



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 15 JUNE 2016 at 5:30 pm

P R E S E N T:

Councillor Patel (Chair)
Councillor Westley (Vice Chair)

Councillor Alfonso
Councillor Dr Barton

Councillor Cank
Councillor Dr Chowdhury

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1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Hunter.

Introductions were made.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting of the Audit & Risk Committee held on 23 March 2016 be confirmed as a correct record.

4. AUDIT & RISK COMMITTEE MEMBERSHIP FOR 2016/17

Members were asked to note the membership of the Audit & Risk Committee for 2016/17 as detailed on the front of the agenda.

RESOLVED:

That the membership of the Audit & Risk Committee be noted.

5. AUDIT & RISK COMMITTEE MEETING DATES FOR 2016/17

Members were asked to note the dates for meetings of the Audit & Risk Committee for the municipal year 2016/17 as detailed in the agenda. The

schedule of reports would be monitored over the year to see if other meetings would be required.

RESOLVED:

That the schedule of meetings dates for the municipal year 2016/17 be noted.

6. EXTERNAL AUDITORS' ANNUAL AUDIT FEES LETTER 2016/17

The External Auditor (KPMG) presented to the Audit & Risk Committee the Annual Audit Fee Letter, which summarised the audit work and fee proposed for the 2016/17 financial year at Leicester City Council.

John Cornett, Director at KPMG, informed the Committee that the audit for 2015/16 had not been completed, and may have an impact on the 2016/17 audit fee, though it was not envisaged it would be a significant impact. He explained that any changes to the fee would be discussed with the Council's Director of Finance, and details would be brought back to the Audit & Risk Committee.

RESOLVED:

That the report be noted.

7. EXTERNAL AUDIT: PROGRESS REPORT AND TECHNICAL UPDATE - JUNE 2016

The External Auditor submitted a report for noting, which provided an overview on progress in delivering the responsibilities of external auditors. The report also highlighted the main technical issues that currently were having an impact in local government.

John Cornett, Director at KPMG, introduced the report. Members were asked to note that since the last progress report, external auditors had completed an interim visit and planning phase of audit work, though general testing of IT controls was still ongoing. There were no significant matters to bring to the Audit & Risk Committees attention.

Adrian Benselin, Audit Manager at KPMG, informed the Committee that there was nothing noteworthy to bring to the attention of Members. He added KPMG were happy for the report to be shared with all Members of the Council for information.

With regards to the value for money (VFM) conclusion in respect of children's services, Members said it was important that KPMG met and discussed follow-up actions with officers, though it was acknowledged that it was the work of the Audit & Risk Committee to ensure there were processes in place, officers had also been invited previously to a Committee meeting to inform members on how they worked through the processes.

Members noted the update to the 2015/16 Code of Practice on Local Authority

Accounting in the United Kingdom, and were assured by Alison Greenhill, Director of Finance, that the authority was complying with the new accounting requirements on how it valued highways as an asset on the balance sheet.

Members made reference in the report to the 2015 Spending Review, and the flexibility afforded local authorities to use capital receipts on the revenue costs of service reform projects, for the period 1 April 2016 to 31 March 2019. Members were asked to note that due to the size of the Authority, it already had a good degree of flexibility in capital receipts and revenue spending, and that under current regulations the authority was able to charge some employment costs to the capital scheme on defined projects for defined periods of time.

Members sought assurance as to how the authority was managing arrangements in providing a pooled Better Care Fund with Leicester City Clinical Commissioning Group. They were concerned that delays in organising the funding would severely stretch targets, and would put at risk support projects in Adult Social Care. They were also concerned when informed that there was nothing in place at national level to audit the spend of the funding, and recommended that the Health and Wellbeing Scrutiny Commission look at the appropriate governance arrangements in place for Leicester City in relation to the allocation and use of the Better Care Fund.

RESOLVED:

That:

1. the report be noted, and
2. the Health and Wellbeing Scrutiny Commission look at the appropriate governance arrangements in place for Leicester City in relation to the allocation and use of the Better Care Fund.

8. INVOICE PAYMENT DATA - HALF YEARLY UPDATE

The Director of Finance submitted a report for information, to provide the Audit & Risk Committee with the half-yearly update on the timeliness of invoice payments the authority made to its suppliers of goods and services.

Enid Grant, Head of Business Service Centre, presented the report. Members were asked to note the report and the measures put in place to meet the manifesto commitment to improve the payment terms for small local business. The manifesto included a commitment to reduce payment terms to 21 days. Members were informed that the service was performing quite well, and the target of 85% payments made on time was nearly met in May 2016. There were still some delays with paying small suppliers. Some of the problems identified were listed in paragraph 4.3 of the report. Suppliers were being encouraged to submit invoices on time, in electronic format to speed up the process of payment.

RESOLVED:

That the report be noted.

