



Leicester  
City Council

Minutes of the Meeting of the  
AUDIT AND RISK COMMITTEE

Held: TUESDAY, 31 MARCH 2015 at 5:30 pm

P R E S E N T:

Councillor Westley (Chair)  
Councillor Dr. Moore (Vice Chair)

Councillor Dr. Chowdhury

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**1. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Alfonso and Lynn Wyeth (Information Governance Manager), and Kamal Adatia (City Barrister and Head of Standards).

Councillor Westley thanked all Members for their attendance over the municipal year, and thanked Clair Pyper (Director, Children, Young People and Families), and Andy Keeling (Chief Operating Officer) for attending the meeting.

**2. DECLARATIONS OF INTEREST**

No declarations of interest were made.

**3. MINUTES OF THE PREVIOUS MEETING**

The Committee received the minutes of the meeting held on 4<sup>th</sup> February 2015.

AGREED:

that the minutes of the previous meeting of the Audit and Risk Committee held on 4<sup>th</sup> February 2015 be confirmed as a correct record.

The Chair explained to the Audit and Risk Committee that he would take the agenda items out of the order listed on the published agenda notice.

#### **4. RISK MANAGEMENT AND INSURANCE SERVICES UPDATE REPORT INCLUDING JANUARY RISK REGISTERS**

The Director of Finance submitted a report which provided the Audit and Risk Committee with a regular update on the work of the Council's Risk Management and Insurance Services Team activities. The Committee was recommended to receive the report and note its contents, and make any recommendations it saw fit either to the Executive or Director of Finance.

The Head of Internal Audit and Risk Management introduced the report, and drew Members' attention to the following:

- The Risk Registers as at 31 January 2015 were presented at Appendix 1, Strategic Risk Register, and Appendix 2, Operational Risk Register.
- The level of submission of the Divisional risk registers to Risk Management and Insurance Services was 100%.
- A response from Housing was reported regarding gates on Charnwood Estate. A letter from the Coroner following an inquest requested that risk management processes be refreshed with staff in Housing. Five half-day training sessions covering 175 operatives had been delivered.
- Year on year insurance claims figures showed a decrease of 15%.
- Two cases had gone to Court since the last report, and both had been successfully defended, allowing a return to reserves of £45,000 and £26,500.
- Two significant events were reported, although neither required formal intervention by the Corporate Business Continuity team:
  - Power loss to the Customer Service Centre on 21 January 2015. Power was restored prior to opening, with no loss of service.
  - Final stage of demolition of New Walk Centre on 22 February 2015. Phoenix House remained closed on the Monday on the grounds of Health and Safety, due to rubble in front of the fire escape. The building opened as usual on the Tuesday.
- Key significant risk issues remained as reported at the last meeting of the Committee and included strike action affecting various unions.

Events under Horizon Scanning in the report were brought to Members' attention. Members made particular reference to the recent Ofsted visit and subsequent report, and the Safeguarding item listed in the LCC Strategic Risk Register. Members spoke of the concern they had for the safety of children in the city and the potential risk of harm to children, as outlined in the Ofsted report. They said Council delegated responsibility to the Committee to ensure there was robust risk management, and asked that not just Children's Services but Adult Services also were monitored, and stated that the strategic risk registers had some weight.

The Head of Internal Audit and Risk Management said firstly the key point made during the delivery of training was that, even the best risk assessment process in the world would not stop things from going wrong. He added that risk assessment was a point-in-time view of what was happening.

Secondly as a risk manager he was less worried about the content of the risk register than how risk management was embedded within the authority, and whether people knew how to identify risk.

The Head of Audit and Risk Management said when the quarterly risk registers come in from the 15 divisions, the Risk Management Team has to take them at face value, and if a low score was found, officers would go back to managers in the division to 'check and challenge' where time allowed. Training and tools for the undertaking of risk assessments were given to Directors, Heads of Service and Managers. In October 2014, the Head of Paid Service made the 'Identifying and Assessing Operational Risk' training, along with the use of the standard Board approved risk assessment form, compulsory for all staff who have to carry out risk assessments.

Members said the Strategic risk register contained in the report was completed and presented at the Audit and Risk agenda meeting, and was dated 31 January 2015, when concern was already felt, but the Committee did not think this concern was reflected within the risk register. They asked who had completed the document.

