



Leicester  
City Council

Minutes of the Meeting of the  
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 24 JULY 2019 at 5:30 pm

P R E S E N T :

Councillor Pantling (Chair)

Councillor Bajaj  
Councillor Joshi

Councillor Kaur Saini  
Councillor Dr Moore

Councillor Rahman

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**17. APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor O'Donnell (Vice-Chair).

**18. DECLARATIONS OF INTEREST**

There were no Declarations of Interest.

**19. MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

That the Minutes of the meeting held on 25 June 2019 be agreed as a correct record.

**20. ANNUAL GOVERNANCE REPORT**

Grant Patterson (Grant Thornton) submitted the External Auditor's Annual Governance Report, which summarised the key findings and other matters arising from the statutory audit and the preparation of the financial statements for the year ended 31 March 2019.

In terms of the Financial Statements it was reported that the external auditor was required to report whether, in their opinion, the Council's financial statements gave a true and fair view of the financial position of the Council and its income and expenditure for the year and had been properly prepared.

It was also reported that there was a requirement to report whether other information published together with the audited financial statements was materially inconsistent with the financial statements or materially misstated.

It was confirmed that the audit work was completed on site during June and July 2019 and the summary of findings identified four adjustments to the financial statements, none of which had resulted in an impact on the Council's net reported surplus for the year.

It was therefore concluded that the anticipated audit report opinion would be unqualified.

In submitting the detailed information from the findings, it was reported that with regard to 'Value for Money' a risk based review of the Council's arrangements had been undertaken. It was concluded that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources. An unqualified value for money conclusion was anticipated. With regard to 'Statutory Duties' it was confirmed that no additional statutory powers or duties had been applied.

In concluding the summary of the Annual Governance Report, it was clarified that the majority of work had been completed but the completion certificate could not be issued at this stage, as the Whole of Government Accounts work was yet to be concluded

The audit approach was explained and it was noted that this was based on a thorough understanding of the Council's business and is risk based. In particular the evaluation of the Council's internal controls environment, including IT systems; and substantive testing on significant transactions and material account balances.

It was confirmed that audit plan, as communicated to on 6 March 2019 had not been altered.

The audit was substantially complete and there were no matters which required modification of the audit opinion or material changes to the financial statements, subject to the satisfactory resolution of some outstanding matters, as outlined within the report. It was confirmed most had now been covered since submitting the report.

The Committee was also informed that the Council had repaid debt listed on the London Stock Exchange in January 2019. As a result the Council is no longer classified as a "Public Interest Entity" and an Extended Auditor's Report, as provided by the predecessor auditor, was no longer required.

In terms of significant risks during the course of the audit, the Council had sought a revised report to account for the impact of the recent 'McCloud' judgement. It was reported that in January 2017, the Employment Tribunal ruled that transitional provisions in the New Judicial Pension Scheme (NJPS) were unlawfully age discriminatory because they were not objectively justified.

It was confirmed assurances had been sought from the auditor of the Leicestershire County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data by the pension fund. Subject to satisfactory receipt of this assurance an impact upon the audit opinion was not envisaged.

The Chair thanked the external auditor for submitting the Annual Governance Report and summarising the work undertaken.

The Committee considered the report and its findings in detail and sought assurances in particular concerning the adjustments to the accounts relating to pension contributions, arising from the 'McCloud' judgement. It was noted that the pension fund net liability, reflected in the balance sheet, represented a significant estimate in the financial statements due to the size of the numbers involved and the sensitivity.

It was therefore acknowledged that the valuation of the pension fund net liability had been identified as a significant risk.

In terms of the outstanding matters assessed as 'amber', assurances were also sought concerning the Council's PFI model for schemes in accordance with Building Schools for the Future.

Committee members also raised the issue of the recent joint local review by CQC and OFSTED of the Council and CCG's SEND services. It was reported that this review led to the requirement for a written statement of action because of significant weaknesses.

The external auditor had sought assurance from senior officers of how the Council was ensuring that the outstanding actions were being undertaken and how they were progressing against the plan.

An assurance was provided that regular reporting processes were adequate, and it was confirmed that progress had been recognised. The question of the Council's apparent 'self-review' was raised and in reply it was reported that the LGA had also undertaken a separate independent review which had concluded that satisfactory arrangements were in place.

The external auditor also explained that such arrangements were positive, allowing the Council to examine its own process and procedures. It was accepted that the performance of the service was appropriately monitored.

**RESOLVED:**

That the External Auditor's Annual Governance Report be received and noted.

## **21. THE COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2018-19**

The Director of Finance submitted a report, which sought approval for the Council's Annual Governance Statement 2018 – 2019.

### **RESOLVED:**

That the Annual Governance Statement 2018 - 2019 be approved.

## **22. THE STATEMENT OF ACCOUNTS AND LETTER OF REPRESENTATION 2018/19**

The Director of Finance submitted a report, which advised of the requirement for the Council to present its audited Statement of Accounts for 2018/19 by the 31<sup>st</sup> July 2019.

It was reported that regulations also required those charged with governance to approve a letter of management representation. It was noted that the external auditor had presented details, known as the ISA 260 report, with the conclusions of the audit work in a previous agenda item (minute 22 refers).

