



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 12 AUGUST 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 Hunter
Councillor Westley

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14. APOLOGIES FOR ABSENCE

There were no apologies for absence.

15. DECLARATIONS OF INTEREST

There were no declarations of interest made.

16. MINUTES OF THE PREVIOUS MEETING

The Committee received the minutes of the meeting held on 1st July 2015.

Minute 4, Update on Actions Arising from the Ofsted Report Issues in March 2015, and Discussion on the Children, Young People and Families Risk Register

Members asked if the Ofsted Action Plan had been taken to a formal committee. The meeting was informed that the City Barrister & Head of Standards, and the Chair of Children, Young People and Schools Scrutiny Commission would review where the Plan would sit. The Director of Finance is to write to the City Barrister and Head of Standards to request that an update be provided to the Chair of Audit and Risk Committee.

AGREED

that the minutes of the previous meeting of the Audit and Risk Committee held on 1st July 2015 be confirmed as a correct record.

17. REPORT ON THE TRANSITION TO NEW BANKING ARRANGEMENTS

The Director of Finance submitted a report that provided the Audit and Risk Committee with an update on the project to transfer the Council's banking services from the Co-operative Bank to Barclays Bank. The Principal Accountant (Corporate Accountancy) presented the report and answered questions from Members.

Members were informed correct tender processes were followed, and four bids were assessed against criteria and scored over a mix of price and quality of service. The scores would be summarised into a table of key splits for Members' information, but would not contain detail on the unsuccessful tenderers. Members were told that the banking service from Barclays had been introduced across the authority, though some schools had their own banking arrangements.

Members welcomed the report, and asked if the process of payment to smaller companies would be quicker than under previous arrangements. The Director of Finance said that payment of invoices was under the remit of officers in the Council, and one of the Council's manifesto commitments was to look at payment terms to pay small companies quickly, and performance statistics would be provided to Members.

Members also noted that there was still an arrangement with the Co-op in relation to bill payment services, and were informed it was a separate contract that still had some time to run; the tender process would be initiated when due for renewal.

The Chair thanked officers for the report.

RESOLVED:

1. that the Committee receive the report and notes its contents.

18. REGULATION OF INVESTIGATORY POWERS ACT 2000 - BI-ANNUAL PERFORMANCE REPORT JANUARY 2015 - JUNE 2015

The City Barrister and Head of Standards submitted a report on the performance of the Council in authorising Regulation of Investigatory Powers Act (RIPA) applications from 1st January 2015 to 30th June 2015. The report was presented by the Information Governance Manager.

The report advised that the Council had applied for no directed surveillance authorisations and no communications data authorisations in the first half of 2015.

The meeting was informed that a revised Code of Practice for the Acquisition and Disclosure of Communications Data came into force in 2015, and authorising officers must be independent from operations and investigations. It was noted that the Council did not use RIPA powers very often, and had applied for an exception to the rule. Members were told that the next report

would include information on three investigations that were currently going through the system.

The Chair thanked the Information Governance Manager for the report.

RESOLVED:

that the Committee:

1. receive and note the report;
2. note the reviewed Surveillance Policy.

19. COUNTER-FRAUD ANNUAL REPORT 2014-15

The Director of Finance and the Director of Environmental and Enforcement Services submitted a joint report, which provided information to the Audit and Risk Committee on counter-fraud activities during 2014-15. The Corporate Investigations Manager presented the report.

The report provided an overview of performance. Members were asked to particularly note the following:

- The City Council has successfully secured funding from the Department for Communities and Local Government (DCLG) to lead an intelligence hub for all local authorities in Leicester, Leicestershire and Rutland, and this was the second highest award in the country. Recruitment had gone extremely well, and procurement of the software was complete. The Council undertook cross-boundary regional working with the police and fire authorities also.
- The Revenues and Benefits Team during 2014-15 had issued 141 sanctions averaging £5k each, and amounted to over £737k of fraudulently claimed Housing Benefit or Council Tax Benefit, but this was less than 1% of the Council's annual expenditure on Housing and Council Tax Benefits, and had fallen slightly compared with figures for 2013-14.
- 8 staff and the duty to investigate benefit fraud will move to the DWP in March 2016, which was a loss of good investigators from the Council who were used to investigate other fraud issues. The Corporate Investigations Team would continue to investigate Council Tax Reduction as this was not a benefit.
- Performance would be reviewed on investigations closed within 6 months of investigation commencing / files open more than 10 months old at year-end.

Members requested that a presentation be brought to a future meeting of the Audit and Risk Committee regarding the workings of the team in more detail. Members of the Committee were also asked to think about indicators they thought would be useful.

The Corporate Investigations Manager said that although benefit fraud had decreased, other fraud was bucking the national trend and the Director of Finance had taken the step to bring a financial investigator into the team to

move investigations to a higher level. The Director of Finance said the authority had a duty to detect and resolve fraud, by continuing to grow a fraud investigation function.

Members were informed the Council would continue to receive 40% of Housing Benefit recovery, and administer Housing Benefit. Following the introduction of Universal Credit and transition period, the DWP would administer Housing Benefit payments.

RESOLVED:

1. that the report and its contents be noted.

20. DRAFT STATUTORY STATEMENT OF ACCOUNTS FOR THE FINANCIAL YEAR 2014-15

The Democratic Support Officer read out an amendment to the recommendation contained within the report, to read:

“The Audit and Risk Committee is recommended to note the report and that the draft statement of accounts have been made publicly available and circulated to Members for their information prior to consideration of the Statement of Accounts at the meeting scheduled for September 2015.”

AGREED:

1. that the amendment to the recommendation contained within the report be noted.