The Head of Paid Service said the register had been carried forward from the previous quarter. Members were told the local authority had an improving picture, though there were times where risk management activity became a lower priority in some areas. He said that as a result of the Ofsted report, the risk management process would be looked at to better embed it across all services. During discussion with Members, the Head of Paid Service suggested the following:

- A regular performance and risk meeting with the Corporate Management Team be arranged;
- Risk management to become part of his one-to-one meetings with directors;
- Strategic Directors to have the same conversations with their divisional directors;
- The Head of Paid Service relied on other people to look at their risk registers, and that they should be aware they were accountable.
- The risk register for Children's Services be brought to the Audit and Risk Committee in the new municipal year to look at in more detail.
- The Audit and Risk Committee could take the operational risk register and decide which risk assessments/registers they wanted to look at in more depth.

Members queried if the issue in Children's Services would have been picked up if Ofsted had not visited the authority. They also said changes should be made to stop what was suggested to be facile reporting, and real events should be reflected in the risk register. Members added if there had been a tragedy, they would have been held accountable also, and would make every effort to ensure risk was not ignored. They said every Scrutiny Committee should have a risk paper as part of a new form of governance. The Head of Internal Audit and Risk management said that a risk assessment should accompany any paper to any Board/Executive Group where decisions were to be taken as very little that

the Council does carries no risk.

Members asked that the new Committee in the new Municipal Year be introduced to the matrix used for risk measurement, but to also have a simpler method of traffic light colours (red, amber, green) used as a measurement of risk.

The Head of Paid Service said active consideration of risk and mitigation would be considered on a far more regular basis. He added the arising from the Ofsted report there were a number of issues for the body corporate to consider.

The Chair moved that the Audit and Risk Committee were satisfied by the assurances from the Head of Paid Service, and would be monitoring new arrangements in the future.

The Chair thanked the Head of Internal Audit and Risk Management for the report.

RESOLVED:

that the Committee:

1. receive the report and note its contents;
2. make any recommendations or comments it saw fit either to the Executive or Director of Finance.

## **5. ANNUAL REPORT - CERTIFICATION OF CLAIMS AND RETURNS (GRANTS) 2013/14**

The External Auditor, KPMG presented a report that summarised the work of the auditor and findings from the Certification of Claims and Returns 2013/14, set out in two main parts: the value of Claims and Returns, and the Certification Work Fees.

It was reported that for 2013/14 one claim (Housing Benefit) with a total value of £139,172,604 and one return (pooling of Housing Capital Receipts) with a total of £6,926,042 were certified.

Consideration was given to the remainder of the report, which covered the following areas:

- Summary of certification of work outcomes;
- Fees;
- 2013/14 Certification of Claims and Returns Action Plan

The External Auditor informed the meeting that issues produced in the appendix to the letter were not new and came up year after year, and management comments were contained in the letter. No new significant issues had been identified for the year. It was acknowledged that officers dealing with benefits claims, particularly the Quality Assurance Team, took a professional attitude and were proactive in correcting errors found through additional testing.

Members were informed the fees set out in the letter confirmed that final fees were in line with the indicative fee set by the Audit Commission, and was reduced in 2013-14 as localisation of the Council Tax Benefit meant it was no longer part of the Housing Benefit subsidy claim.

Members asked how prior year recommendations were being addressed, particularly Point 2, Appendix 2, where the matter was still outstanding. The Director of Finance informed the meeting the issue referred to 2009 following a review of the benefits service. She said significant money had been injected into the service. The Quality Assurance Team handled a significant volume of transactions, and nine months of the year were spent servicing and auditing the grant claim. It was intended that a formal action plan would be drawn up in 2015, and the auditors would be asked to draw a line under the issue.

The Director of Finance also informed the meeting that discussions had taken place with KPMG to see if the Council could combine three or four tests to reduce the fee. Members were also told the Director of Finance had met with the Director General of the Department for Work and Pensions who were interested in looking at all aspects of the Council's work with auditors, particularly as the Council moved towards the introduction of Universal Credit. The Director of Finance said she was interested in looking at all aspects for different ways of working, as long as it did not impact on the Council's grant claim, and that service users did not suffer in terms of benefit processing. She added there was not a financial penalty for processing time, but there was for errors.

The Chair thanked the External Auditor for the report.

