



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 23 MARCH 2016 at 5:30 pm

P R E S E N T:

Councillor Patel (Chair)

Councillor Alfonso

Councillor Hunter

Councillor Westley

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65. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Singh Johal.

66. DECLARATIONS OF INTEREST

There were no declarations of interest.

67. MINUTES OF THE PREVIOUS MEETING

Minute 61, Paragraph 3, to be amended to read “the Director of Finance informed Members that the Department for Work and Pensions (DWP) had been approached by the ~~External Auditors and Council...~~ External Auditors did, however, support the Council’s approach to the DWP.

RESOLVED:

that, subject to the correction to Minute 61, Paragraph 3, the minutes of the meeting of the Audit & risk Committee held on 10 February 2016 at 5.30pm be confirmed as a correct record.

68. EXTERNAL AUDIT PLAN 2015-16

The External Auditors submitted a reported that set out how they would deliver their financial statements audit work for Leicester City Council, the approach to value for money (VFM) work for 2015/16, and how the External Auditor’s fee had been arrived at.

John Cornett, Director of KPMG, introduced the report. He drew Members’ attention to the following:

- Materiality for planning purposes was set at £15million for the Authority's accounts – 1.4% of gross expenditure;
- The change of banking arrangements from Co-op to Barclays was a risk requiring special audit attention;
- The plan would be updated to include the change in housing rates system as a significant risk;
- Asset valuations of schools and leisure centres would be followed up;
- The Authority's plan to change the Minimum Revenue Policy would be reviewed, and its impact on the 2015/16 accounts considered;
- OFSTED findings – there was a risk that the Value for Money conclusion would again be qualified if the Authority could not demonstrate that sufficient progress had been made in relation to the improvement plan;
- The financial resilience of the authority was brought to Members' attention, with expenditure expected to exceed £55million. £39million of reserves would be used, leaving the minimum general fund balance of £15million going forward;
- The planned audit fee for 2015/16 was £46k, and would remain in place for the duration of the contract. A small additional charge of £2k would be added for additional work undertaken on housing finances;

The Director of Finance provided the following information in response to Members' questions:

- When schools converted to academy status, the value of the asset reduced the asset balance sheet. Building Schools for the Future funding did not move with the transfer;
- Some schools delegated functions back to the council, for example, maintenance, IT, HR;
- The process of conversion was resource intensive, requiring lawyer and property time;
- Following the Chancellor's recent announcement that all schools would convert to academy status, work would be done to identify where the Council had buildings on school sites for access and security issues;
- Midway through 2017/18 budget reserves would have been used, and some services would be withdrawn.

RESOLVED:

That the report be noted.

69. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

The External Auditor submitted a report up to March 2016, providing an overview on progress in delivering the responsibilities of external auditors. The report highlighted the main technical issues that were currently having an impact in local government.

John Cornett, from KPMG, introduced the report and informed Members that an interim audit visit was in progress. The report was for Members' information,

and wider circulation of the resources and technical update was encouraged. Members were asked to note the new local audit framework in the technical update.

Members were asked to note the Accounts and Audit Regulations 2015, which set out new arrangements for 2015/16, and the thirty working day period for the exercise of public rights which must include the first ten working days of July. Members were informed that External Auditors would bring their auditing of accounts forward by two months for 2017/18 to July end (previously September).

The Principal Accountant stated the Council was not materially behind Westminster systems, and that a change in how people worked and increased use of IT would ensure compliance.

The Chair requested that a briefing session on opening and closing the accounts be brought to a future meeting.

RESOLVED:

That:

1. The report be noted;
2. A briefing on opening and closing the accounts be brought to a future meeting of the Audit & Risk Committee.

70. KPMG LOCAL GOVERNMENT BUDGET SURVEY

The External Auditor submitted a document which sought to assist Members during budget considerations over the next financial year.

John Cornett, from KPMG, presented the document. The purpose of the paper was to share key findings of the survey, and provide information to assist clients facing financial challenges.

RESOLVED:

That the document be noted.

71. REGULATION OF INVESTIGATORY POWERS ACT 2000 - BI-ANNUAL PERFORMANCE REPORT JUNE 2015 TO DECEMBER 2015

The City Barrister and Head of Standards submitted a report on the performance of the Council in authorising Regulation of Investigatory Powers Act (RIPA) applications, from 1st June 2015 to 31st December 2015. The Committee was recommended to receive the report and note its contents, and make any recommendations or comments it saw fit either to the Executive or City Barrister and Head of Standards.

The Information Governance Manager introduced the report. Members were informed that:

- The Council applied for and were granted two Directed Surveillance

Authorisations by a magistrate – covert direct surveillance had to be requested for something that could send someone to prison for six months, or the magistrate would not sign it. The two authorisations were for:

1/ Blue badge used fraudulently – prosecution pending.

2/ Fly tipping – intelligence pointed towards people who could be monitored and the issue had reduced.

- The outcome of the Office of the Surveillance Commissioner inspection in December 2015 was excellent. The Inspector had looked at the City's CCTV and had made no recommendations, and had taken away some of the Council's good practice to share;
- The size of the Information Governance team would reduce from eight to six officers;
- New technologies had to be taken on board, for example, wi-fi to stream video in vans and transmit data through secure networks;
- The Investigatory Powers Bill was progressing through Parliament, and could possibly have an impact on the how the team worked;
- The new EU data protection regulations would also have impact and would link with the Investigatory Powers Bill. Any changes would be brought to the Committee in a report;
- Robust training was undertaken regularly throughout the year. Only specific teams could carry out surveillance and had the power to prosecute.

