



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 2 DECEMBER 2015 at 5:30 pm

P R E S E N T :

Councillor Patel - Chair
Councillor Malik - Vice-Chair

Councillor Alfonso
Councillor Hunter
Councillor Westley

Also present:

John Cornett – Director, KPMG LLP (UK)

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38. APOLOGIES FOR ABSENCE

There were no apologies for absence.

39. DECLARATIONS OF INTEREST

There were no declarations of interest.

40. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting of the Audit and Risk Committee held on 29 September 2015 be confirmed as a correct record.

41. INVOICE PAYMENT DATA

The Director of Finance submitted a report providing the Committee with an overview of the timeliness of invoice payments the authority made to its suppliers of goods and services.

It was noted that work was ongoing with suppliers and managers to introduce a

“No Purchase Order, No Pay” ethos. To achieve this, a purchase order needed to be raised for all goods and services purchased. The supplier should then use the purchase order reference on their invoice. This would make it easier to match the invoice to the relevant purchase order and pay the invoice.

The Committee noted that it was not possible to assess the effectiveness of the work recently undertaken to meet the Executive pledge to improve payment terms for small local business. It therefore was suggested that a further report could be made to the Committee in 6 months’ time, when more information was available.

Concerns were raised by Members that staff errors, such as entering invoice numbers incorrectly, could create problems with paying invoices. However, it was noted that a scanning facility had been introduced, which read the information required. It therefore was not necessary for staff to enter information manually. Validation processes were in place, to ensure that the system was working correctly.

The Head of Business Centre reported that small businesses had been advised of the Council’s intention to pay their invoices within 21 days, but no reaction to this had been received. It could be difficult to identify which businesses should be categorised as small, but this was being done on the basis of the number of staff employed and turn-over. When new suppliers were set up on the finance system, it required officers to enter information on how big the company was, so that the correct payment terms could be applied.

RESOLVED:

- 1) That the work recently undertaken to meet the Executive pledge to improve payment terms for small local businesses be noted; and a follow up report be submitted in six months’ time; and
- 2) That the Head of Business Centre be asked to submit an analysis of the success of the “No Purchase Order, No Pay” policy to the Committee in six months’ time.

42. CORPORATE COMPLAINTS (NON-STATUTORY)

The Director of Finance submitted a report updating the Committee on progress with the new corporate non-statutory complaints process and reporting the quarterly non-statutory complaints figures.

The Committee noted that:-

- A statutory process needed to be followed for complaints about adult social care and children’s services. The non-statutory complaints process therefore applied to all other services, including housing;
- The new system would be implemented at the end of January 2016;

- A web portal would facilitate customer access to the new complaints procedure;
- The new process was being introduced as part of the Customer Services transformation programme;
- When the non-statutory complaints process was established, consideration would be given to incorporating Member and Mayoral complaints and enquiries in to it;
- It was not possible to interrogate the current electronic non-statutory complaints system to obtain details of complaints on a Ward basis, but it would be possible to get this information from the new system;
- The first quarterly statistics under the new electronic for non-statutory complaints process would be available in the summer of 2016;
- Officers were working with the designers of the new electronic system to ensure that it supplied the information required to monitor these complaints appropriately;
- Officers against whom complaints were made were investigated and Human Resources procedures were invoked as necessary in response to the findings of the investigations; and
- All Councillors would be advised of the forthcoming changes to the non-statutory complaints process before it went live.

RESOLVED:

That the report be noted.

43. PROCUREMENT UPDATE 2015/16

The Director of Finance submitted a report to the Committee on the updated 2015-16 Procurement Plan.

The Head of Procurement advised the Committee that:-

- Contract Procedure Rules had been updated earlier in the year to reflect the changes made to the Council's Procurement Plan;
- EU Thresholds had been recalculated, but had only reduced by approximately 5%. This was less than had been expected, but still meant that the contracts that had to be advertised Europe-wide would now be of lower values than those that previously had to be advertised in this way;
- Where possible, large contracts were split, to try to attract tenders from smaller businesses. However, some needed to remain as one contract, in order to be managed appropriately. Each contract was considered on an

individual basis to determine whether it should be split; and

- It could cost more to manage a large number of suppliers if a contract was split, but some smaller suppliers could have lower overheads, resulting in lower tenders being submitted.

RESOLVED:

That the report be noted.

44. ANNUAL AUDIT LETTER 2014-15

The External Auditor submitted the Annual Audit Letter 2014/15, which summarised the key findings from the 2014/15 audit of Leicester City Council and set out the audit fee for 2014/15.