The Director of Finance submitted the Draft Statement of Accounts for the financial year ended 31st March 2015, prior to formal approval of the final Statement of Accounts at the Audit and Risk Committee on 29th September 2015, in accordance with the Accounts and Audit (England) Regulations 2011. The report was presented by the Director of Finance and the Principal Accountant. The draft accounts were submitted at the meeting for information only.

The Audit and Risk Committee was recommended to note the draft accounts for the year ended 31st March 2015 as submitted for audit.

Members of the Audit and Risk Committee were told they could make comments on the draft accounts over the following weeks. The Director of Finance and Principal Accountant would also be available to answer questions that Members might have on the accounts. Members were informed that Chartered Institute of Public Finance and Accountancy (CIPFA) would be bringing in a change to transport infrastructure recording in 2016-17 which would affect future accounts, and was work in progress at the present time.

The Chair thanked officers for the report.

RESOLVED:

1. that the Draft Accounts for the year ended 31st March 2015, as

submitted for audit, be noted.

21. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT IN 2014-15

The Director of Finance submitted a report that presented the findings of the annual review of the effectiveness of the Council's system of internal audit for 2014-15. The report was presented by the Head of Internal Audit and Risk Management. The Audit and Risk Committee was recommended to accept the findings of the review and conclude that the Council had an effective system of internal audit upon which it (the Council) could place reliance.

The Head of Internal Audit and Risk Management drew to Members' attention key findings from the review, and the view that the Audit and Risk Committee met all of the indicators of being an effective audit committee as set out by CIPFA in their 2005 publication '*Audit Committees: Practical Guidance for Local Authorities*', and was the Directors' overall opinion.

The Committee received the report, and agreed the recommendations.

RESOLVED:

1. that the findings of the review be accepted.
2. the Committee concluded that the Council had an effective system of internal audit upon which the Council could place reliance.

22. 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 Head of Internal Audit and Risk Management brought to Members' attention the summary report of claims against the Council received in the current financial year, which showed both successful and repudiated claims. The figures had reversed the year-on-year downward trend for the first time in four years. A recent storm had seen an increase in insurance claims, mainly through damage from falling trees, but figures for claims had gone down again by July.

It was also reported that two court cases had been lost, but there had been a reduction in money that had to be paid out, such that £15k was returned to reserves, though on both cases the judge had thought it was right that they had been taken to court. It was further reported was that since the report had been written a further two cases had been won.

The Head of Internal Audit and Risk Management asked Members to note the key risks highlighted in the report, in particular an incident in one of the authorities' parks, following which the profile of risk assessments had been

raised. It was also noted that early in July, Ofsted had warned of potentially high numbers of pupils disappearing from school registers in Birmingham and Tower Hamlets. The Director, Learning Quality and Performance and her team were aware of the issue and had an action plan in place to deal with such cases if they occurred here.

Member were informed that there had been illegal schools in Leicester. In conjunction with the Department of Education (DfE) the Council would work together to help these school gain 'legal' status or assist with moving children back into mainstream education. The Chair requested information on what constituted a legal school, and the current situation on illegal schools in Leicester.

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

RESOLVED:

1. that the report and its contents be noted.
2. that information on what constituted a legal school would be brought to a future meeting of the Audit and Risk Committee.

23. ANNUAL APPROVAL OF THE POLICY FOR THE ENGAGEMENT OF EXTERNAL AUDITORS FOR NON-AUDIT WORK

The Director of Finance submitted a report which sought the Audit and Risk Committee's approval of the 'Policy for Engagement of External Auditors for Non-Audit Work'. The report was presented by the Head of Internal Audit and Risk Management. Members were informed the report had been deferred from the last meeting due to a change in legislation

Members were reminded that the Audit and Risk Committee's Terms of Reference required the policy to be reviewed and approved annually.

Members were asked to note a limit of £29,320 was set for non-audit fees, above which the Audit and Risk Committee would be advised of such work, in accordance with requirements set by Public Sector Audit Appointments Limited and the National Audit Office. It was reported that KPMG had undertaken an audit of Financial Evaluation Processes, requested by the Executive to fend off any potential judicial review, at a cost of £10,200.

The Chair thanked the officers for the report.

RESOLVED:

1. that the policy for the Engagement of External Auditors for Non-Audit Work be approved.

24. PRIVATE SESSION

RESOLVED:

that the press and public be excluded during consideration of the

report in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because it involved the likely disclosure of 'exempt' information, as defined in the Paragraph detailed below of Part 1 of Schedule 12A of the Act, and taking all the circumstances into account, it was considered that the public interest in maintaining the information as exempt outweighed the public interest in disclosing the information.

Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

The report concerned the strength of internal controls in the City Council's financial and management processes and included references to material weaknesses and areas thereby vulnerable to fraud or other irregularity.

25. INTERNAL AUDIT UPDATE REPORT - THIRD AND FOURTH QUARTERS 2014-15

The Director of Finance submitted a report summarising Internal Audit work completed in the third and fourth quarters of the 2014-15 financial year, (1st October 2014 to 31st March 2015), significant issues identified by audit work, and management progress in implementing agreed recommendations. The Internal Audit Manager introduced the report.

The Internal Audit Manager then made the following comments:

- Three reports were brought to the notice of the Committee as areas of concern.
- In most of the cases reported, management action plans were agreed with service management to address the weaknesses identified in the audits, which would be followed up through the normal Internal Audit follow-up process.
- In conducting follow-ups, Internal Audit concentrated primarily on the recommendations previously made on financial and management procedures and not on areas outside of their scope.

Members were informed that if they wished to raise any particular areas of concern, they could do so with the relevant strategic director or officers. Members Services could also assist Members with enquiries.

The Chair thanked officers for the report.

RESOLVED:

1. that the report and its contents be noted.

26. CLOSE OF MEETING

The meeting closed at 6.49pm.

