



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: TUESDAY, 25 JUNE 2019 at 5:30 pm

P R E S E N T :

Councillor Pantling (Chair)
Councillor O'Donnell (Vice Chair)

Councillor Joshi Councillor Kaur Saini
Councillor Rahman

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1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the Minutes of the meeting of the Committee held on 6
March 2019 be confirmed as a correct record.

4. MEMBERSHIP OF THE AUDIT & RISK COMMITTEE 2019/20

Members were asked to note the membership of the Committee for 2019/20 as
follows:

Councillor Pantling (Chair)
Councillor O'Donnell (Vice-Chair)
Councillor Bajaj
Councillor Joshi
Councillor Kaur Saini
Councillor Dr Moore
Councillor Rahman

1 non-Group vacancy (to be notified)

RESOLVED:

That the membership of the Committee for 2018/19 be noted.

5. DATES OF MEETINGS OF THE AUDIT AND RISK COMMITTEE 2019/20

Members were asked to note the meeting dates of the Committee for 2019/20 as follows:

25 June 2019
24 July 2019
18 September 2019
20 November 2019
25 March 2020

All to commence at 5.30pm.

It was confirmed that informal training sessions for Committee members would be convened prior to each Committee meeting.

RESOLVED:

That the meeting dates of the Committee for 2019/20 be noted.

6. TERMS OF REFERENCE

Members were asked to note the Terms of Reference for the Committee, copies of which were circulated with the agenda.

It was reported that the Terms of Reference were currently under review and any revisions would be submitted to the Committee in due course.

RESOLVED:

That the Terms of Reference of the Committee as circulated be noted.

7. EXTERNAL AUDITOR'S ANNUAL AUDIT FEES LETTER 2019/20

Grant Patterson (Grant Thornton) referred to the external auditor's annual audit fees letter, a copy of which was submitted with the agenda.

The letter outlined the scale and scope of the audit and confirmed the billing schedule.

It was reported that Grant Thornton as the appointed external auditor would provide the annual opinion and a value for money conclusion, as provided by KPMG in previous years.

RESOLVED:

That the external auditor's annual fees letter for 2019/20 be noted.

8. EXTERNAL AUDIT PROGRESS REPORT 2018/19

Grant Patterson (Grant Thornton) referred to the Annual Progress Report and Sector Update, copies of which were submitted with the agenda.

The report provided information on the progress in delivering the external auditor's responsibilities and included a summary of emerging national issues and developments, together with a number of challenge questions in respect of those emerging issues.

The progress to date concerning the two primary areas of the financial statements audit and the value for money conclusion were noted.

In respect of internal controls it was confirmed that a draft report had been submitted to the Council and that no significant concerns were notified. Some minor improvement areas had been suggested. It was noted that the Council had provided responses to all issues raised and it was expected that the draft financial statements for 31 March 2019 would reflect consideration of the points discussed and would be delivered on time.

In response to a question, it was clarified that Grant Thornton were in their first year as external auditors in a five year contract. The previous external auditors were KPMG. It was confirmed that areas previously identified by KPMG as significant risks would be the same. Assets on the balance sheets of the Council had been highlighted in this regard.

The Committee was made aware of a sector wide issue concerning the effective management of pension contributions and liability. An ongoing legal case was outlined and it was noted that a late pensions liability adjustment may be necessary, dependent on the outcome of the case expected in July 2019. The enhanced partnership approach undertaken with the external auditors and County Council pensions colleagues was recognised.

In conclusion, the information and questions provided in the sector review were discussed. It was noted that the Council was tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

RESOLVED:

That the Annual Progress Report and Sector Update be noted.

9. POLICY FOR ENGAGEMENT OF EXTERNAL AUDITORS FOR NON-AUDIT WORK 2019/20

The Chief Accountant submitted a report, which sought approval of the Policy for Engagement of External Auditors for Non-Audit Work.

It was reported that at its meeting on 28 June 2017, the Committee approved the Policy for Engagement of External Auditors for Non-Audit Work. The Committee's current Terms of Reference and the policy itself required the policy to be reviewed and approved annually.

The policy for was attached as an appendix to the report and it was reported that its purpose was to protect:

- the Council's interests by ensuring that any such work was properly arranged and approved; and
- the External Auditor's independence and objectivity.

The policy would not replace the Council's existing procurement processes but enhanced the security of the process where the external auditors were concerned. The Policy outlined the approval processes and corporate reporting mechanisms that would be put in place for any non-audit work that the external auditor was asked to perform.

In undertaking the annual review, it was reported that a change had been suggested to clarify when approval was be required for additional statutory audit related work.