John Cornett, Director of KPMG, introduced the report. He drew Members' attention to the qualified value-for-money conclusion that had been issued for 2014/15. This was due to the report issued in March 2015 by the Office for Standards in Education that concluded that the Council's children's services were inadequate.

The Committee noted that the audit fee for 2014/15 was higher than planned, due to additional work needed in relation to the value for money issues.

An unqualified opinion of the 2014/15 accounts had been issued.

RESOLVED:

That the report be noted.

45. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE - OCTOBER 2015

The External Auditor submitted a report providing an overview on progress in delivering the responsibilities of external auditors. The report also highlighted the main technical issues that currently were having an impact in local government.

John Cornett, from KPMG, introduced the report. Members noted that planning for the 2015/16 audit was underway, which needed to take account of work required following the report issued in March 2015 by the Office for Standards in Education that concluded that children's services were inadequate.

Mr Cornett explained that two criteria, one relating to financial resilience and one to economy, efficiency and effectiveness had been merged in to one criterion and several sub-criteria. Consideration was being given to the implications of this change, but it was felt that the total amount of work required would not change.

The external auditors would continue to work with Council officers to identify changes and would report these to the Committee through the Audit Plan. As

audit fees were set until the end of the external auditors' contract, the changes would not affect these.

The Committee noted that the date for publishing final accounts was changing from the end of August to the end of July. Work therefore needed to be programmed to take account of this.

2015/16 was the fourth year of a five year contract originally let by the Audit Commission. The Department for Communities and Local Government (DCLG) had extended this contract for one year, but had advised that it could not be extended beyond this. The Council therefore would need to undertake a procurement exercise to appoint its own external auditors to start 1 April 2018.

It was possible that the DCLG would ask someone to run a procurement exercise for all local authorities, but no details were known yet, including whether local authorities would have to pay to participate. Mr Cornett confirmed that there was interest amongst local authorities in undertaking joint procurement on a county or regional basis.

Members noted that the government had announced that a two pence increase in Council Tax could be levied as a ring-fenced contribution to Adult Social Care. Some concern was expressed that this was unfair on people who did not use the services, but the Committee was reminded that all Council Tax payers already paid for the service irrespective of whether they used it.

In respect of the project on highways network asset accounting, the Head of Internal Audit and Risk Management reported, on behalf of the Director of Finance, that the following developments had occurred in recent days:-

- a) The Chartered Institute of Public Finance and Accountancy (CIPFA) had revised its implementation plan, so the first applicable date now was 1 April 2016, (not 1 April 2015 as stated in the report). This was beneficial, in that it reduced the work required whilst achieving the same outcome and allowed the Council to prepare more thoroughly;
- b) CIPFA was working with the audit profession on some key aspects of this change, including materiality, which added uncertainty. However, a KPMG technical expert had stated that he thought there was a compelling case for auditors to take a wider and qualitative view of materiality in respect of infrastructure assets than they did for the rest of the Statement of Accounts. This was because the figures involved were very large, but even quite large variances would not have the same impact on users of the accounts as they would in other contexts. This interpretation would be pragmatic and helpful for this Council if it prevailed;
- c) Officers from Finance and Highways were working together on getting ready for this project and already had started testing and analysing the data held in the Council's systems. Initial reviews generally were encouraging in terms of the Council's ability to meet the data requirements easily; and

- d) Discussions had been held with KPMG on providing assurance on this work prior to the 2016/17 accounts, but further updates would be scheduled in the light of the changes outlined above.

RESOLVED:

- 1) That the report be noted; and
- 2) That the external auditors be asked to present a report to the next meeting of this Committee on proposals for the mass procurement exercise for the appointment of local authority external auditors, if the information is available in time.

46. COUNTER FRAUD / HOUSING AND COUNCIL TAX FRAUD- HALF-YEARLY UPDATE REPORT FOR THE PERIOD 1 APRIL 2015 TO 30 SEPTEMBER 2015

The Director of Finance and the Director of Local Services and Enforcement submitted a joint report providing the Committee with information on counter-fraud activities between 1 April 2015 and 30 September 2015.

