



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 16 NOVEMBER 2016 at 5:30 pm

P R E S E N T:

Councillor Patel (Chair)
Councillor Westley (Vice Chair)

Councillor Alfonso

Councillor Dr Barton

Councillor Cank

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38. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Dr. Chowdhury and Hunter.

39. DECLARATIONS OF INTEREST

There were no declarations of interest made.

40. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

that the minutes of the meeting of the Audit & Risk Committee held on 27 September 2016 be confirmed as a correct record.

41. INVOICE PAYMENT DATA

The Director of Finance submitted a report, which provided an update on the timeliness of invoice payments the authority made to its suppliers of goods and services. The Head of Business Service Centre presented the report.

A query was raised regarding whether a record of payment of grants from the Community Meeting ward funding was kept. The meeting was informed that a change had been made in the way ward grants were made. The process of payment was done through a purchase order which would speed up payments. A change had also been made to the terms and conditions on the back of the purchase order which would also assist with payments.

The Chair requested an update report be brought to the Audit and Risk Committee in six months.

RESOLVED:

that:

1. The Invoices Payment Data report be noted;
2. An update report be brought to the Audit and Risk Committee in six months.

42. PURSUANCE OF DEBT

The Director of Finance submitted a report, which provided assurance that the Council pursued debt owed to the Authority appropriately and timely. The Committee were recommended to note the content of the report and the Council's policy and practice on the pursuance of various type of debt and how it worked within practice and legislation. Enid Grant, Head of Business Service Centre presented the report.

It was reiterated that at every stage of the recovery process, the authority adhered to good practice when pursuing debt, and encouraged debtors to make contact as soon as possible if they were struggling to make payments . The point was raised there were debtors that 'won't' pay and those that 'can't' pay.

Concern was expressed that bailiffs were used when people had been overpaid benefits, which could have arisen through error on the Department for Work and Pension's (DWP) and/or authority's part. They were also concerned with the increase in poverty and potential increase in people being evicted from their homes. Clare Ashton, Exchequer Manager informed Members that a change in circumstances quite often resulted in overpayment, and people were requested to inform the authority as soon as possible of changes. Also, through the process of recovering debt, the council worked with debtors and looked at individual circumstances. On occasion, people were signposted to different services for assistance, and were given time for consideration or appeal of the debt before bailiffs were used. Members were informed that interest was charged on a debt as a final resort.

A further point was made regarding different systems for notifying authorities as happened in some European countries, whereby only one notification was required, and all authorities received the information. People arriving in this country were very often not aware of the need to inform more than one authority here.

A second point was raised that people who had received an enforcement notice for council tax should be allowed to pay the council, rather than pay bailiffs and increase their debt with further costs. Alison Musgrove, Service Manager, informed Members that before bailiffs were used, a number of steps had to be followed under council tax regulations before the council could seek a liability order through the court. She added there was also a discretionary fund for people experiencing hardship, that could be used for those in receipt of

housing benefit, and a separate discretionary fund for council tax.

Members were further asked to note that when looking at an individual's circumstances, living expenses were taken into consideration, but priority debts, such as rent, had to be discharged first, following which a suitable repayment figure was agreed.

The Chair thanked the officers for the report.

RESOLVED:

1. That the Pursuing Debt report be noted.

43. CORPORATE COMPLAINTS (NON STATUTORY)

The Director of Finance submitted a report to the Audit and Risk Committee for noting, on progress since the Business Service Centre Manager presented findings on the corporate non-statutory complaints process in November 2015, and to report Quarter 2 2016/17 non-statutory complaints figures. Caroline Deane, Vacancy Management Service Manager presented the report.

Members were asked to note the progress update since the implementation of the new complaints procedure in April 2016.

The report was summarised and detailed information in the appendices to the report was discussed.

In response to comments, it was noted that a new online self-service portal to log a service or complaint had been launched, and gave the opportunity to leave feedback. There was also an alert in the system if frequent or vexatious complaints were left, and those were included in the figures.

The Chair thanked the officer for the report and requested a report on the new complaints system be brought to a future meeting of the Committee.

RESOLVED:

that:

1. The Corporate Complaints (Non Statutory) report be noted;
2. An update report on the new complaints system be brought to a future meeting of the Committee.

44. HALF YEARLY UPDATE REPORT ON THE PROCUREMENT PLAN 2016/17

The Director of Finance submitted a mid-year update report to the Audit and Risk Committee for noting on the Council's Procurement Plan 2016-17, as required by the Contract Procedure Rules. Neil Bayliss, Head of Procurement, presented the report.

