



Leicester  
City Council

Minutes of the Meeting of the  
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 6 DECEMBER 2017 at 5:30 pm

P R E S E N T :

Councillor Dawood (Chair)

Councillor Alfonso  
Councillor Bajaj

Councillor Dr Chowdhury  
Councillor Hunter

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**29. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Dr Moore and Councillor Westley.

Councillors Hunter and Bajaj gave apologies that they would be leaving the meeting at 6.30pm due to other commitments.

**30. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**31. MINUTES OF THE PREVIOUS MEETING**

It was noted that there were a number of minor amendments required as follows:

Item 22 1<sup>st</sup> paragraph referred to "ISO 260" this should read "ISA 260" the ISA standing for Internal Standard on Auditing.

Item 22 Page 2 4<sup>th</sup> bullet point currently read "New rules had been introduced...which gave auditors flexibility in how they presented.." the word "auditors" should be amended to read "the authority".

Item 22 Page 2 5<sup>th</sup> bullet should read 2016/17 not 2018/19.

Item 22 Page 2 8<sup>th</sup> bullet point stated "A qualified opinion had been given in the report's conclusion...", the words "in 2015/16" should be inserted so that the

statement read “A qualified opinion had been given in 2015/16.”

**RESOLVED:**

That subject to the amendments referred to above the minutes of the meeting held on 28 September 2017 be confirmed as a correct record.

**32. CHAIRS ANNOUNCEMENTS**

The Chair referred to Outstanding Related Party Transactions Disclosure for 2016/17 as discussed at the previous meeting by the External Auditor and Members.

The Chair indicated that he had written to Councillor Porter on 7<sup>th</sup> November and informed Councillor Porter that he would be publicly named at the next public meeting of the Audit and Risk Committee for repeatedly failing to provide information to ensure the Council’s accounting processes had and were seen to have integrity.

It was noted that Councillor Porter had not responded to the letter on 7<sup>th</sup> November or previous letters/emails regarding this matter.

Members of the Committee discussed whether there were other sanctions and the Chief Accountant, Finance confirmed that advice had been taken from the Monitoring Officer and acted upon leading to this public announcement.

The Chair commented that it was important to show good governance and that was being applied consistently and effectively in the interests of openness and transparency.

**33. EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2016/17**

The External Auditor submitted an annual audit letter which summarised the key findings from the 2016/17 audit of Leicester City Council, and audit fee.

5.43pm Councillor Bajaj left the meeting

John Cornett, (External Auditor KPMG) presented the report and highlighted the financial challenges being faced by the authority.

Attention was drawn to Appendix 2 of the report setting out the Audit Fees for the 2016/17 audit.

It was noted that the report reflected well on the authority and there were no high priority recommendations, although of the seven medium priority recommendations from the prior year three had not yet been fully implemented.

Members of the Committee queried the statement that suggested the authority had £172m in earmarked reserves at year end and it was clarified that this consisted of reserves for specific priorities for example £36m ring-fenced, the

General Fund stood at £15m which was the minimum balance recommended for contingency.

RESOLVED:

That the External Auditor's Annual Letter 2016/17 be noted.

**34. APPOINTMENT OF EXTERNAL AUDITOR'S FOR 2018/19 (INCLUDING GRANT CLAIMS)**

The Director of Finance submitted a report providing an update on the process to appoint the Council's external auditors for the audit year from 2018-19.

The Committee was reminded that previously Council had been recommended to procure the external audit contract using PSAA following a sector led procurement option which was approved by Council on 24 November 2016. Following the sector led procurement process the appointment proposed was Grant Thornton.

The Director of Finance confirmed there was no conflict of interest in the appointment of Grant Thornton and the proposed audit fees moving forward would potentially save £34k fees a year.

Members expressed some concerns that a reduction in fees might lead to a reduction in audit scope or quality. Officers responded that the external auditors would still be subject to certain standards and their standards did not allow them to rely on internal audit work although they could take account of that and it was acknowledged there might be more demand on the authority to do audit related work.

