



Leicester  
City Council

Minutes of the Meeting of the  
AUDIT AND RISK COMMITTEE

Held: TUESDAY, 24 SEPTEMBER 2013 at 5.00pm

P R E S E N T:

Councillor Westley – Chair

Councillor Alfonso

Councillor Grant

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**19. TRAINING SESSION PRIOR TO MAIN MEETING - ACCOUNTS**

A training session on the Council's accounts was delivered by the Director of Finance and Principal Accountant (Corporate Revenue).

**20. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Chowdhury, Desai, Meghani and Moore, and Neil Bellamy, KPMG.

**21. DECLARATIONS OF INTEREST**

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

Councillor Westley declared an interest in relation to agenda item Appendix B1, as he was a Ward Councillor for Beaumont Leys.

In accordance with the Council's Code of Conduct, the interests were not considered so significant that they were likely to prejudice Councillor Westley's judgement of the public interest. Councillor Westley was not therefore required to withdraw from the meeting during consideration and discussion on the items.

**22. 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 involve the likely disclosure of 'exempt' information,

as defined in the Paragraphs detailed below of Part 1 of Schedule 12A of the Act, and taking all the circumstances into account, it is considered that the public interest in maintaining the information as exempt outweighs 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)

B1) INTERNAL AUDIT – UPDATE REPORT FOR FEBRUARY AND MARCH 2013

B2) THE SUMMARY OF INTERNAL AUDIT CONCLUSIONS FOR THE FINANCIAL YEAR 2012-13

**23. INTERNAL AUDIT UPDATE REPORT FOR FEBRUARY AND MARCH 2013**

The Director of Finance submitted a report which summarised Internal Audit’s work completed in February and March 2013, presented by the Internal Audit Manager.

The report provided the Committee with an overview of:

- audit work completed
- significant issues identified by audit work
- management progress in implementing agreed recommendations.

Members were informed that during the period, two commissioned Audit reports had conclusions of little or no assurance during the period, and these were discussed with the Audit & Risk Committee Members.

The Chair requested updates on the two reports be brought to a future meeting.

The Chair thanked officers for the update and asked the Committee to note the report.

RESOLVED:

1. that the report be received.
2. that the key issues identified be noted
3. that the progress made in delivering audit recommendations in the two reports be brought to a future meeting of the Audit & Risk Committee.

**24. THE SUMMARY OF INTERNAL AUDIT CONCLUSIONS FOR THE FINANCIAL YEAR 2012-13**

The Director of Finance presented a report that set out the Summary of Internal

Audit Conclusions for 2012-13.

It was reported that the conclusions set out in the report were based on Internal Audit's findings during the year, and were a snapshot of the position at the time of the audit, and were not complete assessment of the whole of the City Council. The Committee was asked to note that weaknesses identified by Internal Audit did not necessarily mean the entire system was flawed.

It was noted that all extracts had been reported before, and this report collated them into one place. Internal Audit's opinion was the Council had an adequate system of internal control.

Members recommended that there should be more uniformity in systems of cash handling at Council premises in the city, for efficiency reasons and to make it easier to identify potential fraud.

RESOLVED:

1. that the Summary of Internal Audit Conclusions for 2012-13 be received.

## **PUBLIC SESSION**

### **25. MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

that the minutes of the meeting of the Audit and Risk Committee held on 16<sup>th</sup> July 2013 be approved as a correct record.

### **26. THE STATUTORY STATEMENT OF ACCOUNTS 2012-13**

The Director of Finance presented the statement of accounts which presented the City Council's financial performance for the year 2012/13. The accounts had been prepared on a going concern basis, and in compliance with the Code of Practice on Local Authority Accounting in the UK published by the Chartered institute of Public Finance and Accountancy. The report included the Independent Auditor's Report to the Members of Leicester City Council.

The Director of Finance reported that the External Auditors had audited the draft accounts to ensure the accounts accurately reflected Leicester City Council's financial position.

Discussion took place and questions were asked of officers.

RESOLVED:

that:

- 1) the accounts for the year ended 31<sup>st</sup> March 2013 and the accompanying auditor's report by the Council's external auditors, KPMG, be noted.
- 2) the Statement of Responsibilities for the Statement of

Accounts be approved and agreed.

## **27. ANNUAL GOVERNANCE REPORT AND LETTER OF REPRESENTATION 2012/13**

Adrian Benselin, External Auditor, KPMG presented a report that summarised the key issues identified during the audit of Leicester City Council's financial statements for the year ended 31<sup>st</sup> March 2013, and the auditor's assessment of the Council's arrangements to secure value for money (VFM) in its use of resources.

Adrian Benselin, KPMG, thanked officers at Leicester City Council for their assistance and cooperation.

Members attention was drawn to the headlines in the report and the proposed audit opinion. The external auditors did not identify any material misstatements.

The external auditors also concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and thereby secure value for money. The auditor had previously said they would review progress in implementing the recommendations arising from the 2011/12 report Building Schools for the Future, and the external auditor was pleased to report all recommendations had been implemented or were in progress.

Members were asked to note the external auditors had identified a small number of presentational adjustments required to ensure the accounts were compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, which were made with officers' agreement.

Members' attention was drawn to Appendix 1, Key Issue and Recommendation 2:

- Publish the names of members who fail to return related party declarations.
- Update the on-line register of members' interests on an annual basis.

The external auditor informed the meeting the above recommendation was a risk for the audit opinion and could affect the Council if they were to receive a qualified opinion.