The main headings in the report were summarised, and Members were asked to note forthcoming procurement activity, and were informed of the following:

- There had been further reduction in value of waivers to the rules;
- A Social Value / Procurement Strategy was being developed to develop clearer performance indicators and targets, and provide better recording;
- A review of contract procedure rules had commenced, and a report would be brought to the Committee on changes to the rules some time in 2017;

In response to comments by Committee Members it was further noted that:

- The number of procurement exercises that had not started (68) was not dissimilar to the proportion in 2015, and that some might not be started this year, but in 2017. Some contracts may also have been extended and not procured.
- A late addition to the plan needed to be added – for short-term residential care beds (anticipated contract value (£1.5million) over a potential contract duration of five years), following a recent Executive decision;
- Waivers were reported to the executive when procurement rules could not be followed, to ensure reasons were justified and monitored, for example, a typical waiver, e.g. 3 years + 1 year extension could be agreed for a service area that had not re-procured in time and asked for a 6 month extension to reduce the risk of service stopping. Each waiver request had to be drafted in full, and required legal approval.
- Officers were satisfied waivers had dramatically reduced in the last few years.

The Chair thanked the officer for the report and recommendations.

RESOLVED:

That the Procurement Update 2016/17 report be noted.

45. COUNTER FRAUD UPDATE REPORT 2016-17

The Director of Finance, and the Director of Local Services & Enforcement submitted a joint report for noting to the Audit and Risk Committee, which provided information on counter-fraud activities between 1 April 2016 and 30 September 2016. The report was presented by Stuart Limb, Corporate Investigations Manager.

He noted the report contained statistical information and details of cases going through the system (excluding Trading Standards).

The Chair thanked the officer for the report.

RESOLVED:

1. That the Counter Fraud Update Report 2016-17 be noted.

46. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE - OCTOBER 2016

The External Auditor submitted a report to the Audit and Risk Committee for

noting, which proved an overview on progress in delivering responsibilities as external auditors. The report also highlighted the main technical issues which were currently having an impact on local government. John Cornett, Director (External Auditor, KPMG) presented the report.

In response to a comment regarding the National Audit Office report on the *Financial Sustainability of Local Authorities: Capital Expenditure and Resourcing*, Committee Members were informed the authority had borrowed funds from other organisations and had interest to pay, but could meet capital repayments. A Treasury Management report was scheduled to be brought to a future meeting of the Committee.

The Chair thanked the External Auditor for the report.

RESOLVED:

1. That the External Audit Progress Report and Technical Update October 2016 be noted.

47. EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2015/16

The External Auditor submitted an Annual Audit Letter to the Audit and Risk Committee for noting, which summarised the key findings from the 2016/16 audit of Leicester City Council, and audit fee. John Cornett, Director (External Auditor, KPMG) presented the report.

Attention was drawn to the Audit Fees in Appendix 2 to the report, which were still subject to final approval by Public Sector Appointments Ltd (PSAA), and the commissioned non-audit work outside of the PSAA's certification regime.

The Committee was asked to note that the authority had not fully implemented all of the recommendations in the External Auditor's ISA 260 Report 2014/15. Members commented on the outstanding recommendation for 'Related Party Disclosure' where two councillors had not yet returned their annual declaration for 2015/16, one of whom had not done so for at least two years. A question was put to the Monitoring Officer as to what sanctions were open to the Council. The Monitoring Officer to look into the matter and provide information to the Audit and Risk Committee.

RESOLVED:

that:

1. The External Auditor's Annual Audit Letter 2015/16 be noted;
2. The Monitoring Officer to provide information to the Audit and Risk Committee as to what sanctions were open to the Council for the failure to return Related Party Disclosures by Members.

48. PROCUREMENT OF THE COUNCIL'S EXTERNAL AUDIT CONTRACT BY PUBLIC SECTOR AUDIT APPOINTMENTS LTD (PSAA)

The Director of Finance submitted a report for noting, to provide the Audit and

Risk Committee with an update on the process to appoint the Council's external auditors. The Head of Internal Audit and Risk Management presented the report.

The meeting was informed that Council was recommended to approve the procurement of the external audit contract by Public Sector Audit Appointments Ltd (PSAA). Procurement options were considered at a previous Audit and Risk Committee meeting when it was agreed that the Sector Led procurement was the preferred option, based on cost and efficiency.

Members were told that it was hoped savings would be made by using the bigger buying power of a national group to achieve savings.

The Chair thanked the officer for the report.

RESOLVED:

1. That the report on the Procurement of the Council's External Audit Contract by Public Sector Audit Appointments Ltd (PSAA) be noted.

49. FUTURE PLANS FOR INTERNAL AUDIT 2017 AND BEYOND

Tony Edeson, Head of Internal Audit & Risk Management provided a verbal update for noting on future plans for Internal Audit for 2017 onwards.

