



Leicester  
City Council

Minutes of the Meeting of the  
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 25 JULY 2018 at 5:30 pm

P R E S E N T :

Councillor Riyait (Chair)  
Councillor Westley (Vice Chair)

Councillor Alfonso

Councillor Bajaj

Councillor Dr Chowdhury

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**17. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Dr Moore.

**18. DECLARATIONS OF INTEREST**

Members were asked to declare any interests they may have in the business on the agenda.

There were no declarations of interest.

**19. MINUTES OF THE PREVIOUS MEETING HELD 13TH JUNE 2018**

It was noted that under Item 6 the word "Fees" was omitted from the resolution which should read: "That the Annual Audit Fees Letter be noted."

RESOLVED:

That subject to the amendment referred to above the minutes of the meeting held on 13<sup>th</sup> June 2018 be confirmed as a correct record.

**20. ANNUAL GOVERNANCE REPORT**

Councillor Bajaj joined the meeting.

The External Auditor KPMG submitted the Annual Governance Report, known as the ISA 260 Report to Those Charged with Governance. This included the key findings arising from the audit of Leicester City Council's financial

statements for the year ended 31<sup>st</sup> March 2018 together with the Auditors assessment of the council's arrangements to secure value for money (VFM) in its use of resources.

Members were reminded of the requirement for the Chair of Audit and Risk to sign the letter of representation to KPMG from the council in connection with the audit of the council's financial statements.

KPMG anticipated issuing an unqualified audit opinion on the Authority's financial statements by 31<sup>st</sup> July 2018, this being the date by which the statements should be finalised, signed and published.

Members' attention was drawn to the following:

- Four risks were highlighted at the last meeting: Valuation of property, plant and equipment (PPE), Pensions Liabilities, Faster Close and New Payroll system;
- There were a number of elements of work outstanding as listed at page 3 of the report, it was noted this was normal practice but that work would continue to the end of the week and included final disclosures regarding the Pension fund and work around the Collection Fund (Council Tax and Business Rates income);
- Valuation of PPE – it was determined that the valuation of land and buildings recognised in 2017/18 was appropriate;
- As referred to at the last meeting the change to the payroll system had given rise to a significant amount of extra work especially in relation to concerns over super user access. Members were assured nothing untoward was done to the system however due to the risk there was a recommendation arising from that in terms of the project management;
- Prior year Journal controls recommendation was reiterated – as reported previously it was noted that a work flow based system of authorisation would be introduced once the new finance ledger system was fully implemented.

In terms of Value for Money (VFM) arrangements KPMG anticipated that an unqualified VFM opinion would be issued on 31<sup>st</sup> July 2018. Financial resilience across the local authority sector was noted as a significant VFM audit risk and the challenge remained albeit work had been done at the council around financial resilience and the processes in place were fit for purpose.

It was confirmed that one related party disclosure remained outstanding and the Director of Finance had asked that members' attention be drawn to the fact that Councillor Porter had again failed to complete his annual related party disclosure. Members noted that the disclosure was an annual requirement when producing the Statement of Accounts and that Councillor Porter had not complied for a number of years. Members expressed concern that Councillor Porter continually failed to complete his annual related party disclosure and discussed sanctions. Officers confirmed that numerous attempts had been made this year and in previous years to encourage compliance. Members also noted that following the closure of the 2016/17 accounts, the former Chair to the Committee had written to Councillor Porter.

The Chair indicated that the sanctions and powers of Full Council should be further explored and agreed to liaise with the Monitoring officer and Director of Finance outside of this meeting.

The Chair thanked the external auditor (KPMG) for their work and the report.

RESOLVED:

1. That the ISA 260 Report to Those Charged with Governance be received and noted,
2. That the Director of Finance be authorised to sign the letter of representation to KPMG from the council in connection with the audit of the Authority's financial statements,
3. That sanctions and powers of Full Council be further explored by the Monitoring Officer in relation to non-completion of related party disclosures.

## **21. THE COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2017/18**

The Director of Finance submitted a report seeking approval of the Council's Annual Governance Statement for the financial year 2017-2018.

Members were advised that the statement's format was mostly prescribed by the principles of the Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives' framework "Delivering Good Governance in Local Government".

Members of the Committee noted that there were no changes to the draft presented at the 13th June 2018 meeting.

RESOLVED:

That the Annual Governance Statement 2017-18 be approved as detailed within the report.

## **22. THE STATEMENT OF ACCOUNTS AND LETTER OF REPRESENTATION 2017/18**

The Director of Finance submitted a report presenting the Council's audited Statement of Accounts for 2017/18 as required under the Accounts and Audit (England) Regulations 2015. The regulations also required those charged with governance, in this instance the Audit and Risk Committee, to approve a letter of management representation.

Members were reminded that the draft management accounts had been presented at the last meeting on 13th June 2018 and no significant changes had been made to these.

RESOLVED:

1. That the audited accounts for the financial year ended 31 March 2018 be approved as submitted; and

2. That the letter of representation submitted by the Director of Finance be approved as set out in the report.

**23. POLICY FOR ENGAGEMENT OF EXTERNAL AUDITORS FOR NON-AUDIT WORK AND EXTERNAL AUDIT OF GRANT CLAIMS**

The Director of Finance submitted a report which sought the Committee's approval for the Policy for Engagement of External Auditors for Non-Audit Work.