The Chair agreed to liaise with the Monitoring Officer to ensure Members completed the statutory task, and thanked Adrian for bringing it to the attention of the Audit and Risk Committee.

The Director of Finance asked that best wishes be sent to Neil Bellamy, Director at KPMG, and thanked him his hard work and contributions to Leicester City Council's audits for the past seven years. Neil will cease to be the lead external auditor for 2013/14 in line with audit standards.

RESOLVED:

that:

- 3) the Committee note the Annual Governance Report and the recommendations contained within the report.
- 4) the letter of representation be approved.
- 5) the issues arising from the accounts, and the responses given, be noted
- 6) the Chair liaise with the Monitoring Officer regarding Appendix 1, Key Issue and Recommendation 2. The Chair of Audit and Risk Committee to consider what further actions are available.

**28. DRAFT ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2012-13**

The Director of Finance and the City Barrister & Head of Standards submitted a joint report that set out the draft Annual Governance Statement 2012-13. The report was presented by the Internal Audit Manager, and was related to Appendix B2, 'Summary of Internal Audit Conclusions 2012-13' on the agenda.

The Committee were informed that, under Regulation 4(2) of the Accounts & Audit Regulations 2011, each local authority was required to conduct a review at least once a year of the effectiveness of its system of internal control and, following the review, must prepare an Annual Governance Statement. The completed statement was then required to be approved by members of the authority, in the case of Leicester City Council the Audit and Risk Committee.

It was reported that the draft Annual Governance Statement, as reported, set out the Council's responsibilities for good governance and outlined the Council's governance framework and the importance of the overall system of internal control.

The draft Statement was supported by a Directors' Certification document that took the six recognised fundamental principles of corporate governance and set out the Council's relevant processes and procedures in fulfilment of each.

The Chair thanked officers for the report.

RESOLVED:

that the draft Annual Governance Statement for 2012-13, as reported, be approved.

**29. THE COMMITTEE'S ANNUAL REPORT TO COUNCIL FOR THE MUNICIPAL YEAR 2012-13**

The Director of Finance submitted a report for submission to Council setting out what the Audit and Risk Committee had achieved over the municipal year 2012-13. The report was presented by the Internal Audit Manager. The

Committee noted that there was no specific requirement for such a report, but it was considered best practice for the Committee to demonstrate its effectiveness in improving the control environment.

The Internal Audit Manager advised that during the year under review the Committee's terms of reference were reviewed to ensure compliance with current best practice. It was reported that everything in the terms of reference had been addressed.

The Chair reported the Council's Constitution had been amended at Full Council on 19<sup>th</sup> September 2013, to increase members of the Committee by two members to 9 Members (7 Labour, 2 Opposition).

Councillor Grant asked that it be minuted that the Audit & Risk Committee meetings were poorly attended, and being quorate should not be classed as an achievement. Councillor Grant added that very often it was his presence that made the meeting quorate, and his attendance at the meeting should be noted.

The Chair noted the concern raised and gave thanks to Councillor Grant and others who had attended the meetings.

The Chair thanked officers for the report.

RESOLVED:

- 1) that the Annual Report of the Committee to Council for the Municipal Year 2012/13 be presented to Council as submitted by the Director of Finance.
- 2) that the Council be recommended to receive the report.

### **30. INTERNAL AUDIT ANNUAL REPORT FOR 2012-13**

The Director of Finance submitted a report that fulfilled the requirements of the CIPFA professional standards for Internal Audit in producing the Internal Audit Annual Report. The report was presented by the Internal Audit Manager, and provided the Committee with an overall view of Internal Audit work planned and completed in 2012-13, performance and benchmarking results, service developments in 2012-13, and development plans for 2012-13 for the Internal Audit service.

The Internal Audit Manager drew particular attention to the following points:

- From time to time it was necessary to make changes to the audit plan on the basis of risk, to reflect changes in circumstances. The Committee were asked to approve the changes outlined in the report.
- Internal Audit issued client satisfaction survey questionnaires, and the overall results from the last three years demonstrated that Internal Audit continued to have a very high level of satisfaction amongst management.

- The Internal Audit service maintained its contribution to the Council's accreditation under the Eco-Management and Audit Scheme (EMAS), and reliance was placed on the Internal Audit work by external EMAS verifiers.
- Chargeable days per auditor had decreased because of staff sickness levels, particularly the long-term sickness of one member of staff.
- Internal Audit had seen budget and staff reductions, a review in the allocation of work, a review of audit methods and the introduction of the new Public Sector Internal Audit Standards.
- There was formal recognition of the Audit and Risk Committee as 'the board' for the Council in terms of the overview of internal audit work.
- There were new joint working arrangements with the Council's new external auditor, KPMG.
- There would be a move to quarterly detailed audit planning which would supplement the broad annual plan, which could be readily adjusted to reflect changes in risks and priorities.
- The vacancy of an IT auditor had an effect on planned audit priorities work, and some audits had been postponed, but not cancelled.
- Housing Benefits changes under Welfare Reforms had produced a backlog of claims, so Internal Audit work had been deferred.

The Chair asked that the Sports Centres cash handling processes be revisited.

The Chair thanked officers for the report.

RESOLVED:

1. that the Committee receive the report.
2. that it be confirmed that the Committee's expectations of the service during the year 2012-13 were met.
3. the changes made to the Internal Audit Plan for 2012-13 be approved.
4. that the Sports Centres cash handling processes be revisited by the Internal Audit Service.

### **31. CLOSE OF MEETING**

The meeting closed at 6.53pm.