### **RESOLVED:**

- 1) To note the auditor's ISA 260 Report to those charged with Governance and the recommendations contained within it;
- 2) To adopt the audited accounts for the year ended 31<sup>st</sup> March 2019; and
- 3) To approve the letter of representation submitted by the Director of Finance.

## **23. REGULATION OF INVESTIGATORY POWERS ACT 2000**

The City Barrister and Head of Standards submitted a report, which advised on the performance of the Council in authorising Regulatory Investigation Powers Act (RIPA) applications, from 1<sup>st</sup> January 2019 to 30<sup>th</sup> June 2019.

It was reported that the Council applied for 0 (nil) Directed Surveillance Authorisations and 0 (nil) Communications Data Authorisations in the period.

It was noted that the Investigatory Powers Commissioner inspected the Council in March 2019 and the Council was found to demonstrate compliance. The findings were appended to the report.

Committee members welcomed the report and its findings, and it was suggested that RIPA be identified as a topic for a future Members Training session.

RESOLVED:

- 1) To receive and note the report;
- 2) To adopt the revised Surveillance Policy; and
- 3) To identify the Regulatory Investigation Powers Act (RIPA) as a topic for a future Members Training session.

## **24. COUNTER FRAUD ANNUAL REPORT 2018/19**

The Director of Finance submitted a report, which provided information on counter-fraud activities during 2018-19 and is confined to the City Council's Corporate Investigations Team within Financial Services.

In discussing the report, the Committee sought further information on actions taken to prevent and enforce the sub-letting of Council property. The nationally recognised problem of businesses folding and re-starting under a different identity was also noted.

The working relationships and liaison with colleagues in the Housing Directorate and Revenues (Business Rates) Team were explained and noted.

RESOLVED:

That the report be received and noted.

## **25. ANNUAL INSURANCE REPORT**

The Director of Finance submitted a report, which presented an overview of the Council's internal and external insurance arrangements; and provided information on the claims received in recent years, and the results of the claims handling process.

In respect of highways claims, the increased activity during 2017/18 due to bad weather was highlighted. It was reported that an increase in the highways defensibility rate had been experienced nationally. It was further reported that the Council had a good record in successfully defending a significant number of highways claims, due to sound risk assessments undertaken by highways officers.

In terms of motor insurance claims, it was clarified that the data related to accidents and incidents involving the Council's vehicles.

RESOLVED:

To note the contents of the report, and the Council's approach to ensuring it is managing the financial risk associated with claims.

## **26. ANY OTHER URGENT BUSINESS**

The Chair advised that the following item had been accepted as a Matter of Urgency for the following reason:

A Local Government Ombudsman (LGO) final report had been published on 18<sup>th</sup> July 2019 in relation to a complaint received against Leicester City Council.

The report included the following statement from the LGO:

*“The Council must consider the report and confirm within three months the action it has taken or proposes to take. The Council should consider the report at its full Council, Cabinet or other appropriately delegated committee of elected members and we will require evidence of this. (Local Government Act 1974, section 31(2), as amended)”.*

The Audit and Risk Committee was considered to be the appropriately delegated Committee to consider the report.

## **27. LOCAL GOVERNMENT OMBUDSMAN JUDGEMENT IN RELATION TO ELECTIVE HOME EDUCATION CASE AT LEICESTER CITY COUNCIL**

The Director of Learning & Inclusion submitted a report, which advised the Committee of a Local Government Ombudsman (LGO) final report published on 18<sup>th</sup> July 2019 in relation to a complaint received against Leicester City Council.

It was reported that the complaint related to an investigation by the Council's Elective Home Education service. The findings of the LGO in respect of the complaint were appended to the report. It was confirmed that as the LGO upheld the complaint, the Council was required to comply with the recommendations within the LGO report.

The Director of Learning & Inclusion then reported on the background to the case and clarified that the remedies as recommended by the LGO were being fully implemented. In response to a question, it was confirmed that an apology had been made to the complainant. It was also confirmed that a press release had been issued in response to the recommendations, the details of which were noted by the Committee.

Members of the Committee expressed concern at the LGO's findings and supported the actions of the Learning and Inclusion Service. The Committee accepted that the actions had been taken with the best interests of the child in mind at the time.

In respect of the number of children home schooled in the city, and in reply to a question, it was reported that there had been a significant increase in the six months since December 2018. Revised guidance was expected on this issue and it was expected that the Council's legal powers would be strengthened.

Members of the Committee considered that the general question of how home schooling should be overseen should be referred to the Children, Young People and Schools Scrutiny Commission for their consideration and comment, once the revised guidance had been received.

**RESOLVED:**

- 1) That the recommendations of the Local Government Ombudsman in respect of the complaint be accepted;
- 2) That the actions and remedies taken and being taken to fully comply with the recommendations within the LGO report be noted;
- 3) That following confirmation of revised statutory guidance, the matter of the increased numbers of home schooled children be referred to the Children, Young People and Schools Scrutiny Commission for consideration and comment; and
- 4) That the Local Government Ombudsman be informed of the Council's response accordingly.

**28. CLOSE OF MEETING**

The meeting closed at 7.00pm.