The Head of Finance introduced the report, explaining the purpose of the policy and advising that there were no substantial changes to the policy.

John Cornett, KPMG indicated that in terms of para 4.5 of the policy the rules had changed slightly and clarified the items of work listed were classified as non-audit work. The Head of Finance agreed to modify the wording of para 4.5 accordingly.

RESOLVED:

That the Policy for Engagement of the External Auditor for Non-Audit Work be approved subject to amendment of para 4.5 as referred to above.

**24. REGULATION OF INVESTIGATORY POWERS ACT 2000 - BI-ANNUAL PERFORMANCE JANUARY 2018 - JUNE 2018**

The City Barrister and Head of Standards submitted a report that advised on the performance of the Council in authorising Regulatory Powers Act (RIPA) applications from 1<sup>st</sup> January to 30<sup>th</sup> June 2018.

The Head of Finance presented the report and informed members that the council had applied for one Directed Surveillance Authorisation during the period.

Members were advised that as the case was still live it was not appropriate to give further details in the public domain. The provision of information to the committee on any cases was dependent on the outcome of the investigation, if evidence gathered showed wrongdoing then actions would be taken or, if after surveillance there was no wrongdoing then there would not be a report.

Members were assured that surveillances were only undertaken when lawful and strictly necessary; there were various levels of verification to ensure this was not a power used too vigorously. In terms of numbers it was indicated there were likely a maximum of one case per quarter and it was unusual to see more than one in a six month period.

The Chair thanked the Head of Finance for the update.

RESOLVED:

That the contents of the report be noted.

## **25. COUNTER FRAUD ANNUAL REPORT 2017/18**

The Director of Finance submitted a report providing information on counter fraud activities during 2017/18 based on the work of the City Council's Corporate Investigations Team.

The Corporate Investigations Manager presented the report during which it was noted that:

- The authority continued to lead on an intelligence hub and passed on fraud alerts to key contacts across the authority. Some authorities had taken a long time to provide data, and 9 out of the 10 authorities in the hub did not have a dedicated fraud resource. Once the Corporate Investigations team received initial data, it could be analysed for duplications and anomalies across the region.
- 25 residential properties had been identified as occupied when declared empty, that would attract £191k income back onto the council tax base.
- Following a prosecution the Proceeds of Crime Act had been used successfully to recover substantial funds from the assets of a former employee who had been taking money over a sustained period of time.
- In terms of notional savings being achieved as a result of the work of the Corporate Investigations team, work was ongoing to ascertain real figures and it was noted that last year the combined figure recovered/saved was £675k which in due course would be compared to this year.

The Chair thanked officers for the report.

RESOLVED:

That the report be noted.

## **26. RISK MANAGEMENT UPDATE (APRIL 2018 RISK REGISTER)**

The Director of Delivery, Communications and Political Governance submitted a report providing an update on the work of the Council's Risk Management Services team's activities.

The Manager, Risk Management presented the report and gave details of both the strategic and operational risk registers to 30th April 2018 and explained changes to the reporting arrangements in the appendices to enable comparison of changes.

Members noted that:

- There had been 16 updates to the strategic risk register and that the risk scoring remained quite constant.
- The operational risk register indicating risk affecting day to day running of the council had 57 risks updated since the last report, with two risks deleted and one new risk added.

Members asked about the key risks facing the authority and were advised that

cyber security, data protection (GDPR), the outcomes of the Grenfell Tower incident and uncertainty of funding beyond 2020 were currently the key risks facing authorities nationally.

In terms of cyber security, members were assured that robust mechanisms were in place and that risk was being managed well by the authority with no major incidents occurring. With regards to how many times the authority was being “attacked” it was noted that it was likely that organisations like local authorities would probably be attacked up to 100 times a day and the key challenge was to have steps in place to mitigate that risk and address the issues if it happened.

The Chair commented on the importance of not becoming complacent and ensuring there was a multi layered approach to keep on top of that risk.

The Chair queried whether risks were being fully communicated to executive level and officers confirmed there was work in progress to achieve that. It was suggested that if the executive were not currently being fully engaged on risks that should be considered a strategic risk because of the authority’s governance model. Officers agreed to explore that suggestion further with the Director and to provide an update in the next Risk Management report to the committee.

It was noted that the risk registers were published on the internal interface network quarterly and that the outcomes from the Grenfell Tower incident were included on the strategic risk register with ongoing risk in that regard being monitored.

The Chair thanked the officer for the report.

RESOLVED:

1. That the contents of the report be noted,
2. That consideration be given to the suggestion that if the executive are not currently being fully engaged with risks to add that as a strategic risk and to include an update on that point in the next Risk Management report to the committee.

## **27. AUDIT & RISK COMMITTEE TIMETABLE**

The Head of Finance presented the Audit & Risk Committee timetable setting out its future work plan.

The Chair invited members to email suggestions of any topics they wanted to add to the work plan including topics for members’ training sessions.

Members noted that the Strategic Director of Social Care and Education, Steven Forbes, had been invited to a future meeting as requested at the last meeting, following his appointment to the new, wider role. Members were informed that the council had requested the LGA and DfE to undertake a test of

assurance which was likely to take place later in the year and it was proposed that the Strategic Director would attend the March 2019 meeting to discuss the results of that assurance test.

Members also noted that an update on the Housing Benefit action plan would be brought to the September meeting.

**28. ANY OTHER URGENT BUSINESS**

The meeting closed at 6.45pm.

