
Financial Update Report

Governance & Audit Committee

Decision to be taken by: N/A

Date of meeting: 22 November 2023

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Kirsty Cowell
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- Report version number: 1

1. Summary

- 1.1. To provide an update on the progress of the statement of account and present external audits findings for 2022/23.
- 1.2 To provide an overview of the error made in collecting direct debits in June and the corrective action taken.

2. Recommended actions/decision

- 2.1 The Committee is asked to note the contents of the report and external audits findings.

3. Background

3.1 The Accounts & Audit (England) Regulations 2015 require that the Council presents its audited Statement of Accounts along with its Annual Governance statement for approval annually by the 31 July. This is delegated to the Audit and Risk Committee by Council. For the 2022/23 accounts, this deadline was extended to the 30 September due to issues being experienced in the local authority audit sector. This extended deadline will continue until the 2027/28 accounts are completed.

3.2 The draft (unaudited) 2022/23 accounts were considered by the Governance & Audit Committee on the 19 July 2023.

3.3 There was an incident on direct debit collection on 1 June 2023 where the individual's repaying debt by instalment plans were overcharged the full outstanding balance instead of the monthly repayment amount. This report will provide an update on the incident.

4. Detailed report

Update on the progress of the external audit for 2022/23

4.1 The external auditors report detailing their findings can be found at Appendix A, which provides an update progress of the (ongoing) audit of the accounts for 2022/23, and significant findings to date. The external auditors envisage issuing an unqualified (positive) audit opinion.

4.2 There are a number of outstanding pieces of work identified, at the time of writing, the most significant is around our valuations of land and buildings. This has also been an issue in previous

audits. The issues relate to difficulty in providing supporting evidence. This has led to additional work being undertaken, including revising valuations. On an initial assessment, the revised valuations may lead to a material audit adjustment to the value of assets in the accounts. Although material for the accounts this has no impact on the money the Council has available to fund services.

4.3 Officers are continuing to work on these matters and liaise with the external auditors where appropriate, with the overall aim of bringing the final audited set of accounts for the Committee to approve at the January meeting.

4.4 There are several other errors/issues identified that have no impact on the Councils overall financial position.

4.5 There are recommendations in the report for improvement in our closedown process. A plan will be put together identifying relevant changes and improvements. A report will be provided on progress to the Committee.

4.6 The Committee should however note that the national deadline of 30 September 2023 for the publication of 2022/23 audited accounts has not been met. Nationally, only 1% local government audited accounts were published by the deadline, reflecting the technical and audit challenges across the sector. It is also important to note there will not be any financial penalties incurred by the Council for not meeting the deadline.

4.7 The Committee may also wish to note that the auditor continues to work on the Value for Money and have notified the Chair of the Committee of the delays in providing the report, which is expected to be published no later than 28 February 2024.

Update on the Direct Debit Incident 1 June 2023

4.8 Leicester City Council (LCC) collects other income for goods and services provided through the main finance system. The main types of debt include:

- Overpaid Housing Benefits
- Leaseholders Charges
- Adult Social Care
- Commercial rents

4.9 For some of these debts we allow payment plans to the spread charges over the year or to support those who are struggling to repay the debt, and this could be over several years. Some will make these payments using direct debits.

4.10 The incident was identified on 31st May 2023 (which is day 2 of the bacs processing cycle), where individuals repaying debt by instalment plans were overcharged the full outstanding balance instead of the monthly repayment amount. There was a total of 2,526 payers in the incorrect collection file totalling a value of £3,345,402. The correct file should have been for 2,508 payers for a total value of £774,954.

4.11 On the day the error was identified, we worked closely with the bank to resolve and arranged refunds for the same day the payments went out of the individuals bank accounts to comply with the direct debit guarantee. This did include the amounts that should have been collected.

4.12 However, this also led to us refunding some direct debits that had not been paid. We instantly started contacting customers and arranged with banks wherever possible for the money to be returned. These have been recovered via banks, direct repayment, or invoices, there is £60k to still be recovered at the 13 October 2023, of which £40k is on payment plans.

4.13 Communications were issued following the incident, which included letters to all affected customers, a press release, and a banner on the Council's website.

4.14 A review of the incident was commissioned from internal audit into the cause of the incident and of the controls in place to prevent a reoccurrence. The review confirmed a number of factors led to the incident; the key issues were:

- Lack of secondary checks by a senior member of staff.
- Out of date procedure notes were followed.
- Inadequate handover following key members of staff leaving the team.
- Lack of staff training

4.15 The review identified additional controls have been implemented since the incident including:

- recruitment of an additional staff
- training across the team
- updated procedures
- review to exclude no single point of failure

5. Financial, legal, equalities, climate emergency and other implications

5.1 Financial implications

The financial implications are contained in the report.

5.2 Legal implications

There are no direct legal implications arising from this report.

Kamal Adatia, City Barrister Ext 1401

5.3 Equalities implications

The report provides an update on the progress of the external audit for 2022/23.
There are no direct equalities implications arising from the report.

Equalities Officer, Surinder Singh, Ext 37 4148

5.4 Climate Emergency implications

There are no significant climate emergency implications directly associated directly with this report.

Aidan Davis, Sustainability Officer, Ext 37 2284

5.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

N/A

6. Background information and other papers:

7. Summary of appendices:

Appendix A – Grant Thornton - Audit Findings for Leicester City Council

8. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”? If so, why?

No