working practices that were in place into a stand-alone policy that was proposed to take effect from 1st April 2023 to ensure awareness of it and to roll out a suitable e-learning package.

Members noted the definition of money laundering set out at para 3.1 and that this policy brought the council in line with other local authorities across the Midlands.

Members also noted that there would be closer working with risk management services to ensure managers had this risk logged for their work areas.

RESOLVED:

That the Anti-Money Laundering Policy be approved to take effect from 1st April 2023 and further reviewed in 3 years.

32. PROGRESS AGAINST INTERNAL AUDIT PLANS 2021-22 & 2022-23

The Head of Internal Audit & Assurance Service submitted a report providing a summary of progress against the 2021-22 and 2022-23 Internal Audit Plans.

The Internal Auditor presented the report covering progress against the 2021-22 and 2022-23 Internal Audit Plans including summary information on progress with implementing high importance recommendations; a summary of progress against the Internal Audit Plans and commentary on progress and resources used.

Members noted:

- The short summary of issues and associated recommendations set out in Appendix 1 along with the relevant managers comments/agreement to implement recommendations and timescales,
- The status of the internal audit as of 30th September 2022 along with comparison to previous position on 31st July 2022 (Appendix 2)
- Information about the resources used in 2022-23 (as of 30th September 2022) to close off 2021-22 audits, progress 2022-23 audits and provide additional work relating to audit requirements noting progress was on target to achieve 800 days agreed in the delegation agreement.

Members were advised in terms of status good progress was being made in delivery of the audit plan and the overall position had improved in terms of delivery of plan compared to last year, with most of the prior year audits being finalised.

Work was continuing on processing Data Analytics and improving the time involved around that. It was also noted that where relevant, individual case studies were being developed, these detailed the use of data analytics and the

resultant benefit obtained from specific audits.

Members noted that ongoing work pressure and competing priorities made progress of audits difficult in some areas, however client officers had been kept informed.

It was clarified that the table at Appendix 2 listed the audit titles by quarter and when the specific deadline for that audit was due.

The Chair thanked officers for the update.

RESOLVED:

That the contents of the report be noted.

33. ANY OTHER URGENT BUSINESS

None notified.

34. DATE OF NEXT MEETING

To note the next meeting scheduled to take place on Wednesday 18th January 2023 at 5.30pm at City Hall.

There being no further business the meeting closed at 7.08pm.