



Leicester  
City Council

**WARDS AFFECTED:**  
ALL

**FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**

**Audit and Risk Committee**  
**Council**

**21<sup>st</sup> July 2021**  
**30 September 2021**

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**Report of the Audit and Risk Committee to Council**  
**covering the municipal years 2019/20 and 2020/21**

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**Report of the Deputy Director of Finance**

**1 PURPOSE OF REPORT**

- 1.1 To present to the Council the report of the Audit and Risk Committee setting out the Committee's achievements over the municipal years 2019/20 and 2020/21.
- 1.2 This report was presented to the Committee for approval at its meeting on 21<sup>st</sup> July 2021.

**2 RECOMMENDATIONS**

- 2.1 Audit and Risk Committee is recommended to approve this report for submission to the Council.
- 2.2 Council is recommended to receive this report.

**3 SUMMARY**

- 3.1 The Committee's terms of reference approved by Council require the submission of an annual report on its activities, conduct, business and effectiveness. Moreover, the CIPFA\* guidance on Audit Committees states that the audit committee should be held to account on a regular basis by Council, and that the preparation of an annual report can be helpful in this regard. (\* CIPFA – the Chartered Institute of Public Finance and Accountancy)
- 3.2 The 2019/20 report was approved by the Committee in September 2020, however, owing to the pandemic restrictions was not presented to Council. The 2020/21 report has now also become due, so the opportunity has been taken

to produce this new report covering both 2019/20 and 2020/21. Following the Committee's approval, this will proceed to Council.

- 3.3 The Audit and Risk Committee considered a wide range of business in fulfilment of its central role as part of the Council's system of corporate governance, risk management, fraud and internal control. It conducted its business in an appropriate manner through a programme of meetings and fulfilled the expectations placed upon it.

## **4 REPORT**

- 4.1 The Committee's terms of reference are regularly reviewed. They formally confer upon it the role of 'the board' for the purposes of the *Public Sector Internal Audit Standards*, (the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, interpreted and adopted for local government by CIPFA) as the recognised professional standards for local authority internal audit. Updated terms of reference were considered by the Committee in March 2021, and subsequently approved by Council to take effect for the 2021/22 municipal year.
- 4.2 During the municipal year 2019/20, the Committee met on four occasions. The fifth meeting of the year was cancelled due to the Covid-19 pandemic. In 2020/21, the Committee met five times, all meetings being online due to the pandemic. All meetings were properly constituted and quorate. The Committee's terms of reference required it to meet at least three times a year (the new terms of reference stipulate not less than four times). The Deputy Director of Finance and Leicestershire County Council's Head of Internal Audit and Assurance Service attended meetings of the Committee. In addition, and in the interests of providing the full range of legal, constitutional and financial advice and expertise, the Committee was supported by the Director of Finance and the City Barrister & Head of Standards or their representatives.
- 4.3 CIPFA has a publication *Audit Committees – Practical Guidance for Local Authorities*, providing guidance on function and operation of audit committees. The position statement within the guidance, notes "*audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.*"
- 4.4 Further to this it notes the purpose of the governance committee is to provide those charged with governance independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes.
- 4.5 It is considered that Audit and Risk Committee met the requirements for an effective Audit Committee. In summary the reasons for this are:
- The Committee meets regularly, and its chair and membership are sufficiently independent of other functions in the Council. Meetings are conducted constructively and are free and open and are not subject to political influences;

- The Committee's terms of reference provide a sufficient spread of responsibilities covering internal and external audit, risk management and governance;
- The Committee plays a sufficient role in the management of Internal Audit, including approval of the audit plan, review of Internal Audit's performance and the outcomes of audit work and management's response to that; and
- The Committee received reports from Grant Thornton as the Council's external auditor and maintains an overview of the external audit process including the fees charged.

4.6 However, it is acknowledged that Committee members need suitable training. Arrangements continue to be made to provide training on a relevant topic immediately before meetings of the Committee. The Committee is subject, of course, to some turnover of membership each municipal year, an inevitable consequence of the political environment in a local authority. Should this happen, training for new members is offered.

4.7 The Committee has continued to make an important contribution to the effectiveness of the City Council's internal control and corporate governance frameworks. It is a central component of the Council's system of internal control. The key outcomes from the Committee's work included:

#### 4.8.1. Internal Audit

- The Committee considered the Internal Audit annual plans and monitored delivery and outcomes during the year. The Committee also received the Internal Audit annual reports and opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control.
- The Committee reserves the right to summon relevant officers to attend its meetings to discuss in more depth specific issues raised by Internal Audit reports. This has helped to maintain the profile of the Committee and its role in promoting adherence to procedures and improved internal control.

