



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 3 AUGUST 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

Councillor Hunter

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17. APOLOGIES FOR ABSENCE

There were no apologies for absence made.

18. DECLARATIONS OF INTEREST

There were no declarations of interest made.

19. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

that the minutes of the meeting of the Audit & Risk Committee held on 16 June 2016 be confirmed as a correct record.

**20. EXTERNAL AUDITOR: PROGRESS REPORT AND TECHNICAL UPDATE
JULY 2016**

The External Auditor (KPMG) submitted a report for noting which provided Members of the Audit & Risk Committee with an overview of progress in delivering their responsibilities as external auditors. The report also highlighted the main technical issues which were currently having an impact in local government.

Adrian Benselin, Audit Manager at KPMG, presented the report. Members were asked to note KPMG had received the draft financial statements on 30th June. An audit visit to consider financial statements was scheduled for 8th August, and to date there were no matters that needed to be brought to the attention of

Members.

Members were informed that external auditors had met with the Strategic Director, Education and Children's Services on 27 June to discuss recent follow-up actions in response to the OFSTED inspection of Children's Services. Further evidence to support progress being made was requested, which would be considered when the external auditors reached their conclusion on value for money (VFM).

Adrian highlighted the technical developments in the report and brought to the Committee's attention areas they may wish to make further enquiries about.

The Committee raised concern over the EU Referendum and its effect on government grants to local authorities, and the fear that poverty would increase for the public. They were also concerned that a reduction in business rates would have an adverse impact on local authority budgets. The Director of Finance stated it was too early to speculate on the impact of Britain's exit from the EU. She explained that European funding had in the past been granted with a vast range of criteria to meet, had been paid retrospectively and had been difficult to administer. She added it was anticipated that the government would produce a similar funding scheme for regeneration.

Members noted the publication of the Public Sector Audit Appointments Ltd (PSAA) work programme and scale of fees for the audits of the 2016/17 accounts of principle audited bodies. KPMG were asked to provide the Audit & Risk Committee Members with information on the responses of the City Council and other local authorities, in reference to the Government's wish for pension assets to be pooled to reduce the number of pension schemes. Members were advised that staff pensions were at no lesser or greater risk, as the role of the pension manager was to protect the assets, but fund managers needed to be risk aware.

Members noted new HMRC rules effective from 6 April 2016, whereby a new exemption had been introduced for councillors' travel expenses, which up to certain limits would be free of tax and National Insurance Contributions (NIC). Members asked the Director of Finance to confirm if the new rules would affect Councillors' travel expenses.

RESOLVED:

That:

1. the report be noted;
2. the external auditors provide the Audit & Risk Committee Members with information on the responses of the City Council and other local authorities, in reference to the Government's wish for pension assets to be pooled to reduce the number of pensions; and,
3. the Director of Finance confirm if the new HMRC rules would affect Councillors' travel expenses.

21. REGULATION OF INVESTIGATORY POWERS ACT 2000 - BI-ANNUAL PERFORMANCE REPORT, JANUARY 2016- JUNE 2016

The City Barrister and Head of Standards submitted a report for noting on the performance of the Council in authorising Regulation of Investigatory Powers Act (RIPA) applications, from 1st January 2016 to 30th June 2016.

Tony Edeson, Head of Internal Audit & Risk Management presented the report, and asked the Committee to note:

- The Council had applied for no Directed Surveillance Authorisations and no Communications Data Authorisations for the period covered by the report.
- The Council was considering 2 Directed Surveillance Authorisations, which would be included in the next report to Committee.

RESOLVED:

1. That the report be noted.

22. HOUSING BENEFIT SUBSIDY AND IMPROVEMENT REGIME

The Director of Finance submitted a report for noting as requested by the Committee at its meeting on 10 February 2016 on the Housing Benefit Subsidy arrangements for the authority. The report explained the Subsidy Audit process and its findings and included the Benefits Team Improvement Action Plan to improve the accuracy and to subsequently reduce the clawback of monies against the general fund.

James Hudson Quality and Performance Manager, Revenues & Customer Support, presented the report.