RESOLVED:

That the report be noted.

72. PROCUREMENT PLAN 2016-17

The Director of Finance submitted to the Committee for noting the Council's Procurement Plan 2016-17, as required by the Contract Procedure Rules.

The Head of Procurement presented the report. Members were informed that :

- the Plan ensured swifter procurement;
- the report included details of expected procurement processes, the thresholds for which were updated in December 2015, as noted in the report;
- once approved, the Plan would be available on the Council's website;
- items could be removed or added through a formal executive decision;
- in reference to Adult Social Care, officers had worked collaboratively and had engaged with service areas to make sure the decision making and analysis process had been covered during the procurement process.

RESOLVED:

That the report be noted.

73. ANNUAL REVIEW OF THE COUNCIL'S ASSURANCE FRAMEWORK, LOCAL CODE OF CORPORATE GOVERNANCE AND THE AUDIT & RISK COMMITTEE'S TERMS OF REFERENCE

The Director of Finance and the City Barrister & Head of Standards submitted a joint report which sought the Committee's approval of updates to the assurance and corporate governance processes at the City Council and the Committee's own terms of reference. The Head of Internal Audit and Risk Management presented the report.

The Committee was asked to consider the recommendations in the report.

Members were informed that:

- There were minor changes to the Terms of Reference and Code of Corporate Governance, and changes were underlined in the report;
- The assurance framework took its starting point from the Council's principal strategic and organisational objectives, including the City Mayors Delivery Plan (changed to Manifesto).

RESOLVED:

That:

1. no material changes to the Assurance Framework were needed and agreed that it should form the basis on which the Council would compile its Annual Governance Statement for the financial year 2015-16.
2. no material changes to the Local Code of Corporate Governance were needed.
3. the amended Committee's terms of reference be approved.

74. INTERNAL AUDIT - 1ST QUARTER PLAN 2016-17

The Director of Finance submitted a report that provided Committee with the regular update on the work of the Council's Risk Management and Insurance Services team's activities. The Head of Internal Audit and Risk Management presented the report.

The Committee was recommended to receive the report and note its contents, and make any recommendations or comments it saw fit either to the Executive or Director of Finance.

Members were informed that:

- There had been a full return (100%) of risk registers as at the end of January;
- Four changes had been made within the Strategic Risk Register and 46 changes across the 13 Divisional Operational registers that made up the Operational Risk Register – there were no changes of note from either register to bring to the attention of the Committee;
- Following the discussion around fleet claims at the last meeting of the

Committee, a Fleet Forum had been set up by the Council, with the Insurance Team in attendance, in order to reduce the number of insurance claims around the fleet;

- The Corporate Business Continuity Team had been contacted for advice and guidance regarding a couple of incidents in the city:
 - An overnight incident involving the fall of a concrete block at the Central Library;
 - A flood at a private block of flats
- External Auditors looked at all aspects of risk management at the Council, as it was a key part of their informed decision around value for money.
- In light of the recent Belgian attacks, the threat level was already at severe, and there was active liaison between emergency management and blue light services.

The Head of Internal Audit & Risk Management noted there was an omission at Appendix 2 to the report, 4. Care Services & Commissioning (ASC) target scores.

RESOLVED:

That the report be noted.

75. PROPOSED SCHEDULE OF MEETINGS FOR THE FINANCIAL YEAR 2016-17

The Director of Finance presented to the Committee a proposed schedule of meetings and suggested agendas for the Financial Year 2016-17. The Committee was recommended to note and accept the proposed plan content, and raise any issues or questions with the report author or the Director of Finance. The Head of Internal Audit and Risk Management presented the report.

The decision on the date for the September meeting would be made by the Director of Finance when preparing the accounts for approval.

RESOLVED:

That the proposed schedule of meetings and suggested agendas for the Financial year 2016-17 be approved.

76. RISK MANAGEMENT AND INSURANCE SERVICES UPDATE REPORT

The Director of Finance submitted a report that provided Committee with the regular update on the work of the Council's Risk Management and Insurance Services team's activities. The Head of Internal Audit and Risk Management presented the report.

The Committee was recommended to receive the report and note its contents, and make any recommendations or comments it saw fit either to the Executive or Director of Finance.

Members were informed that:

- There had been a full return (100%) of risk registers;
- Four changes were within the Strategic Risk Register and 46 changes across the 13 Divisional registers that made up the Operational Risk Register – there were no changes of note from either register to bring to the attention of the Committee;
- Following the discussion around fleet claims at the last meeting of the Committee, a Fleet Forum had been set up by the Council, with the Insurance Team in attendance, in order to reduce the number of insurance claims around the fleet;
- The Corporate Business Continuity Team had been contacted for advice and guidance regarding a couple of incidents in the city:
 - An overnight incident involving the fall of a concrete block from the Central Library;
 - A flood at a private block of flats
- External Auditors looked at all aspects of risk management at the Council, as it was a key part of their informed decision around value for money.
- In light of the recent Belgian attacks, the threat level was already at severe, and there was active liaison between emergency management and blue light services.

The Head of Internal Audit & Risk Management noted there was an omission at Appendix 2 to the report, 4. Care Services & Commissioning (ASC) target scores.

RESOLVED:

That the report be noted.

77. CLOSE OF MEETING

The meeting closed at 7.30pm.