It was noted that in terms of the quality of work from auditors, there were a number of arrangements in place that monitored auditors. Audit suppliers were required to be subject to external audit review and annual/national reports were published so there would be processes in place to assess the quality of work done by the external auditors.

The Chair suggested there be further discussion at the next meeting in March to consider any differences in the audit expectations and how the transition from current auditor to Grant Thornton would be approached.

RESOLVED

1. That the proposed appointment of Grant Thornton as external auditor for the Council's annual accounts and grants claims from 2018/19 be noted.
2. That there be further discussion at the next meeting in March to consider any differences in the audit expectations and how the transition from current auditor to Grant Thornton would be approached.

**35. COUNTER FRAUD UPDATE REPORT 2017/18**

The Director of Finance submitted a report providing information on Financial Services counter-fraud activities between 1<sup>st</sup> April 2017 and 30<sup>th</sup> September

2017.

Stuart Limb, Corporate Investigations Manager presented the report which included an update on statistical information on fraud cases and progress within the teams dealing with fraud.

Members of the Committee discussed the report during which the following comments were made:

- The prosecutions referred to in the report excluded those relating to Trading Standards.
- There was a range of penalties following successful prosecution which varied depending on severity and financial loss from a fine to custodial sentence.
- In relation to “Right to Buy” applications, computer software from the intelligence hub had been utilised and credit checks were conducted to ensure those applying were registered. Other checks were carried out on the sources of funds. Of the few cases with issues identified purchase would be refused and if there was documentary evidence that would be taken forward for prosecution. Where there was not sufficient evidence steps were taken to secure the property and put back into use for people/families in need.
- In terms of sub-letting the Corporate Investigations team were working with the Housing team proactively every month to sample check resident/tenants, as well as engaging with housing staff and other teams such as the gas safety team (who carried out annual checks on properties) to raise concerns about resident status.
- Although this report did not provide comparative figures from the previous 6 months there were comparative figures provided in the annual report which was considered at the June meeting.

The Chair thanked the Corporate Investigations Manager for the report.

RESOLVED:

That the contents of the report be noted.

### **36. PROCUREMENT PLAN HALF YEARLY UPDATE REPORT**

The Director of Finance submitted a mid-year update report on the Council's Procurement Plan 2017/18.

Neil Bayliss, Head of Procurement presented the report and briefly outlined the constitutional framework of the procurement plan. The procurement plan listed forthcoming procurement activity above EU thresholds anticipated in the coming year. It was noted that the thresholds were due to change in January 2018 but new figures had not yet been published although it was expected there would likely be an increase of around 10%.

6.23pm Councillor Hunter left the meeting.

The Democratic Support Officer confirmed that the meeting was quorate with 3 Members of the Committee present.

The main headings in the report were summarised and Members were asked to note the forthcoming procurement activity.

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

- 52 procurement exercises out of 105 had not started. There were several reasons for this such as delayed procurement of new contracts because existing contracts were expiring and had options to extend, there were also examples where funding was not received or was reprioritised.
- All anticipated procurement for the financial year was included in the plan to give as much notice to suppliers and the market of what our intentions and plans are.
- Decorating allowance scheme was due for retendering, this equated to £200k per annum and the value given was over the whole contract. The allowance rates were set in the Housing Revenue Account budget report and were not high.
- Bus shelters – The provider would provide and maintain the shelters and generate advertising income with a net payment to the Council.
- In relation to solar panels clearly there were environmental benefits but installation would usually only proceed where the payback period from reduced energy costs was reasonable, or where the solar panel schemes were funded by external grants.

RESOLVED:

That the contents of the report and recommendations to the Executive be noted.

### **37. RISK MANAGEMENT UPDATE**

The Director of Finance submitted a report providing the regular update on the work of the Council's Risk Management Services team's activities.

Sonal Devani, Manager, Risk Management presented the report and gave details of the council risk exposure as at 31 October 2017, both strategic and operational risk registers compiled and updates provided by directors of each division.

