



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: TUESDAY, 27 SEPTEMBER 2016 at 5:30 pm

P R E S E N T:

Councillor Patel (Chair)
Councillor Westley (Vice Chair)

Councillor Alfonso

Councillor Dr Chowdhury

Councillor Hunter

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27. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Dr. Barton and Councillor Cank.

28. DECLARATIONS OF INTEREST

There were no declarations of interest made.

29. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

that the minutes of the meeting of the Audit & Risk Committee held on 3 August 2016 be confirmed as a correct record.

30. COUNTER FRAUD ANNUAL REPORT 2015 - 16

The Director of Finance submitted the Counter Fraud Annual Report 2015-16 for noting, which provided information to the Audit & Risk Committee on the Council's counter-fraud activities for 2015-16. Stuart Limb, the Corporate Investigations Manager presented the report.

The annual report provided an overview of reports issued, performance during 2015-16 and key priorities for counter-fraud work in 2016-17.

Members were asked to particularly note the following:

- Duty to investigate benefit fraud transferred to the Department for Work and Pensions (DWP) on 1st March 2016, and council staff in post transferred to

- become civil servants under direct employment of DWP, and all allegations of benefit fraud made after 1st March would be passed to the DWP;
- The Financial Investigator had fully utilised powers under the Proceeds of Crime Act (POCA) in appropriate cases, and had recovered £92,481.24;
 - The Financial Investigator also undertook work on behalf of Leicestershire County Council and Melton Borough Council. Stoke City Council were also considering using Leicester's POCA capacity.
 - A new case management system had been purchased, enabling reports to be developed to provide loss and savings estimate figures for work undertaken;
 - During 2015-16, the team had issued 79 sanctions relating to £481,028.32, which the authority would seek to recover in all cases, either through a percentage reduction in benefit entitlement, POCA or a repayment scheme.
 - Notification letters to claimants stated overpayments were recoverable and the DWP would pursue rigorously, though it was still down to the Council to recover overpayments uncovered by the DWP.
 - The Corporate Investigations Team received allegations about suspected irregularities, including cheque manipulation, though payments by cheque were reducing.
 - The authority, as a member of the National Anti-Fraud Network (NAFN) received regular alerts to emerging fraud threats which were circulated to the Finance team and authority staff.

The Chair thanked the Corporate Investigations Manager for the report.

RESOLVED:

1. That the Counter Fraud Annual Report 2015-16 be noted.

31. ANNUAL GOVERNANCE REPORT - ISO 260 REPORT TO THOSE CHARGED WITH GOVERNANCE

John Cornett, Director (External Auditor, KPMG) presented a report to Those Charged with Governance (ISA 260). The report summarised the key findings arising from the audit of Leicester City Council's financial statements for the year ended 31st March 2016, the Auditor's assessment of the Council's arrangements to secure value for money (VFM) in its use of resources, and the requirement for Members to authorise the Director of Finance to sign the letter of representation to KPMG from the Council in connection with the audit of the Council's financial statements. Members were asked to note the report and authorise the letter of representation. As noted on the agenda, supporting information had been distributed to members, published on the Council's website and was available at the meeting.

Members' attention was drawn to the following:

- KPMG anticipated issuing an unqualified audit opinion on the authority's financial statements on 30th September 2016 as a true and fair view of the authority's accounts, and asked for it to be noted the accounts had been produced to a high standard with a timely production of evidence, and asked that their thanks to the Finance Team be recorded.

- It was anticipated that a qualified Value for Money (VFM) conclusion would be issued on 30th September 2016. Two risks were identified earlier in the year, and reported to the Audit & Risk Committee in March 2016:
 - Implementation of OFSTED’s recommendations following their review of children’s services and subsequent report in March 2015 – last year a qualification was issued. The Chair noted that if there were concerns regarding the speed of improvements, scrutiny should look into the issue.
 - Financial resilience – it was noted the authority faced a challenge to make savings over the coming years, and that plans were adequate to deal with the issue, though it would become harder to make savings moving forward.
- Members’ attention was drawn to the previous year’s outstanding recommendations. The first recommendation on notes to the financial statements had been partially implemented, with plans to further review the relevance of the recommendation going forward. The remaining two outstanding recommendations were:
 - Related party disclosure – it was confirmed there was one declaration outstanding from an elected member. The Chair expressed support for a recommendation from members of the Committee to publish the names of members who failed to return their related party declarations;
 - Journal controls – management response stated a workflow-based system of authorisation for journals would be incorporated into the development of the new finance system.

