



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: TUESDAY, 16 JULY 2013 at 5.00pm

P R E S E N T:

Councillor Westley – Chair

Councillor Dr. Chowdhury
Councillor Grant

Councillor Desai
Councillor Dr. Moore

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8. TRAINING SESSION PRIOR TO MAIN MEETING - HOW TO BE AN EFFECTIVE AUDIT COMMITTEE

A training session on 'How to be an Effective Audit Committee' was delivered by the Head of Internal Audit and Risk Management, and the Audit Manager.

9. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Meghani.

10. DECLARATIONS OF INTEREST

Councillor Westley declared an interest in relation to business on the agenda, as he had family members who were council tenants.

11. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

that the minutes of the meeting of the Audit and Risk Committee held on 13th June 2013 be approved as a correct record.

12. TRAINING NEEDS ASSESSMENT FOR MEMBERS OF THE COMMITTEE

The Director of Finance submitted a report which sought to engage Members in the formulation of a training programme for 2013/14 to ensure that the training needs of the Committee, both collectively and individually, continued to be identified and met. Tony Edeson, the Head of Internal Audit and Risk Management, presented the report.

The Committee were recommended to consider their training needs and development requirements, and new Committee Members were asked to complete the attached skills assessment forms and return them to the Head of Internal Audit and Risk Management. Members were also recommended to confirm the continuation of the pre-meeting / training briefing sessions, and suggest further topics they wished to have presented to them.

It was suggested that information from the skills assessment form be brought to the next meeting of the Audit and Risk Committee at the meeting on 24th September 2013.

RESOLVED:

1. that the Committee note the report and the recommendations contained in the report.
2. that an update be brought to a future Audit & Risk Committee.

13. COUNTER-FRAUD/HOUSING AND COUNCIL TAX ANNUAL REPORT FOR THE FINANCIAL YEAR 2012-13

The Director of Finance and the Director of Environmental Services presented a joint report that provided information on counter-fraud activities during 2012/13. Steve Charlesworth, Head of Finance (Financial Control), presented the report.

It was reported that responsibility for the City Council's counter-fraud work was delivered by the Corporate Counter-Fraud Team, the Revenues and Benefits Investigations Team, both within Financial Services, the Trading Standards Team within Environmental Services, and the Tenancy Fraud Team within Housing.

The Committee was recommended to receive the report, and make any recommendations it saw fit either to the Executive or the Director of Finance, Director of Environmental Services or Director of Housing.

It was stated that the Annual Report included information on reports issued, the main influences on the level and standard of performance during 2012-13 and the key priorities for counter-fraud work in 2013-14. Steve said the report did not include comment on the Council's Anti-Fraud, Bribery and Corruption Policy, which would be reviewed later in 2013.

Steve reported that the Corporate Counter-Fraud Team had reduced in size over recent years, and more recently an experienced officer had retired and had not been replaced. He added that a review of the two Counter-Fraud Teams was awaited, and the team was currently being supported by temporary officers. Steve said the reduction in team members had resulted in less proactive work, but the team had continued to deliver fraud awareness training.

Members referred to the report and asked if losses incurred by the Council could be quantified, as it would also assist in providing evidence of the value of

the service the team gave. Linda Fletcher, Principal Investigations Officer, said it was difficult to quantify losses if incurred through individual procurement or contractual fraud, and it was difficult to know how much Leicester City Council would have paid if procedures were followed correctly. She added that when investigating employees there was usually a cut-off point, and the team would usually go back two years. She said that they received advice from the police as to how much information was required for a custodial sentence, and that each case was viewed on its own merits, on how much it would cost to uncover fraud versus the costs that could be recouped by the Council.

Sarah Khawaja, Principal Lawyer (Regulatory), said the financial value of any fraud had a significant effect on the sentence, for example, fraud of £35k or more would go to the Crown Court due to its seriousness. Sarah said that in her experience, the court wanted to know the financial value of any fraud as this allowed them to assess the seriousness of the offending and sentence appropriately.

Linda added that if a case went to court, the Council did need to quantify the amount of the fraud, as in a lot of cases, employees had used Leicester City Council facilities.

Members noted the increase in whistleblowing complaints from 25 in 2011/12 to 31 in 2012/13 (i.e. 31 of the 131 referrals were from whistleblowers). Linda reported that the team had investigated a variety of frauds which were still on-going but included substantial sums of money, details of which would be brought to the Committee when the cases were resolved.

Members were also advised that the Revenues and Benefits Investigations Team issued 221 sanctions which related to £925,627 in overpaid Housing Benefit or Council Tax Benefit paid in the financial year 2012/13, and marked a record high. Stuart Limb, Investigations Manager, said it was easier to establish an accurate amount as the fraud was based on direct financial transactions. Stuart said cases were currently being processed through the courts. It was reported that one case was a mother of four who was sent to prison for 18 months after falsely claiming £100k in housing benefit following the return of her estranged husband. Committee Members congratulated officers for uncovering the substantial amount of fraudulently claimed money.

Members were also informed of the newly formed Tenancy Fraud Team, which worked closely with the Revenues and Benefits Investigations Team to identify tenants who may be sub-letting their Council Housing properties. Stuart said £137k funding had been secured from the DCLG to recruit two temporary officers for two years and, once appointed, they would undertake enquiries on behalf of the City Council, Oadby & Wigston Borough Council and other social landlords within Leicestershire to identify tenancy fraud and prosecute on the other authorities' behalf.