Members noted that:-

- Discussions were ongoing with the Department for Work and Pensions (DWP) regarding the transfer of benefit fraud staff from the Council to the Single Fraud Investigation Service (SFIS). The effective date of transfer was 1st March 2015;
- Work was underway on developing and re-designing performance statistics for submission to this Committee. These would be available by the end of the year, so would be included in reports at the appropriate time;
- The new electronic case management system used by the Corporate Investigations team mirrored the one used to identify Benefit fraud and enabled data to be interrogated to a greater degree;
- Overpayments of Housing Benefit and Council Tax Benefit accounted for less than 1% of benefits expenditure by the Council;
- Recovery of overpaid Housing Benefit and Council Tax Benefit was sought, with the Proceeds of Crime legislation being used where appropriate. In this way, the Overpayments team recovered the majority of the benefits overpaid;
- The amounts of overpaid Housing Benefit and Council Tax Benefit discussed in the report related to cases of proven fraud;
- It was recognised that mistakes could be made, but the number of compensation payments made was very low in relation to the number of cases. The amount of compensation paid was calculated on a sliding

scale; and

- A local version of the national Changing Circumstances campaign was being carried out, reminding those receiving benefits to tell the Council of any changes to their household circumstances.

RESOLVED:

That the report be noted.

47. INTERNAL AUDIT CHARTER

The Director of Finance submitted an updated version of the Council's Internal Audit Charter, revised in line with the Accounts and Audit Regulations 2015.

RESOLVED:

That, as the updated Audit Charter accurately reflects the terms of reference of the Internal Audit Service, the updated Audit Charter be approved.

48. PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The Director of Finance submitted a report setting out the results of a self-assessment of conformance to the Public Sector Internal Audit Standards and the associated Quality Assurance and Improvement programme.

RESOLVED:

That the report be noted.

49. INTERNAL AUDIT - 3RD AND 4TH QUARTER OPERATIONAL PLANS 2015-16

The Director of Finance presented the Internal Audit operational plans for the third and fourth quarters of the financial year 2015-16.

The Committee noted that interviews had been held for the vacant IT Auditor post and an offer made. It was hoped that the person could be in post in early January 2016.

It was noted that other meetings would review the action plan arising from the report issued in March 2015 by the Office for Standards in Education (Ofsted) regarding children's services. However, it was suggested that the outcomes of subsequent inspections of cases by Ofsted could be reported to this Committee.

An additional 18 risks had been identified and included in the Children's Divisional Operational Risk Register. The Register also had been updated to reflect comments previously made by the Committee. A sub-register had been established to look at specific risks.

Having considered the report submitted, Members suggested that it could be useful to have “traffic light” system to help identify the highest risks. However, officers advised that the items suggested for inclusion in the Operational Plan tended to be the highest risk items in the Operational Risk Register.

RESOLVED:

- 1) That the Internal Audit operational plans for the third and fourth quarters of 2015/16 be noted;
- 2) That the Strategic Director Children’s Services be asked to report the outcome of the recent visit to the Council by the Office for Standards in Education in relation to the Action Plan for improvements to Children’s Services to this Committee; and
- 3) That the Risk Register for Children’s Services be submitted to the Committee in February 2016, along with the Operational Risk Register.

50. RISK MANAGEMENT AND INSURANCE SERVICES - UPDATE REPORT

The Director of Finance submitted a report giving the regular update on the work of the Council’s Risk Management and Insurance Services team’s activities.

The amount of risk management support and advice being given was welcomed, as this showed that proper consideration was being given to risk management. In addition, any officers undertaking risk assessments were required to complete the Council’s training course. The impact of this training was being seen in the improved management of risk and the subsequent reduction in the number of claims being received by the Council. The training plan is attached at the end of these minutes for information.

The Committee noted that the ALARM/CIPFA Risk Management Benchmarking Club 2015 Draft Report for this Council, which had been circulated with the agenda, had now been finalised. No changes had been made to the version circulated. Members also noted that this was the final time that this report would be made annually. In future, it would be made triennially, in rotation with reports on insurance and Internal Audit.

In reply to a question, Members noted that, when a court case relating to a claim against the Council was successfully defended, the Council was awarded its costs.

The Committee welcomed the progress made in risk management in the Council.

RESOLVED:

- That the report be received and noted.

51. CORPORATE RISK MANAGEMENT STRATEGY 2016

The Director of Finance submitted a report advising the Committee of the support of the Corporate Management Team for the updated Risk Management Strategy and Policy Statement.