Grant Patterson (Grant Thornton) provided assurance that the external auditors were impartial in the process and were not considered as an advocate of the Council in undertaking their non-audit work. It was also confirmed that as external auditors Grant Thornton had to satisfy a number of national checks before being able to bid for any non-audit function work.

In response to a question, the types of activities that were undertaken as 'non-audit work' were discussed and recent examples were provided where specific interest and expertise in a particular area was required.

RESOLVED:

To approve the Policy for Engagement of External Auditors for Non-Audit Work.

10. DRAFT ANNUAL GOVERNANCE STATEMENT 2018/19

The Chief Accountant submitted a report, which provided an opportunity for the Committee to comment on the Council's Draft Annual Governance Statement 2018–2019.

It was reported that the Statement would be brought back to the next meeting of the Committee for formal approval as part of the statement of accounts.

It was reported that the Council was required to publish, as part of its financial accounts reporting, an Annual Governance Statement. The statements intention was to provide assurance that the Council operated in accordance with the law and had due regard to proper standards of behaviour and safeguarded the 'public purse'.

It was noted that the Annual Governance Statement was aligned to the work carried out by the external auditors, who would ensure it was consistent with their understanding and had no significant omissions. It was reported that the work undertaken to date by the external auditor had not identified any concerns.

In response to a comment concerning the effect on the City and public finance of the UK's EU exit (Brexit), reference was made to a detailed report submitted to a previous meeting. It was confirmed that the Committee could be forwarded copies of that information separately.

RESOLVED:

That the Draft Annual Governance Statement 2018–2019 be noted.

11. DRAFT STATEMENT OF ACCOUNTS 2018/19

The Chief Accountant submitted a report, which provided an opportunity for the Committee to comment on the Council's Draft Statement of Accounts 2018/19. It was reported that the Statement would be brought back to the next meeting of the Committee for formal approval as part of the statement of accounts.

The previous debate concerning the potential pension liability adjustments were reiterated and noted (Minute Item 8 refers). The Committee's role in being assured that processes were in place to mitigate risk was discussed and recognised.

In terms of the estimated expenditure of separate departments of the Council, the difference in capital and revenue spend was explained and noted.

Members were advised that due to the length and complexity of the Statement of Accounts, officers could provide any further 1:1 assistance with questions on request.

RESOLVED:

That the Draft Statement of Accounts 2018/19 be noted.

12. PRIVATE SESSION

RESOLVED:

That the press and public be excluded during consideration of the following reports, in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because they 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).

INTERNAL AUDIT – 2018/19 PROGRESS AGAINST PLAN

INTERNAL AUDIT – ANNUAL REPORT 2018/19

INTERNAL AUDIT – AUDIT PLAN 2019/20

13. INTERNAL AUDIT - 2018/19 PROGRESS AGAINST PLAN

Bharat Mistry (Internal Audit Manager) submitted a report, which provided:

- a summary of progress against the Internal Audit Plan 2018-19
- summary information on high importance recommendations and progress with implementing them
- information on resources used to progress the plan

It was reported that under the Council’s Constitution, the Committee had duties to monitor performance against the Internal Audit Plan on an annual basis. Summaries of Internal Audit reports were therefore regularly provided with details of any issues arising. The close working relationship between County Council Officers undertaking the Internal Audit function and the Council’s own Finance Team was emphasised and noted.

In considering the detailed information in appendices and particularly the timeframes, it was confirmed that once appropriate action had been completed by relevant managers or officers, audits would be removed from the lists.

The processes that would be undertaken if audit advice and recommendations were not sufficiently acted upon were discussed, including further individual reporting of concerns to the Committee and the appearance of the senior responsible officer.

RESOLVED:

That the report be noted.

14. INTERNAL AUDIT - ANNUAL REPORT 2018/19

Neil Jones (Head of Internal Audit and Assurance) submitted a report, which provided the Committee with an annual report on internal audit work conducted during 2018-19. The report also contained information on the internal audit function's conformance to professional standards and its quality assurance framework, which provided an insight into its effectiveness.

RESOLVED:

That the report be noted.

15. INTERNAL AUDIT - AUDIT PLAN 2019/20

Neil Jones (Head of Internal Audit and Assurance) submitted a report which provide the Committee with an indication of internal audit work planned to be conducted during 2019-20.

Members attention was drawn to the sections of the report concerning the Committee's duties. It was noted that the Committee was asked to review and challenge management's responsiveness to the internal audit findings and recommendations, seeking assurance that appropriate action had been taken where necessary and agreed recommendations had been implemented within reasonable timescales.

In response to a question, arising from consideration of the summary information in appendices, the frequency and type of audits carried out at the City's maintained schools were summarised and noted.

RESOLVED:

That the Internal Audit – Audit Plan 2019/20 be approved.

16. CLOSE OF MEETING

The meeting closed at 6.50 pm.