Members of the Committee were invited to make their observations.

In response to comments it was noted that the service areas responsible for any emerging risks such as the challenge with universal credit, cyber security and Grenfell Tower impacts were using their risk registers to manage those and implementing controls before risks became significant., e.g. housing had ensured following Grenfell Tower that all high rise blocks had fire risk assessments, weekly inspections had been implemented, fire alarms fitted, new tenants briefed, cladding checked etc so the service was proactive in mitigating risk.

In terms of cyber security it was noted that attempts are made to hack the

authority's system. There was an emphasis on staff training and awareness with policies and processes in place to supplement a range of technological defences.

The Chair thanked the Manager, Risk Management for the report.

RESOLVED:

That the contents of the report be noted.

### **38. DRAFT OF THE COMMITTEE'S ANNUAL REPORT TO COUNCIL 2016-17**

The Director of Finance submitted a draft annual report of the Audit and Risk Committee to Council for the municipal year 2016-17.

Colin Sharpe presented the report and it was noted that the committee terms of reference approved by council required that an annual report be compiled. National guidance produced by CIPFA also considered it best practice for the committee to demonstrate its effectiveness and significant contribution to good governance of the council in an annual report.

Members noted the slight change to the format of the report and that a summary approach had been adopted rather than specific details.

The Chair thanked officers for the report.

RESOLVED:

That the Annual Report of the Audit & Risk Committee to Council covering the municipal year 2016-17 be approved and submitted to Council.

### **39. REVIEW OF THE COMMITTEE'S FORWARD WORKPLAN**

The Director of Finance presented a report seeking the Audit & Risk Committee's view on the scope of its future work plan and to signal a review of its terms of reference.

It was noted that:

- the Audit & Risk Committee met four times per annum and its work plan was framed in light of the terms of reference approved by Council.
- CIPFA was expected to issue new guidance shortly on the purpose of audit committees.
- the intention was to review the current TOR linking them to the audit committee standards expected to be met and to present a draft TOR at the March meeting before submission to annual council in May.

The Chair asked that a pre-draft TOR be sent to Members of the Committee before the March meeting to enable their input into the draft.

The Members of the Committee welcomed the review of TOR.

RESOLVED:

1. That the contents of the report be noted,
2. That the current Terms of Reference (TOR) for the Audit & Risk Committee be reviewed,
3. That a pre-draft TOR be sent to Members of the Audit & Risk Committee before the March meeting for their input to the draft,
4. That the draft TOR be presented to the March meeting for consideration before submission to annual council in May 2018.

#### **40. INTERNAL AUDIT PLAN Q3 AND Q4 2017/18**

The Director of Finance submitted a report detailing the operational audit plan for the third quarter and remainder of the financial year 2017-18.

Neil Jones, Head of Assurance Services, Leicestershire County Council outlined the report and set out the operational plan for the remainder of 2017-18.

The Chair thanked officers for the report.

RESOLVED:

That the Internal Audit Plan for the remainder of 2017/18 be noted.

#### **41. 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).

APPENDIX – Summary of Internal Audit Work for 2017-18 to end of September 2017.

#### **42. SUMMARY OF INTERNAL AUDIT WORK FOR 2017-18 TO END OF SEPTEMBER 2017**

The Director of Finance submitted a report summarising the Internal Audit work completed in the first seven months of the financial year 2017-18.

Neil Jones, Head of Assurance Services, Leicestershire County Council presented the report which provided an overview of audit work planned and completed, significant issues identified by audit work and progress made by business areas in implementing agreed recommendations.

The Chair thanked the Head of Assurance Services, Leicestershire County Council for the report.

RESOLVED:

That the contents of the report be noted.

#### **43. ANY OTHER URGENT BUSINESS**

A Member of the Committee requested officers to provide information to the Audit and Risk Committee to help Members gain an understanding of how external auditors arrived at their value for money decision.

The Head of Finance agreed to build that topic into a training programme for Members.

There being no further business the meeting closed at 7.36pm.