



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 21 MARCH 2018 at 5:30 pm

P R E S E N T :

Councillor Dawood (Chair)
Councillor Westley (Vice Chair)

Councillor Alfonso
Councillor Bajaj

Councillor Hunter
Councillor Dr Moore

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44. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Dr Chowdhury, Alison Greenhill the Director of Finance and Lynn Wyeth Head of Information Governance.

45. DECLARATIONS OF INTEREST

Members were asked to declare any interests they may have in the business to be discussed.

There were no declarations of interest.

46. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting held on 6th December 2017 be confirmed as a correct record.

47. EXTERNAL AUDIT PLAN 2017-18

The External Auditor (KPMG) explained the process being undertaken to produce the External Audit Plan 2017-18 which would set out the audit approach to the 2017-18 accounts.

It was noted that changes to the regulations had led to very significant audit implications for the authority which had become an EU Public Interest Entity

(EU PIE) due to bonds issued some years ago which are traded on the stock exchange and hence the formal level of risk associated with the audit had increased. More audit work was therefore required which would include revisiting asset valuations, risk management and compliance and a longer audit report.

Members were informed that advice was being taken on a number of elements arising from the new regulation, such as the requirement for audit committees to have at least one member with a finance/audit background and that the “approval” report should be brought to the committee in private session which contradicted pre-existing regulations for council statutory accounts approvals.

It was proposed that once the External Audit Plan was complete it would be circulated to members for comments and approval.

The Chair thanked the External Auditor for the explanation.

RESOLVED:

That the comments be noted.

48. ANNUAL REPORT - CERTIFICATION OF CLAIMS AND RETURNS (GRANTS)

The External Auditor (KPMG) presented a report summarising the work of the auditor on the Council’s 2016/17 grant claims and returns.

It was noted that the Housing Benefit Subsidy claim had been certified with a value of £130.4 million and a recommendation was raised for the authority to continue to take actions to reduce the level of similar errors.

Unqualified assurance reports were issued on Teachers’ pensions (value £24.3 million) and Pooling of housing capital receipts (value £17.7 million). Members noted that the outcome was consistent with previous years.

Concern was expressed about the impacts of Housing Benefit Subsidy clawback as a loss to the Council and inaccurate assessments. However, it was noted that the value of loss through subsidy clawback against the general fund had reduced from £1.2m in recent years to an anticipated clawback of £330k 2016/17. The quality team continued to check forms and processes, although there were still challenges as claimants’ circumstances often changed quickly and new information was not always notified promptly.

Members raised concerns that people who could not read or write were disadvantaged by the system as they could not complete forms themselves and were unable to use the internet. It was suggested that there were also issues with customer service phone lines and at the Granby Street Customer Service Centre. The Chair indicated that these issues should be referred to either the Housing Scrutiny Commission or the Neighbourhood Services & Community Involvement Scrutiny Commission to consider further.

In terms of progress the External Auditor advised that he would expect quicker and more consistent progress than the Council was making, but inherent in that was the level of complexity of cases being dealt with compounded by the sheer volume of cases. Progress was being made in the right direction albeit slow and steady.

It was agreed that the action plan to improve the accuracy of assessments should be reviewed to identify how further progress could be made and timescales for that to be reported to the next meeting.

The Chair thanked the External Auditor for the report.

RESOLVED:

1. That the report be noted,
2. That the action plan be reviewed and reported to the next meeting.

49. PROCUREMENT PLAN 2018-19

The Director of Finance submitted a report on the procurement plan 2018-19 as required by the Contract Procedure Rules.

Neil Bayliss, Head of Procurement presented the report which listed the contracts expected to be procured during the forthcoming financial year over the EU threshold. It was noted that the EU thresholds were updated in December 2017 coming into force on 1 January 2018 for the next 2 years as set out at para 3.5 of the report, amounting to an overall increase of approx. 10% on the threshold.

The Chair asked for further details about how social value, apprenticeships, living wage etc was being achieved to be reported to a future meeting.

RESOLVED:

1. That the contents of the report be noted,
2. That a report on how social value, apprenticeships, living wage etc are being achieved be provided to a future meeting.

50. REGULATION OF INVESTIGATORY POWERS ACT 2000 - BI-ANNUAL PERFORMANCE REPORT JULY 2017- DECEMBER 2017

The City Barrister and Head of Standards submitted a report providing details on the performance of the Council in authorising Regulatory Investigation Powers Act (RIPA) applications, from 1 July 2017 to 31 December 2017.

Colin Sharpe, Head of Finance presented the report and informed members that the council had applied for zero Directed Surveillance Authorisations and zero Communications Data Authorisations in the period above.

The Chair thanked the Head of Finance for the update.

RESOLVED:

That the contents of the report be noted.

51. FINANCIAL AND ACCOUNTING DEVELOPMENTS UPDATE

The Director of Finance submitted a report on key financial changes currently affecting the council.

Amy Oliver, Chief Accountant outlined the main issues which might impact upon the work of the Audit and Risk Committee which included details of Personal Service Companies, Markets in Financial Instruments Directive (MiFID), Base Rate rises, Faster Closedown and Minimum Revenue Provision.

The Chair thanked the Chief Accountant for the report.