The Chair, Councillor Patel, had to leave the meeting early due to other Council business, and in accordance with Rule 41 of Part 4A of the Council's Constitution, Councillor Westley, as Vice-Chair, took the Chair for the remainder of the meeting.

9. REVIEW OF THE ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY AND STRATEGY

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

Stuart Limb, Corporate Investigations Manager, presented the report. Members were informed that the policy could be viewed online, and would be embedded throughout the authority as part of a new training package. The policy made clear the council's zero tolerance against fraud, bribery and corruption, and was supported by guidance notes for officers on how to report issues to the team.

Concerns were raised by Members that a number of areas of the Council still used cash. The Director of Finance advised Members that schools were now moving towards pre-payment cards, for example, children could use the cards for school lunches. Alison added that crisis support provision was usually in the form of vouchers for food through arrangement with the Co-Op, which couldn't be exchanged for alternative purchases. Top-up cards were used for gas and electric support.

RESOLVED:

That the policy be received and approved.

10. ANNUAL REPORT ON THE NATIONAL FRAUD INITIATIVE (NFI)

The Director of Finance submitted a report for information to the Audit & Risk Committee on the National Fraud Initiative (NFI), and the two exercises currently underway. The NFI exercise was managed by the Cabinet Office, and involved electronically matching data from a number of sources in order to identify possible fraud or irregularity with external organisations, including other councils, and within the Council.

Stuart Limb presented the report. Members noted that from 1st March 2016, all benefit fraud was investigated by the Department for Work and Pensions. Members were informed there were still some cases being investigated from the 2014/15 data matching exercise. Identified data matches were passed to officers to look for anomalies in their own sections. Members noted that housing benefit recipient's information was shared between authorities, and a large proportion of data-matched information was for claimants moved between

areas.

RESOLVED:

That the report be noted.

11. LOCAL GOVERNMENT ASSOCIATION'S CHIEF EXECUTIVE'S LETTER REGARDING EXTERNAL AUDITORS APPOINTMENT

The Director of Finance submitted a letter for information from the Chief Executive of the Local Government Association, regarding arrangements for the procurement of external auditors.

RESOLVED:

That the letter be noted.

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

The Director of Finance submitted a report to seek the Audit & Risk Committee's annual approval of the *Policy for Engagement of External Auditors for Non-Audit Work*.

Tony Edeson, Head of Internal Audit & Risk Management presented the report. Members were asked to note an error the table heading in Appendix A to the report on page 66 and 67, amended to read '...fee in excess of £29,300'. Members were asked to approve the amended fee level.

The External Auditor asked for an amendment to be made to the report to confirm that external auditors could only deliver non-audit work up to 50% of the audit fee, and up to 20% of the fee could be agreed by the Audit & Risk Committee. Anything between 20% and 50% also had to be agreed with the Public Sector Audit Appointments (PSAA) before the external auditors could carry out the work, and was in line with the Local Audit and Accountability Act 2014, and the National Audit Code of Audit Practice.

RESOLVED:

That the *Policy for Engagement of External Auditors for Non-Audit Work* be approved with the amendments to the report noted.

13. SCHEDULE OF MEETINGS FOR THE FINANCIAL YEAR 2016

The Director of Finance submitted a report to the Audit & Risk Committee for noting, which outlined the schedule of meetings and suggested agendas for the Financial year 2016-17. The Head of Internal Audit & Risk Management presented the report.

The meeting was informed that the proposed plan was a working document, and updated 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.

RESOLVED:

That the plan content be noted.

14. RISK MANAGEMENT AND INSURANCE SERVICES (RMIS) UPDATE REPORT

The Director of Finance submitted a report for noting that provided the Audit & Risk Committee with the regular update on the work of the Council's Risk Management and Insurance Services Team's activities. The Head of Internal Audit & Risk Management presented the report, and explained the report format for the benefit of new Members of the Audit & Risk Committee.

Members were asked to note that the registers included information up to 30 April 2016, and risks with a score of 15 or more were brought to the Audit & Risk Committee for noting. Members were also informed that there had been 100% submission of registers for the quarter year, and were assured that Directors were reviewing their risk registers regularly and making changes. It was also stated that training was given to managers to assist them with identifying risk, recording, and recognising the implications of risk.

RESOLVED:

That the report be noted.

15. INTERNAL AUDIT PLAN - QUARTER 2 2016/17

The Director of Finance submitted a report for noting, that presented to the Audit & Risk Committee the detailed operational audit plan for the second quarter of the financial year 2016-17. Tony Edeson, Head of Internal Audit and Risk Management presented the report.

Tony drew attention to Appendix A in the report, the anticipated income through audit work with external authorities, with a potential £120k income for the council over the course of the year.

Members noted the proposed audit of ward funding, but stated that payments of agreed ward funding had taken 12 months in some cases. Tony agreed to undertake an analysis of funding payment arrangements.

RESOLVED:

That the report be noted.

16. CLOSE OF MEETING

The meeting closed at 6.43pm.