The Chair requested that Legal Services and Housing deliver a presentation on the prosecution process, and give examples at a future meeting of the Audit and Risk Committee.

RESOLVED:

- 1) that the report be received.
- 2) that a presentation from Legal Services and Housing be brought to a future meeting of the Audit and Risk Committee.

14. DRAFT STATUTORY STATEMENT OF ACCOUNTS FOR THE FINANCIAL YEAR 2012-13

The Director of Finance submitted the draft Statutory Statement of Accounts 2012-13, prior to formal approval of the audited final Statement of Accounts at the Audit & Risk Committee meeting on 24th September 2013, in accordance with The Accounts and Audit (England) Regulations 2011. The report was presented by Steve Charlesworth, Head of Finance (Financial Control). As in previous years the 2012-13 Draft Accounts were appended to the report and were submitted for information only.

The Audit & Risk Committee was recommended to note the draft accounts for the year ended 31st March 2013 as submitted for audit.

Members were informed the accounts were made up of four core financial statements, which were:

- Movement in reserves statement
- Comprehensive income and expenditure statement
- Balance sheet
- Cash flow statement

It was agreed that, if requested, Finance Officers would provide Members with one-to-one discussions regarding the terminology used in the report before the Audit & Risk Committee meeting on 24th September 2013.

Members asked, with regards to Net Assets, how we compare to Nottingham. Steve agreed to respond to Members after the meeting.

The Committee had no further comments to make.

RESOLVED:

1. that the Draft Accounts for the year ended 31st March 2013, as submitted for audit, be noted.
2. that Finance Officers contact Committee Members to arrange one-to-one discussions regarding the terminology used in the report.

15. RISK MANAGEMENT AND INSURANCE SERVICES - UPDATE REPORT

The Director of Finance submitted a report which provided the Committee with the regular update on the work of the Council's Risk Management and Insurance Services Teams activities. Tony Edeson, the Head of Internal Audit and Risk Management, presented the report. The Committee were

recommended to receive the report and notes its contents, and make any recommendations they saw fit either to the Executive or Director of Finance.

Tony referred to a point in the report on the CIPFA/ALARM Risk Management Benchmarking exercise that the Council had taken part in since 2010. Tony reported that the Council was rated higher than last year in three of the seven assessed areas. He said the finalised report would be presented to a future Committee meeting.

Tony reported that the current success rate for cases at Court for the Council was 96%, and since the last report to Committee two cases were successfully defended.

Tony raised issues under 'Horizon Scanning' in the report. Members requested further information on the four key expectations required by local authorities in the Secretary of State for Communities and Local Government response to the Lakanal House inquest.

The Chair thanked Tony for the update.

The Committee received the report.

RESOLVED:

1. that the report be noted.
2. that information on the four key expectations following the Lakanal House inquest be forwarded to Members of the Audit and Risk Committee.

16. REVIEW OF THE EFFECTIVENESS OF SYSTEM OF INTERNAL AUDIT IN 2012-13

The Director of Finance submitted a report that set out the findings of the annual review of the effectiveness of the Council's system of internal audit for 2012-13. The document was presented by Steve Charlesworth, Head of Finance (Financial Control). The Audit Committee was recommended to accept the findings of the review and conclude that the Council had an effective system of internal audit on which it (the Council) could place reliance.

It was reported Council's Finance Division included the Internal Audit Team, which carried out reviews of financial and management systems and reported to management on the effectiveness of their processes and controls. Recommendations were made to improve systems and procedures as and when appropriate, with the aim of reducing the Council's exposure to financial and other risk. Internal Audit was an integral part of the Council's overall system of internal control, which was the means by which the City Council ensured that resources were used effectively and for their intended purposes.

It was further reported that a further fundamental component of the Council's system of internal audit was the Audit and Risk Committee, as the Committee had an essential role to play in providing independent assurance on the

effectiveness of the Council's system of internal control as a contribution to the Council's governance arrangements as reported in the Annual Governance Statement.

The report contained information on the sources of evidence that had been used to assess the system of internal audit. The report concluded that Leicester City Council had a sufficiently effective system of internal audit for the Council to be able to place reliance on its assessment of the system of internal control.

The Committee received the report.

RESOLVED:

- 1) that the findings of the review be accepted.
- 2) that the Committee concluded that the Council had an effective system of internal audit on which the Council could place reliance.

17. INTERNAL AUDIT - FIRST AND SECOND QUARTER OPERATIONAL PLANS 2013-14

The Director of Finance submitted a report that set out the Internal Audit Operational Plan for the first two quarters of the financial year 2013/14. The report was presented by Steve Jones, Internal Audit Manager.

The report also set out the amended Internal Audit Charter, as approved on 20th September 2007, and last reviewed by the Audit and Risk Committee on 23rd March 2011.

RESOLVED:

- 1) that the Annual Internal Audit Operational Plan 2012/13, as presented, be approved
- 2) that the amended Internal Audit Charter, as approved on 20th September 2007 and last reviewed by the Audit and Risk Committee on 23rd March 2011 be agreed as accurately reflecting the Terms of Reference of the Internal Audit Service.

18. CLOSE OF MEETING