The Committee noted that there were no major incidents to report this year, but out-of-date forms were still being used in some parts of the Council to report incidents. Directors had been asked to ensure that the correct forms were used

It also was noted that the Risk Management Strategy would be presented to the Executive on 10 December 2015 for consideration. The Strategy would be submitted to this Committee for approval in due course

RESOLVED:

- 1) That it be noted that the Corporate Management Team has approved the 2016 Corporate Business Continuity Management Policy Statement and Strategy;
- 2) That it be noted that the Executive will be asked to agree the 2016 Corporate Business Continuity Management Policy Statement and Strategy on 10 December 2015; and
- 3) That this Committee be advised of the completion of the process referred to in 1) and 2) above in February 2016.

52. CORPORATE BUSINESS CONTINUITY MANAGEMENT POLICY AND STRATEGY 2016

The Director of Finance submitted a report advising the Committee of the support of the Corporate Management Team for the latest update to the Business Continuity Management Policy Statement and Business Continuity Management Strategy.

Members noted that the Council had already planned for an incident on the scale of the recent terrorist attacks in Paris. This included a series of presentations that the Resilience Manager had given to staff and reminder cards for procedures in different types of incidents being placed in strategic locations around the building.

The Committee welcomed the news that the Council had been short-listed for an Institute of Risk Management global award for business continuity in adversity.

RESOLVED:

- 1) That it be noted that the Corporate Management Team has approved the 2016 Corporate Business Continuity Management Policy Statement and Strategy;

- 2) That the Executive will be asked to agree the 2016 Corporate Business Continuity Management Policy Statement and Strategy on 10 December 2015;
- 3) That this Committee will be advised of the completion of the process referred to in 1) and 2) above in February 2016; and
- 4) That the Resilience Manager be asked to arrange for all Councillors to receive training on actions that should be taken should serious incidents occur.

53. INTERNAL AUDIT REVIEW - VERBAL UPDATE

The Head of Internal Audit and Risk Management gave a verbal update on the recent organisational reviews of Internal Audit and the Risk Management & Insurance Services.

He explained that, following the review of Internal Audit, two posts had been removed from the establishment and some posts had been downgraded. These changes had come in to effect on 23 November 2015.

The review of Risk Management and Insurance Services had started three weeks ago. The consultation had closed on 27 November 2015 and a meeting with the trades unions had been held on 1 December 2015. It was anticipated that the proposed changes to the staffing structure would enable a Risk Manager to be appointed.

The Audit Manager confirmed that he would be leaving his post at the end of December 2015. On behalf of the Committee, the Chair expressed Members' appreciation of the work he had done and the support and guidance he had provided.

54. PRIVATE SESSION

RESOLVED:

that the press and public be excluded during consideration of the following report, in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because it 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 the 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)

This report concerned the strength of internal controls in the City

Council's financial and management processes and included references to material weaknesses and areas thereby vulnerable to fraud or other irregularity.

55. INTERNAL AUDIT UPDATE REPORT FIRST AND SECOND QUARTERS 2015-16

The Director of Finance presented a summary of Internal Audit work completed in the first and second quarters of the financial year 2015-16, (1 April to 30 September 2015). The report included information on the progress made by the Council in implementing recommendations arising from reports issued by Internal Audit, as well as information on Internal Audit reports in which low assurance levels had been given and where there were material concerns.

The Audit Manager confirmed that:-

- Assurance levels currently were slightly higher than they had been; and
- Assurances had been received that all recommendations in the Internal Audit report highlighted had been implemented, including those related to previous problems that were the responsibility of the supplier.

RESOLVED:

That the issues identified in the report be noted.

56. CLOSE OF MEETING

The meeting closed at 7.00 pm

RMIS Training Programme 2016

Below are details of the Risk Management and Insurance Services (RMIS) Training Programme for 2016. If you wish to attend these sessions, they are available now for you to book through the Myview pages of Corporate Workforce Development enter the date and the 'link word' below. As with any training, please discuss with and seek your manager's approval before booking. Most of the sessions are limited to 25 attendees and the majority of our sessions have been over-subscribed in each of the last six years, so bookings will be on a 'first come, first served' basis.

All of the sessions will take place in City Hall. All sessions will start promptly at 9.30. Most of the sessions run for no more than two hours and finish times are dependent upon the numbers attending and their inter-action and involvement, but will be no later than 12 noon.

January; February; March or April; May; June; September; October; November.

Identifying and Assessing Operational Risks [key word on my view: **Ident**]

Since October 2014 this session is mandatory for all staff that will complete an operational risk assessment or risk register. Anyone completing a risk assessment that has not been on this training recently may be exposing the Council to a potential uninsured loss. If in doubt – ask!

