



Leicester  
City Council

Minutes of the Meeting of the  
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 1 JULY 2015 at 5:30 pm

P R E S E N T:

Councillor Patel (Chair)  
Councillor Malik (Vice Chair)

Councillor Alfonso

Councillor Singh-Johal

Councillor Westley

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**1. APOLOGIES FOR ABSENCE**

There were no apologies for absence made.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

**3. MINUTES OF THE PREVIOUS MEETING**

The Committee received the minutes of the meeting held on 31<sup>st</sup> March 2015.

It was noted that there were no changes to Minute 9, regarding the appointment of Chair and Vice-Chair to the Audit and Risk Committee. However, Members said they would recommend to a future Independent Panel for Members Allowances that an SRA be provided for the Vice-Chair.

**AGREED:**

that the minutes of the previous meeting of the Audit and Risk Committee held on 31<sup>st</sup> March 2015 be confirmed as a correct record.

**4. UPDATE ON ACTIONS ARISING FROM THE OFSTED REPORT ISSUED IN MARCH 2015, AND DISCUSSION ON THE CHILDREN, YOUNG PEOPLE AND FAMILIES RISK REGISTER**

The Strategic Director, Children's Services, presented a report which provided information to the Audit and Risk Committee on work carried out to address the

recommendations of the Ofsted report issued in March 2015, and the updated Strategic and Divisional Risk Registers.

The report was presented to update the Committee on the Ofsted Action Plan which the Improvement Board would oversee. The Plan had been presented to Ofsted who had stated the Plan was fit for purpose and had been signed off by the Improvement Board. The Plan would be taken through a formal Committee to decide on where the Plan sits, either scrutiny or governance, and once established would then be shared with Members of the Audit and Risk Committee. Members were concerned that too much scrutiny and not enough governance would impede the progress of the Action Plan.

Members moved that accountability rested with the Executive and City Mayor, and that the role of the Audit and Risk Committee was to be satisfied that risk had been identified and was being properly managed. It was suggested a separate session outside of the Committee be convened to discuss the Action Plan. It was also agreed that, on a regular basis, the Audit and Risk Committee be apprised of progress, and action identified in a timely fashion. The Head of Internal Audit and Risk Management informed the meeting that risk would be reported quarterly through the risk registers (which had been updated to better reflect this risk) and that Internal Audit would work with Directors to provide assurance to the Corporate Management Team, Executive and the Audit and Risk Committee, on the effectiveness of and progress being made against the Action Plan.

The Chair thanked officers for the report.

RESOLVED:

that the Committee:

1. receive the report on the Ofsted Action Plan and note its contents;
2. be regularly apprised of progress, and risk reported quarterly through the Strategic and Divisional Risk Registers, and regular Internal Audit update reports; and,
3. that a separate session be convened with officers to discuss the Action Plan.

## **5. REVIEW OF THE ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY AND STRATEGY**

The Director of Finance presented a report on the review of the Anti-Fraud, Bribery and Corruption Policy and Strategy, which asked the Committee to review and approve, on an annual basis, the Council's anti-fraud and corruption and whistle-blowing policies and procedures.

The Director of Finance reported that the Policy was reviewed annually and the latest review included consideration of the new Bribery Act 2010, and referenced the Corporate Investigations Team and updating of the annual Audit Commission report *Protecting the Public Purse*. The Director of Finance

emphasised the Council had a 'zero tolerance' approach to bribery and corruption. It was reported that the Council could recover losses using legislation such as the Proceeds of Crime Act to do so.

The report also highlighted the need to embed the risk of fraud and corruption into the culture of the organisation, and that training was provided to management and officers to ensure they considered ways to minimise the risk of fraud, bribery and corruption.

RESOLVED:

that the Committee:

1. note the report; and,
2. approve the Anti-Fraud, Bribery and Corruption Policy.

## **6. EXTERNAL AUDITOR'S ANNUAL AUDIT FEE LETTER 2015-16**

The External Auditor (KPMG) presented to the Audit and Risk Committee the Annual Audit Fee Letter, which summarised the audit work and fee proposed for the 2015/16 financial year at Leicester City Council.

Members were asked to note that although the Audit Commission formally closed at the end of March 2015, it was responsible for setting audit fees for the audit of the 2015/16 financial year. Responsibility for determining audit fees in the future has transferred to Public Sector Audit Appointments Limited (PSAA), and the National Audit Office (NAO) was responsible for producing and maintaining the Code of Audit Practice (the Code) and providing support and guidance to auditors.

The External Auditor presented the planned audit fees based on a 25% reduction compared with the fees applicable for 2014/15. Members were also informed that, as KPMG had not yet completed their audit for 2014/15, the audit planning process for 2015/16 including the risk assessment would continue and fees would be reviewed and updated as necessary.