RESOLVED:

1. that the report be noted.

## **6. EXTERNAL AUDIT PLAN FOR FINANCIAL YEAR 2014-15**

The External Auditor presented the External Audit Plan 2014/15, which supplemented the External Auditor's Audit Fee Letter 2014/15. The Plan set out the detailed audit plan for the external audit of the financial statements and the approach to value for money (VFM) work for the 2014/15 financial year.

Members considered the report in detail, which covered the following areas:

- KPMG's audit approach
- Key financial statements audit risks
- Value for money audit approach
- Audit team, deliverables, timescales and fees.

The stages of KPMG's audit approach were summarised in the report as follows:

- Planning
- Control evaluation

- Substantive procedures
- Other audit work

Members were asked to note the significant risks identified with regards to the following:

- Accounting for Local Authority Maintained Schools;
- The in-year change of banking services provider from Co-op to Barclays.

The External Auditor said an amendment to the report would be made as a risk in Children's Services had been identified and reported in a recent Ofsted report, and would have an impact on the value for money work and fee.

Members were also asked to note the External Auditor's approach to the Value for Money conclusion and audit of the Council's financial statements.

The Director of Finance said the change of bankers was a big project and the old Co-op bank account would remain open, and would run alongside the new Barclays bank account for approximately three months.

The Chair thanked the External Auditor for the report.

RESOLVED:

1. that the report be received and noted.

## **7. PROCUREMENT PLAN 2015-16**

The Director of Finance presented a report on the Executive approval of a Procurement Plan, and informed the Audit and Risk Committee that the appendix to the report informing the City Mayor and Executive of major procurement activity was a management version, though the content was accurate. The Audit and Risk Committee were told an Executive Decision had already been taken before the pre-election period, as the original meeting date of Audit and Risk Committee had been changed.

The Director of Finance explained the Procurement Plan served two purposes, which included firstly meeting the statutory requirement to publish planned procurement over European Union thresholds, and to notify the market, and secondly to provide the Executive and others with an overview of significant procurement activity.

The Chair thanked the Director of Finance for the report.

RESOLVED:

1. that the report be received and noted.

**8. UPDATE ON REGULATION OF INVESTIGATORY POWERS ACT (RIPA) STATISTICS AND PERFORMANCE REPORT - 1 JULY 2014 TO 31 DECEMBER 2014**

The City Barrister and Head of Standards submitted a report on the performance of the Council in authorising Regulation Investigation Powers Act (RIPA) applications from 1 July 2014 to 31 December 2014. The report was presented by the Director of Finance.

The report advised that the Council had applied for no directed surveillance authorisations and no communications data authorisations in the second half of 2014. The meeting was also told that the Council currently had three trained Authorising officers in place, and the newly appointed Director of Environment was awaiting training.

The Chair thanked the Director of Finance for the report.

RESOLVED:

that the Committee

1. receive and note the report.
2. make any recommendations or comments it sees fit either to the Executive, or City Barrister and Head of Standards.

**9. 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 which sought the Committee's approval of updates to the assurance and corporate governance processes at the City Council, and the Committee's own terms of reference. The Audit Manager presented the report.

The Audit Manager referred to the Assurance Framework in Appendix 1 in the report, and the new professional standards terminology now reflected in the document. The diagram informed Members how the Council's corporate objectives and associated risk and assurance processes were tracked.

Members were informed there were no material changes, and only minor changes in terminology were proposed changes to the Local Code of Corporate Governance, and one minor change to the Committee's Terms of Reference which named the Public Sector Audit Appointments Ltd as successor body to the Audit Commission.

Members present at the meeting raised the point of who appointed the Chair and Vice-Chair of the Committee, and further information which detailed the procedure would be brought to a future meeting of the Audit and Risk Committee.

The Chair thanked the Audit Manager for the report.

RESOLVED:

that:

1. the Committee confirmed no material changes to the Assurance Framework were needed, and agreed that it shall form the basis on which the Council would compile its Annual Governance Statement for 2014-15.
2. the Committee confirmed that no material changes to the Local Code of Corporate Governance were needed.
3. the proposed minor amendment to the Committee's terms of reference be approved.
4. details of the procedure for the appointment of Chair and Vice-Chair to the Committee be brought to a future meeting.