RESOLVED:

That the contents of the report be noted.

52. RISK MANAGEMENT AND BUSINESS CONTINUITY STRATEGY AND POLICIES 2018

The Director of Finance submitted a report presenting the revised Risk Management and Business Continuity Policy Statement and Strategies.

Sonal Devani, Risk Management Manager outlined the report and explained that the policy statement and strategies provided an effective framework for the Council to manage and respond to key risks facing its services to help achieve the delivery of its Business Plan.

Members considered the report and the recommendations to approve the updated Corporate Risk Management Policy Statement and Strategy and the Business Continuity Management Policy Statement and Strategy.

During discussion it was noted that a Risk Management Training programme was rolled out on a yearly basis. Mandatory training sessions were held for anyone involved in risk assessment and that had helped with implementation of strategy and policies.

Sonal Devani, Risk Management Manager commented that there were less concerns that risks were not being identified. Lessons had been learnt and Directors' involvement in the risk process and quarterly reporting had helped to embed that across divisions. Head of Service Risk Registers and Divisional Risk Registers are two separate registers and the system seems to be working better than previously with a focus on capturing risks rather than issues.

Members praised the clarity of the report and noted the progress in risk management.

Members also commended officers involved in the recent incident on Hinckley Road for all their work and continued efforts to help and support the emergency services, local residents and surrounding community. It was noted that the Council had provided a rest centre and community hub which was still in place and continued to work to make the area safe as well as repairing and clearing the pavement and city-bound carriageway.

RESOLVED:

1. That the Corporate Risk Management Policy Statement and Strategy be approved.
2. That the Business Continuity Management Policy Statement and Strategy be approved.

53. 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 report seeking approval of updates to the assurance and corporate governance processes at the City Council and to note the position with the committee's terms of reference.

Colin Sharpe, Head of Finance presented the report and informed members that there were minor changes to the assurance framework to reflect the statutory requirement for an earlier publication of the Council's statement of accounts, annual governance statement and narrative statement. The local code of corporate governance approved by the Audit & Risk Committee in March 2017 had also been reviewed and no changes were proposed.

In relation to the Audit & Risk Committee's terms of reference it was noted that the new national guidance on the role of audit committees had still not been released and it was proposed that a further report on revisions arising from that guidance should be brought to a future meeting.

Members of the committee discussed the report and noted the seven core principles in the Local Code of Corporate Governance, taken from a framework which Council's had to adopt and designed to develop and shape an informed approach to governance. Whilst Members accepted the words and principles stated, it was suggested that in practice these standards might not yet be fully and consistently embedded across the Council, and that an element of aspiration is acceptable. The AGS process reflects on the achievement of the principles and identifies any systemic improvements required.

The Chair thanked the Head of Finance for the report.

RESOLVED:

1. That the assurance framework be approved,
2. That the local code of corporate governance be approved,
3. That a report on the Audit & Risk Committees terms of reference be brought to a future meeting following publication of new national guidance.

54. THE INTERNAL AUDIT CHARTER

The Director of Finance submitted a report seeking approval of a new Internal Audit Charter following the annual review and updates.

Neil Jones, Head of Internal Audit & Assurance Service, Leicestershire County Council explained that the previous charter was approved by the committee in February 2017. The Charter had been updated to reflect changes during the year, namely revised standards that were introduced from 1 April 2017 and the delegation of the Council's internal audit function to Leicestershire County Council in November 2017 and differences in roles.

The Chair thanked the Head of Internal Audit & Assurance Service for the report.

RESOLVED:

1. That the Internal Audit Charter be approved,
2. That the Internal Audit Charter accurately reflects the terms of reference of the internal audit function provided by Leicestershire County Council Internal Audit Service (LCCIAS)

55. INTERNAL AUDIT PLAN 2018-19

Neil Jones, Head of Internal Audit & Assurance Service, Leicestershire County Council explained the process being undertaken to produce the Internal Audit Plan 2018-19.

It was noted that more time and understanding of the City Council's objectives, risks and any specific complexities was required to be able to produce the Internal Audit Plan for the financial year 2018-19. Risk registers were being reviewed and any current internal audit themes and differing delivery models would be considered in consultation with Directors to formulate the Internal Audit Plan moving forward.

It was anticipated that a report would be brought to the next meeting of the Audit & Risk Committee in June.

RESOLVED:

That the verbal update be noted.

56. PRIVATE SESSION

6.48pm Into 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 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 – Internal Audit Update Report – 2017/18 – to end of January 2018.

57. INTERNAL AUDIT UPDATE REPORT - 2017/18 - TO END OF JANUARY 2018

The Director of Finance submitted a report summarising the Internal Audit work completed during the 2017/18 financial year to the end of January 2018.

Neil Jones, Head of Internal Audit & Assurance Service, Leicestershire County Council outlined the report and provided an overview of audit work planned and completed and informing members of the external assessment of the Leicestershire County Council’s Internal Audit Service.

Members noted that audits were progressing as planned and that a full report on the outcomes of the external assessment would be brought to the next meeting of the committee.

RESOLVED:

That the contents of the report be noted.

58. ANY OTHER URGENT BUSINESS

There being no further business the meeting closed at 7pm.