This course covers the process of Operational Risk identification and assessment and will touch upon identification of mitigating controls. The session includes an outline of the Council's Risk Management Strategy and Policy and how it affects your role. The session is targeted at everyone who manages operational risk (manage staff; manage buildings; manage contact with service users or the general public) in their day to day role – all tiers of staff from Director's down – and those that let Council contracts. The course will lead you through the agreed risk reporting process here at LCC and allow you to identify your role within that process. There is also a practical exercise that ensures staff leave this session confident in completing the Council's risk assessment form.

Dates to be advised once availability of Zurich Consultants is confirmed Contract Risk Management (delivered by Zurich Municipal Risk Consultants) [key word on my view: **contract**]

Staff requiring this session must have been on the 'Identifying and Assessing Operational Risk' training above.

The aim of the session is to review how the management of contracts and projects can aid in assessing and mitigating organisation's risk. The objectives are to ensure attendees understand how to minimise the risk to the organisation when entering into contracts; assist in identifying the key areas of

risk within contracts; highlight the benefits of managing contract/partnership risk; and, how on-going contract and partnership management heightens organisational risk awareness and mitigates organisational risk. This session is specific to contract risk and, as a natural pre-cursor, it will be of benefit to have attended the Identifying and Assessing Operational Risk training above.

February; March or April; May; October

Business Continuity Management [key word on my view: *business*]

A guide to what you need to develop Business Continuity Management within your Service/work areas. It explains the difference between managing business continuity and merely writing your plan. This will allow you to manage unexpected incidents and get back to delivery of your 'business as usual' service in the event of unforeseen circumstance. This session is aimed at anyone who has a responsibility for a building or staff; has responsibility for delivery of a service and, therefore, needs to have a Business Continuity Plan or would be part of a recovery team needed to restore an affected service after an incident. The session also outlines the Council's Business Continuity Strategy and Policy and will explain how that might affect you and your work and has a step-by-step guide to completing the Council's BCP pro-forma. This session needs to be attended by all Heads of Service and their senior management to ensure that, in the event of a serious, unexpected incident, the Council will continue to operate.

April or May

Guide to Corporate Manslaughter Legislation [key word on my view: *manslaughter*]

This session will provide a brief insight into the recent changes to legislation in this area and its potential impact on the Council and its management. This session is aimed at Directors, Heads of Service, managers and staff that make decisions. The session explains how the recent changes in legislation may lead to more staff, at many different levels, being prosecuted for breaching Health and Safety regulations and will help you to avoid this risk. Hopefully, this session will help keep you out of prison!

March; October

Insurance and Indemnity Limits/Incident Reporting [key word on my view: *indemnity*]

This session will discuss what the Council's Insurance policies cover; details of regular types of claim that the RMIS team deal with and how claims can be avoided, or their impact lessened; how to calculate the minimum Corporate Indemnity limits for your contracts or third parties and why they are necessary. The session is aimed at all procuring managers or managers and staff responsible for entering into contractual agreements (including funding agreements) with third parties. The session will also outline, in simple terms, the implications for the Council, and you personally, if you get these wrong in any of your contracts.

We will then explain the types of incidents that need to be reported to RMIS and/or the Council's insurers; why we need to know; and, the potential consequences for you if we don't – there will be no insurance cover and your departmental budget will have to cover any claim (which can run into thousands of pounds!). Session is aimed at Managers and senior staff who are likely to have responsibility for delivery of services to Service Users/members of the Public or who manage and have responsibility for the health and safety of staff or manage buildings.

Personal/Bespoke Sessions

We accept that, due to staff constraints and timing of leave, it may not be possible for all of your staff with a need to attend these training courses to attend one of the dates above. We continue to offer all of our training to specific groups of staff at times and locations to suit you. All of our training can be condensed to fit whatever time you have available. We can also focus on your own service area's needs and objectives when delivering this training to a bespoke Group of staff. Please be aware that we are a small team and it may be that such a session may take weeks rather than days to be arranged.

Please contact Sonal Devani (sonal.devani@leicester.gov.uk), 454 (37) 1635 or Tony Edeson (tony.edeson@leicester.gov.uk), 454 (37) 1621 if you would like to discuss a bespoke session.

Thank you for your time taken to read this and we hope that we may be of assistance to you in meeting identified training needs of your staff, whilst at the same time protecting the Council's most valuable asset – you and your staff.

Tony Edeson
Head of Internal Audit and Risk Management