## **10. ANNUAL REVIEW OF THE INTERNAL AUDIT CHARTER**

The Director of Finance submitted a report which sought the Committee's approval of minor updates to the Internal Audit Charter, and was presented by the Audit Manager. The Audit and Risk Committee were recommended to approve the updated Internal Audit Charter and agree that it accurately reflected the terms of reference of the Internal Audit service.

Members were informed there were modest changes to the Charter which reflected changes in counter-fraud arrangements, and the position of Internal Audit within the organisation, with the inclusion of Monitoring Officer in reporting arrangements.

The Committee received the report, and agreed the recommendations as set out in the report.

RESOLVED:

1. that the Committee approve the updated Internal Audit Charter, and agree that it accurately reflected the terms of reference of the Internal Audit service.

## **11. INTERNAL AUDIT PLAN 2015-16**

The Director of Finance submitted a report to the Audit and Risk Committee on the Internal Audit Plan for the financial year 2015-16 for approval, and sought views on priorities for Internal Audit work in the year ahead. The Committee were asked to consider and approve the Internal Audit Plan for 2015-16 and note the context and anticipated priorities for next year's audit work, and to make such comments and recommendations as they saw fit. The report was presented by the Audit Manager.

The Committee Members were informed there were significant uncertainties that precluded the preparation of anything more than an indicative audit plan, including budget pressures faced by Internal Audit and the forthcoming organisational and staffing review, the continuing pursuit of external fee-earning work, and the continuing reorganisations of services subject to audit.



The Chair thanked the Audit Manager for the report.

The Committee received the report, and agreed the recommendations as set out in the report.

RESOLVED:

that the Committee:

1. consider and approve the Internal Audit plan for the financial year 2015-16, and note the context and anticipated priorities for the next year's audit work.
2. make any comments and recommendations as they saw fit to the Director of Finance.

## **12. INTERNAL AUDIT - FIRST QUARTER OPERATIONAL PLAN 2015-16**

The Director of Finance submitted a report to the Audit and Risk Committee on the Internal Audit Operational Plan for the first quarter of the financial year 2015-16. The report was presented by the Audit Manager. The Audit and Risk Committee were recommended to note the Internal Audit operational plan as attached to the report.

The Committee was asked to note the individual audits expected to be started in the first quarter of 2015-16, and attention was drawn to the audit of Significant Financial Systems and IT General Controls in Appendix A to the report.

Members made reference to the IT security review of Liquid Logic, which replaced the CareFirst system used in Social Care. They said the system had been highlighted as being delayed, and that people were not trained in its use. They added they were glad to see the issue had been given some attention. The Audit Manager informed those present that in a controlled, safe and agreed way, the security systems were tested to see if they could be accessed from the outside. The Audit Manager also drew attention to the audit of the Troubled Families Programme and the related grant certification.

Members were also informed of various reviews of Public Health, the scope of which would be determined with the Director of Public Health, and the request from the Leicester and Leicestershire Enterprise Partnership (LLEP) for Internal Audit support in the independent verification of grant-funded expenditure by the businesses supported.

The Chair thanked the Audit Manager for the report.

The Committee received the report, and agreed the recommendation as set out in the report.

RESOLVED:

that the Committee:

1. note the Internal Audit operational plan for the first quarter of 2015-16.

### **13. PROPOSED SCHEDULE OF MEETINGS FOR THE FINANCIAL YEAR 2015-16**

The Head of Internal Audit and Risk Management presented to the Committee a proposed schedule of meetings and suggested agendas for the Financial Year 2015-16. The schedule reflected what had been undertaken in 2014-15 financial year, and identified what training might be required.

The Chair thanked the Head of Internal Audit and Risk Management for the report.

The Committee received the report, and agreed the recommendations as set out in the report.

RESOLVED:

that the Committee:

1. note and accept the proposed plan content; and
2. Raise any issued or questions with the Head of Internal Audit and Risk Management or the Director of Finance.

### **14. ANY OTHER URGENT BUSINESS**

Members thanked the Director of Finance, the Head of Internal Audit and Risk Management and Audit Manager for their knowledge and assistance over the course of the municipal year.

The Chair thanked the Vice-Chair for her input into the Committee, and other Members of the Committee. He said the new committee members would face new challenges, and he wished them well.

### **15. CLOSE OF MEETING**

The meeting closed at 7.07pm.