The External Auditor also informed the meeting that the Chartered Institute for Public Finance and Accountancy (CIPFA) had confirmed a change in accounting policy which would be introduced for the accounts from 2016/17, in relation to the measurement of transport infrastructure assets for authorities with highways responsibilities.

The Chair thanked the External Auditor for the report.

RESOLVED:

1. that the Committee note the report.

## **7. ANNUAL APPROVAL OF THE POLICY FOR ENGAGEMENT OF EXTERNAL AUDITORS FOR NON-AUDIT WORK**

The Director of Finance submitted a report which sought the Audit and Risk

Committee's annual approval of the 'Policy for Engagement of External Auditors for Non-Audit Work'.

The Head of Internal Audit and Risk Management requested that the report be withdrawn until the Audit and Risk Committee meeting on 12<sup>th</sup> August 2015, to allow for an amendment to be made to the report following a recent change in guidance. Members were informed that the report would still be presented within the timeframe required.

The Chair agreed the report be withdrawn and presented at the next meeting.

AGREED:

1. that the report be presented to the Audit and Risk Committee meeting on 12<sup>th</sup> August 2015.

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

The Director of Finance submitted a report to the Audit and Risk Committee which outlined the schedule of meetings and suggested agendas for the Financial year 2015-16. The Head of Internal Audit and Risk Management presented the report.

The meeting was informed the proposed plan was a working document, and contents of the plan would be brought to the Committee over the financial year, though could be subject to change over the course of the year.

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

RESOLVED:

that the Committee:

1. note and accept the proposed plan content.

## **9. RISK MANAGEMENT AND INSURANCE SERVICES UPDATE REPORT**

The Director of Finance submitted a report that provided the Audit and Risk Committee with the regular update on the work of the Council's Risk Management and Insurance Services team's (RMIS) activities. The Head of Internal Audit and Risk Management presented the report.

The report outlined the functions of the RMIS team and progress against their objectives, and enabled the team to bring to the attention of members any significant changes. Members were informed that the submission of the Divisional risk registers to RMIS was, once again, 100%, with a total of 13 changes to the Strategic Risk Register and 34 changes across 15 Divisional Registers. The Head of Internal Audit and Risk Management said it showed managers were looking at their own service areas' risk registers on a regular basis, and that management teams were now more risk aware. An RMIS training programme would also continue to be delivered.

It was reported there were no significant changes to bring to the Committee's attention. Members were also asked to note that since the last report to Committee, the Council had had no insurance claims cases go to court, but there would be some cases to report upon at the next meeting of the Committee.

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.

#### **10. INTERNAL AUDIT - 2ND QUARTER OPERATIONAL PLAN 2015-16**

The Director of Finance submitted to the Audit and Risk Committee the detailed operational audit plan for the second quarter of the financial year 2015-16, agreed by the Corporate Management Team and the Finance Management Team. The Audit Manager presented the report.

The Audit Manager drew to Members' attention the following items:

- a) IT audit will assess the security arrangements in place on major new or enhanced IT systems.
- b) Grant certification audits, to provide audit certificates in line with the requirements of the relevant funding agencies.
- c) Continuing work on Regional Growth Fund and City Deal grant payment verifications on behalf of the Leicester and Leicestershire Enterprise Partnership (LEEP).
- d) Provision for the follow-up of previous audit recommendations to provide independent confirmation that corrective actions have been demonstrably made to address identified weaknesses in controls.
- e) Internal Audit has been actively pursuing opportunities for income-generating work for other organisations and local authorities. This additional work will be balanced alongside work for Leicester City Council.

The Chair thanked the Audit Manager for the report.

RESOLVED:

1. that the Committee note the Internal Audit operational plan for the second quarter of 2015-16.

#### **11. REVIEW OF INTERNAL AUDIT**

The Head of Internal Audit and Risk Management asked the Committee to note the upcoming review of the internal audit service, driven by the fact that more Internal Audit work was being delivered for external clients in a bid to balance

the budget and sustain the viability of the full range of audit services for the Council.

External contracts were important as staff on temporary contracts would be paid for by external funding, and though a profit could not be made, any surplus complemented the financial needs of internal audit.

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

## **12. ANY OTHER URGENT BUSINESS**

The Chair noted that risk implications were not mandatory in reports and the Chair thought they should be, and asked that it be put forward as a recommendation that future reports (including all reports to Committees, Executive, etc.) include the item. The Director of Finance agreed to put the recommendation forward to the City Mayor.

## **13. CLOSE OF MEETING**

The meeting closed at 7.11pm.