The Head of Finance informed the meeting that 2017/18 accounts would need to be prepared for the end of May 2018, with the auditors opinion by end of July 2018. He added that the first year at least would be challenging and would require significant change, and the support of all departments, directors and services to work with the finance team. KPMG would also hold a closure workshop at the end of December for all authorities. The Chair asked that an update in six months on progress be brought to the Audit & Risk Committee.

The External Auditor concluded there were four areas that required completion as listed on page 8 of the report, and all that remained was for the external auditors to receive a signed management representation letter.

The Chair thanked the External Auditor for the report.

RESOLVED:

that:

1. The report to Those Charged with Governance (ISA 260) be noted;
2. The qualified ‘except for’ Value for Money conclusion following the OFSTED report in March 2015 with regards to arrangements for children’s services be noted;
3. The recommendation to publish the names of members who failed to return their related party declarations was supported;
4. An update report on progress regarding the implementation of

earlier closure of accounts be brought to a meeting of the Audit & Risk Committee in six months.

32. ANNUAL GOVERNANCE STATEMENT 2015-16

The Director of Finance submitted a report which recommended Audit & Risk Committee Members approve the Council's Annual Governance Statement 2015-16, which the Council was required to publish as part of its financial accounts reporting. Colin Sharpe, Head of Finance presented the report.

The Committee was asked to note the following:

- The statement should provide assurance that the Council operated in accordance with the law and had due regard to proper standards of behaviour, and that it safeguarded the public purse.
- Members' attention was drawn to the areas of significant risk or priorities for action that had been identified, as listed on pages 32-34 of the agenda.

The Chair thanked the officer for the report.

RESOLVED:

1. That the Annual Governance Statement 2015-16 be noted.

Councillor Patel (Chair) left the meeting at this point. Councillor Westley (Vice-Chair) took the Chair.

33. STATUTORY STATEMENT OF ACCOUNTS FOR THE FINANCIAL YEAR 2015-16

The Director of Finance submitted the Statutory Statement of Accounts to the Audit & Risk Committee for the financial year 2015-16, in line with the Accounts and Audit (England) Regulations 2015. The report recommended the Committee note the auditors' ISA 260 Report to Those Charged with Governance and the recommendations contained within it, that the audited accounts for the year ended 31st March 2016 be adopted by the Committee by the 30th September 2016, and approve the letter of management representation submitted by the Director of Finance. As noted on the agenda, supporting information containing details of the final accounts and briefing note had been distributed to members, published on the Council's website and was available at the meeting. Colin Sharpe, Head of Finance presented the report.

Members were asked to note amendments made to the draft 2015/16 Statement of Accounts as a result of the external audit, as outlined in the briefing note.

The Chair thanked officers for the report, and Members agreed the recommendations contained in the report.

RESOLVED:

that:

1. The auditors' ISA 260 Report to Those Charged with Governance be noted;
2. The Committee adopt the Statutory Statement of Accounts for the financial year ended 31st March 2016;
3. The letter of representation submitted by the Director of Finance be approved.

The Chair signed the letter of representation submitted by the Director of Finance.

34. ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE TO COUNCIL FOR THE MUNICIPAL YEAR 2015-16

The Director of Finance submitted a report for approval by the Audit & Risk Committee for submission to Council setting out what the Committee had achieved over the municipal year 2015-16. The Committee noted there was no specific requirement for such a report, but it was considered best practice for the Committee to be able to demonstrate its effectiveness in overseeing the City Council's control environment, as reflected in the Committee's terms of reference. The report covered the municipal year 2015-16 rather than the financial year, so as to align with Members' terms of office. Colin Sharpe, Head of Finance presented the report.

Members were asked to note that during the municipal year, the Committee had met on six occasions, and all meetings had been properly constituted and quorate. The Committee had fulfilled all legal requirements according to the responsibilities under its terms of reference, and made a significant contribution to the good governance of the City Council.

The External Auditor asked that two amendments be made to the report:

- a) Page 41, 4.5, final paragraph, to be amended to read 'The external auditor *uses* Internal Audit work *to inform* the external audit of the Council's accounts and the certification of certain grant claims and returns.'
- b) Page 43, 4.7, top paragraph, to be amended to read '...and that the Council has 'made proper arrangements to secure economy, efficiency and effectiveness in its use of resources *except for arrangements regarding children's services.*'

The Chair thanked the officer for the report.