The Committee noted that:

- Every year all local authorities submitted a Housing Benefit Subsidy claim to the Department for Work & Pensions (DWP).
- The difference between the subsidy claimed and the amount received back was met by the authority's general fund.
- Two main reasons the authority did not receive the full subsidy were:
 - Overpayments, 90% of which were the fault of the claimant, for example, claimants' delay in notifying the authority of a change in circumstances;
 - Qualification of the subsidy claim, which was not confined to Leicester but was improving.
- There were a number of ways the authority could try to mitigate the shortfall in subsidy, though there were barriers due to the complexity of the scheme and changes to regulations. There had also been a 10-13% reduction in the Housing Benefit Administration Grant for the scheme year on year. Ways to mitigate loss included:
 - Reduce the number of overpayments created by authority error;
 - Keep the audit qualification loss to a minimum;
 - Ensure all entitlement to a subsidy was claimed;

- Maximise the recovery of outstanding overpayments.
- Performance management actions were in place to address the issue of human error in Housing Benefit assessments, including regular quality checks on officer's work. A full refresher training programme was also in place.
- An awareness campaign was planned to encourage people and make it easier for them to contact the authority about a change in circumstances. An online form to report changes was introduced in April 2016.
- The authority had successfully bid for funds from the DWP through the Fraud & Error Reduction Incentive Scheme (FERIS) for pay for two staff to proactively target claims with known undeclared changes in circumstances.
- The Subsidy Audit required significant resources with eight staff members working 9-11 months a year on errors. If the awareness campaign continued to have an impact, it would reduce overpayments.
- Staff morale had been under challenging circumstances since 2012 when the roll out of Universal Credit was announced.
- The Real Time Initiative (RTI) was a DWP programme that data-matching of Housing Benefit claims and HMRC data could identify overpayments due to income changes.

Members raised questions and received the following responses:

- A proportion of claims were checked for accuracy to reduce errors. Due to capacity it was not possible to check all claims.
- Housing Benefit overpayment was one of the hardest to recover as it was usually paid to the least well-off households. A deduction from ongoing benefit was carefully calculated to prevent hardship to the claimant, and tended to be low levels of repayment over a period of time.
- It was noted that in other countries, if there was a change in circumstances it would show on a system and information was automatically shared between agencies. It was suggested that a shared information system should also be introduced in England. The Head of Revenues & Customer Support agreed to explore with the Communications team updating the service communication plan and refresh posters and correspondence advising claimants of the need to inform agencies separately of a change in circumstances.
- Members enquired as to what the legal period was for the recovery of an overpayment. The Director of Finance said a paper on the pursuance of debt would be brought to a future meeting, but following legal advice, the council would pursue as long as was necessary if persons had received payments they were not entitled to.
- There was a specialist team that worked with claimants who were in part-time work or zero hours contracts.

RESOLVED:

That:

1. the report be noted;
2. the Head of Revenues & Customer Support update the service communication plan and consider refreshing

- posters advising claimants of the need to inform agencies separately of a change in circumstances;
3. the Director of Finance bring a paper on the pursuance of debt through overpayment of Housing Benefit be brought to a future meeting.

23. STATUTORY (PRE-AUDIT) STATEMENT OF ACCOUNTS 2015/16

The Director of Finance submitted the Draft Statement of Accounts for the financial year ended 31st March 2016, prior to formal approval of the final Statement of Accounts at the Audit & Risk Committee on 27th September 2016, in accordance with the Accounts and Audit (England) Regulation 2015. The report was presented by the Director of Finance. The draft accounts were appended to the report and were submitted for information only.

Members of the Committee were advised of dates and times when the Principal Accountant would be available to meet with Members to discuss the accounts, and were asked to pass on questions to officers ahead of the Audit & Risk Committee meeting in September prior to the accounts being signed off.

Members did raise concern with an item in the draft accounts, on the pension deficit. The Director of Finance said there had been a number of changes in the pension scheme, and it was a national issue that that public sector pensions were no longer affordable.

RESOLVED:

That:

1. the draft accounts for the year ended 31st March 2016, as submitted for audit, be noted;
2. Members of the Committee to contact the Principal Accountant to arrange one-to-one discussions regarding the accounts if required.

24. PRIVATE SESSION

RESOLVED:

that the press and public be excluded during consideration of the following 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)

INTERNAL AUDIT UPDATE REPORT – 2015-16

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 2015-16

The Director of Finance submitted a report for noting to the Audit & Risk Committee, which provided a summary of Internal Audit work completed in the financial year 2015-16, significant issues identified by audit work, and progress made by business areas in implementing agreed recommendations.

The Head of Internal Audit & Risk Management presented the report, drawing attention to the key issues identified, and asked the Committee to note:

- The different assurance levels explained in the report.
- In all cases service management had responded constructively to the audits and recommendations made. Controls had been put in place, and progress made to reduce risks identified.
- The authority was fortunate that it had an IT auditor who could interrogate the Council's IT systems. In relation to a specific IT Audit, it was confirmed that knowledge and information of the issues found had been shared with the software provider and other authorities who used the same software.
- The Council was spending more on security to prevent the spread of malware, and regular updates of security software were made.

RESOLVED:

1. That the report be noted.

26. CLOSE OF MEETING

The meeting closed at 7.24pm.