Members were informed there were currently four vacancies within Internal Audit. It was reported that, in the opinion of the Head of Internal Audit & Risk Management, the current effectiveness of the internal audit service was borderline as a result. There is a statutory requirement that, each year, the Section 151 officer has to sign to confirm that the authority has an effective internal audit service.

Members were asked to note the County Council Internal Audit team had capacity within its audit function, and it was suggested the teams based at County and City be merged together. It was stated the process was in its early stages, but would mean both councils would have an effective audit service, and there would be no requirement to recruit into the vacant City roles (this had been attempted in May 2016 but the advertisement drew no applicants).

In respect of audit plans for the City Council and associated Audit reports, these would still be taken to the City's Audit & Risk Committee, and the City Council would retain its own external auditors.

The Chair thanked the Head of Internal Audit & Risk Management for the update.

RESOLVED:

1. That the information be noted.

50. INTERNAL AUDIT PLAN - QUARTER 3 2016/17

The Director of Finance submitted a report for noting to the Audit and Risk Committee which presented the detailed operational audit plan for the third quarter of the financial year 2016/17. Tony Edeson, Head of Internal Audit & Risk Management presented the report.

Members commented that the planned audit of the Schools Admissions Process would be welcome, as there were a few admission appeals going through. It was reported that the scope of the audit would be to look at the online applications process, and the potential for fraudulent applications was part of the remit. If any issues arose from looking at the system itself, it could be built into the 2017/18 audit plan.

The Chair thanked the Head of Internal Audit & Risk Management for the report.

RESOLVED:

1. That the Internal Audit Plan – Quarter 3 2016/17 be noted.

51. RISK MANAGEMENT AND INSURANCE SERVICES - UPDATE REPORT

The Director of Finance submitted a report for noting, giving the regular update on the work of the Council's Risk Management and Insurance Services team's activities. Tony Edeson, Head of Internal Audit & Risk Management presented the report.

The Chair referred to the recent Supreme Court decision to allow 'collateral lies' in the course of an insurance claim, as noted at Paragraph 4.2.5 in the report. It was explained that it was a case where someone had not been truthful in some parts in making a claim, and the Court had found in favour of the person based on the overall case, which the courts may use as precedent. The brief that came out of the court case would be circulated to Members. The Head of Internal Audit and Risk Management said the Court's decision flies in the face of the work done to crack down on cheats, and it was not known how the courts would react in the future.

In response to further comments by Members on the Financial Reporting Council's 2014 risk guidance, and the ultimate responsibility for risk being with the Executive, it was noted it had been reiterated to the Executive and senior Council Management Team for the need to understand and manage risk.

The Chair thanked the Head of Internal Audit & Risk Management for the report.

RESOLVED:

1. That the Risk Management and Insurance Services Update Report be noted.

Cllr Chowdhury arrived at the meeting at this point

52. 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 7

Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

APPENDIX B1– HOUSING BENEFIT & LOCAL COUNCIL TAX REDUCTION RISK-BASED VERIFICATION POLICY

Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

APPENDIX B2– INTERNAL AUDIT UPDATE REPORT 2016-17 – QUARTER 1 AND QUARTER 2

53. HOUSING BENEFIT & LOCAL COUNCIL TAX REDUCTION RISK-BASED VERIFICATION POLICY

The Director of Finance submitted a report to the Audit and Risk Committee for noting on the Revenue & Customer Support Service's implementation of an amended Risk Based Verification Policy in determining evidential requirements for the assessment of Housing Benefit and Council Tax Reduction Scheme (CTRS) new claims and changes in circumstance, in order to target verification resources on claims where there was the highest risk of fraud and error. Alison Musgrove, Service Manager, Revenues and Customer Support presented the report.

A query was raised regarding the disclosure of national insurance numbers. The officer took the question and undertook to respond following the meeting.

RESOLVED:

1. That the Housing Benefit & Local Council Tax Reduction Risk-Based Verification Policy be noted.

54. INTERNAL AUDIT UPDATE REPORT 2016/17 - QUARTER 1 AND QUARTER 2

The Director of Finance presented to the Audit and Risk Committee a summary of Internal Audit work completed in the first and second quarters of the financial year 2016-17. The report provided an overview of audit work planned and completed, significant issues identified by audit work, and progress made by the business area in implementation agreed recommendations. Tony Edeson, Head of Internal Audit & Risk Management presented the report.

The Chair thanked the Head of Internal Audit & Risk Management for the report.

RESOLVED:

1. That the information contained in the Internal Audit Update Report 2016/17 – Quarter 1 and Quarter 2 be noted.

55. CLOSE OF MEETING

The meeting closed at 7.19pm.