RESOLVED:

that:

1. The Annual Report of the Audit & Risk Committee to Council covering the municipal year 2015-16 be approved and presented to Council, subject to the following amendments:
 - a) Page 41, 4.5, final paragraph, to be amended to read 'The external auditor *uses* Internal Audit work *to inform* the external audit of the Council's accounts and the certification of certain grant claims and returns.'

- b) Page 43, 4.7, top paragraph, to be amended to read
'...and that the Council has 'made proper arrangements to secure economy, efficiency and effectiveness in its use of resources *except for arrangements regarding children's services.*'

35. INTERNAL AUDIT REPORT AND OPINION FOR THE FINANCIAL YEAR 2015-16

The Director of Finance submitted a report that provided the authority with an annual internal audit report and opinion for 2015/16, and drew upon the outcomes of Internal Audit work performed over the course of the year. The report also concluded on the Effectiveness of Internal Audit. Colin Sharpe, Head of Finance presented the report.

The Audit & Risk Committee was asked to agree the recommendations in the report.

Members were asked to note that findings from the Review of the Effectiveness of Internal Audit could be used to inform the Authority's Annual Governance Statement.

Members asked for clarification in assurance levels given, as to why two similar sounding internal audits relating to the Troubled Families programme could have different outcomes, with one receiving an assurance assessment and the other not. They were informed that generally a substantive audit had taken place resulting in an assessment, but that the same area has also been subject to a different type of audit where assurance levels were not considered appropriate.

The Chair thanks the officer for the report.

RESOLVED:

that the Audit and Risk Committee:

1. Approved the contents of the annual Internal Audit Report and Opinion;
2. Noted that an audit opinion of 'substantial assurance' had been given in relation to the framework of governance, risk management and control for the year ended 31 March 2016;
3. Noted that the opinions expressed together with significant matters arising from internal audit work (reported to the Audit & Risk Committee 3rd August 2016) had been given due consideration when developing and reviewing the Authority's Annual Governance Statement for 2015/16;
4. Noted the conclusions of the Review of the Effectiveness of Internal Audit.

36. RISK MANAGEMENT AND INSURANCE SERVICES UPDATE REPORT

The Director of Finance submitted a report to the Audit & Risk Committee for

noting which provided the Committee with the regular update on the work of the Council's Risk Management and Insurance Team's activities. The report was presented by Sonal Devani, Risk Management Manager.

Key elements of the report were highlighted, and Members' attention was drawn to the following:

- The Operational Risk Register at Appendix 1 to the report was presented by Strategic Area alphabetically, then by Divisions alphabetically with their risks in descending order of score;
- Submission of the Divisional risk registers to RMIS was 100%;
 - The process of review and update to produce the Council's Risk Management Strategy and Policy for 2017 had begun;
 - A summary report of claims against the Council was attached at Appendix 4, and Members were asked to note that since the last report to Committee, the Council had had no cases go to Court;
 - The annual review of the Council's Business Continuity Management Strategy and Policy for 2017 had begun;
 - The impact of Brexit on the Council is recognised within the key risks facing the business;
 - The Business Continuity Institute's 'Cyber Resilience Report 2016' highlighted the top five causes of disruption. It was confirmed the Council had IT security defences and relevant processes in place to address those areas;
 - A report from the Federation of European Risk Management Associations (FERMA) confirmed the enterprise risk management (ERM) was the best option for large organisations to report on non-financial or corporate social responsibility tasks;
 - A briefing session would be provided at a future meeting on insurance claims data.

Concern were raised about fire evacuation arrangements from offices on the third floor at City Hall, in particular that Members felt they were not properly trained/inducted, weren't aware of the procedures and weren't aware of who the evacuation officers were on a given day. Members also then raised concerns about the actual risks and the risk assessment of councillors' surgeries and home visits. They felt that Member Services should look into these matters.

The Chair thanked the officer for the report.

RESOLVED:

that;

1. The Risk Management and Insurance Services Update Report be noted;
2. A briefing be brought to a future meeting of the Audit & Risk Committee on claims data.
3. Consideration be given to the concerns raised around fire evacuation and lone working for Members.

37. CLOSE OF MEETING

The meeting closed at 6.57pm.