#### 4.8.2 Counter-Fraud

- The Committee maintained an effective overview of the Council's measures to combat fraud and financial irregularity. Specifically, the Committee:
  - Considered counter-fraud reports, which brought together the various strands of counter-fraud work with data on the various types of work carried out by the teams involved.
  - Reviewed and supported the Council's participation in the National Fraud Initiative.

#### 4.8.3 External Audit

- The Committee considered the external auditor's plans and progress and the outcomes of this work, with particular reference to the annual audit of the Council's statutory financial statements.

#### 4.8.4 Risk Management

- The Committee maintained a regular overview of the risk management arrangements. This included the Council's strategic and operational risk registers, 'horizon-scanning' for potential emerging risks to the Council and its services, together with the Risk Management Strategy and Policy and Corporate Business Continuity Management Strategy.

#### 4.8.5 Corporate Governance

- The Committee fulfilled the responsibilities of 'the board' for the purposes of the City Council's conformance to the *Public Sector Internal Audit Standards* in terms of overseeing the Council's arrangements for audit, the management of risk and the corporate governance assurance framework.
- The Committee maintained its oversight of the Council's corporate governance arrangements. The Council's updated assurance framework, which maps out the process for collating the various sources of assurance and preparing the Council's statutory Annual Governance Statement, was reviewed and approved by the Committee.
- The Committee approved the Annual Governance Statements for 2018/19 and 2019/20.
- This annual report to Council is part of the governance arrangements, through giving a summary of the Committee's work and contribution to the good governance of the City Council and demonstrating the associated accountability.

#### 4.8.6 Financial reporting

- The Committee received and approved the Council's statutory Statement of Accounts for 2018/19 and 2019/20 and associated external audit reports. It approved the Council's letters of representation, by means of which the City Council gives assurance to the external auditor; there were no significant items that were not reflected in the Council's accounting statements.
- The external auditor's Annual Governance Reports were issued to the Committee as 'those charged with governance' and considered accordingly. In these reports, the auditor confirmed that his audit opinion on the Council's financial statements would be 'unqualified'.

#### 4.8.7 Other Work

- During the years the Committee also received updates and reports on the following areas:
  - Insurance
  - Corporate complaints
  - Procurement
  - Developments in Audit & Governance

### **5. Conclusions**

- 5.1 The Committee fulfilled all of the requirements of its terms of reference and the good practice guidance issued by CIPFA.
- 5.2 It is the view of the Chief Operating Officer (the s151 officer) that the Audit & Risk Committee made a significant contribution to the good governance of the City Council. Through its work, it has reinforced the Council's systems of internal control and internal audit and has given valuable support to the arrangements for corporate governance, legal compliance and the management of risk.
- 5.3 Each year, following any changes in membership, there is a need to support members with relevant training and briefings on technically complex subjects, particularly in the context of the governance of a large local authority and especially during a period of continued financial stringency and change. The effectiveness of the Committee is enhanced by having members who have sufficient expertise and experience, attributes which benefit from some continuity of membership.

### **6. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

#### **6.1 Financial Implications**

An adequate and effective Audit & Risk Committee is a central component in the governance and assurance processes intended to help ensure that the Council operates efficiently, cost effectively and with integrity. Its support for the processes of audit and internal control will help the Council as it continues to face the financially challenging times.

*Colin Sharpe, Deputy Director of Finance, ext. 37 4081*

#### **6.2 Legal Implications**

The Audit & Risk Committee aids the fulfilment by the Council of its statutory responsibilities under the Accounts and Audit Regulations 2015 by considering the findings of a review of the effectiveness of the Council's system of internal control. It is an important part of the way in which the duties of the responsible financial officer under s151 of the Local Government Act 1972 are met.

*Kamal Adatia, City Barrister & Head of Standards, x37 1401*

## 7. Other Implications

<b>OTHER IMPLICATIONS</b>	<b>YES/NO</b>	<b>Paragraph references within supporting information</b>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Climate Change	No	
Crime and Disorder	Yes	4.8.2 – references to fraud and corruption
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities	No	
Risk Management	Yes	The whole report concerns the audit, risk management and governance process, a main purpose of which is to give assurance to Directors and this Committee that risks are being properly identified and managed appropriately by the business.

## 8. BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972

Agendas and Minutes of the Audit & Risk Committee meetings

### REPORT AUTHOR

Colin Sharpe, Deputy Director of Finance