



Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 17 JUNE 2020 at 5:30 pm

P R E S E N T:

Councillor Pantling (Chair)
Councillor O'Donnell (Vice Chair)

Councillor Bajaj
Councillor Joshi

Councillor Kaur Saini
Councillor Dr Moore

Councillor Rahman

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24. APOLOGIES FOR ABSENCE

There were no apologies for absence.

25. DECLARATIONS OF INTEREST

There were no declarations of interest.

26. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting held on 20 November 2019 be confirmed as a correct record.

27. GRANT THORNTON - CERTIFICATION REPORT - LEICESTER CITY COUNCIL - YEAR ENDING 31 MARCH 2019

Nicola Coombe of Grant Thornton presented a report detailing the outcome of the grant certification work undertaken at Leicester City Council in respect of the year ending 31 March 2019 including the Housing Benefit Assurance Process, the Teachers Pension Return and the Pooling of Housing Capital Receipts.

There was one minor finding in the Teachers Pension Return in that one teacher (from a sample of 20) had opted out of the scheme whilst at a previous employer but had paid contributions since being employed at the Council despite still showing as 'Opted Out'. This had since been retrospectively

corrected.

The findings on the Pooling of Housing Receipts had been positive and from the 23 specific tests undertaken, no exemptions were identified.

The Housing Benefit Assurance Process looked at claims and cases to ensure that they had been calculated correctly based on the evidence. The quality and evidence provided by the Council had been of a high standard. Where errors were identified they were presented in a report to the Department of Work and Pensions.

Councillor Dr Moore raised a question regarding the total number of transactions and enquired as to whether the sample extrapolated onto the total would return a high number of errors.

Nicola Coombe responded that these errors were very specific, and once they were identified the extrapolation for the general population was calculated.

28. GRANT THORNTON - EXTERNAL AUDIT PLAN - YEAR ENDING 31 MARCH 2020

Grant Patterson of Grant Thornton presented a report on the External Audit Plan for the year ending 31 March 2020. The report provided an overview of the planned scope and timing of the statutory audit of Leicester City Council for the Audit and Risk Committee. An addendum regarding risks related to Covid-19 was also presented.

Four significant risks in the initial report had been identified:

- Management override of controls.
- Valuation of land and buildings.
- Valuation of the pension fund net pension liability.
- *Covid-19* (Amendment to the minutes was agreed at the Audit & Risk Meeting on 22 July 2020).

Audit deadlines had been extended until the end of August 2020 to prepare accounts, with the deadline to audit them at the end of November 2020. Despite this, the accounts had been published in June 2020.

Other issues identified included:

- The External Auditors were comfortable that a further audit on revenue was not needed.
- Some elements need to be assessed regarding valuation of land and valuation of the pension fund net liability
- The audit of Leases Standards had been deferred until 2021/22.
- With regard to Prior Period Adjustment, it was noted that two secondary schools moving to academy status had not been derecognised by the Council, however, the External Auditors were satisfied that they could be adjusted for without any implications on the bottom line.

External audit confirmed they had reconsidered materiality in the light of Covid-19. The Council had transitioned to homeworking with no evidence to date that internal control and governance had been significantly impacted. Therefore, no change to materiality was proposed. Covid-19 is impacting upon the Council's financial position, as it is across the whole sector. Financial resilience had already been flagged in the Value for Money risk in the original plan (as with all councils) therefore no new specific Covid-19 risk had been identified. There would be focus on how the Council is re-profiling its 2020/21 budget and medium-term financial plans. Similarly, non-current asset valuations were already within the audit plan, so no specific change was required. In responding to the new Covid-19 risk however the Council could expect to see increased auditor scepticism and challenge in areas such as collectability of debts (including business rates), investment valuations and enhanced disclosures in narrative report and financial statements in the context of the Covid-19 crisis (as required by auditing standards).

The Chief Accountant noted that a fee had been agreed with the PSAA of £20,350 (Amendment to the minutes was agreed at the Audit & Risk Meeting on 22 July 2020).

29. INFORMING THE AUDIT RISK ASSESSMENT FOR LEICESTER CITY COUNCIL 2019/20

Nicola Coombe of Grant Thornton presented a report as part of the planning and interim processes contributing towards the effective two-way communication between the Council's external auditors and the Council's Audit and Risk Committee. The report covered important areas of the auditor risk assessment where it was required to make inquiries of the Committee under auditing standards.

The report included a series of questions on the areas of General Enquiries of Management, Fraud, Laws and Regulations, Going Concern, Related Parties and Estimates.

It was noted that it was important to revisit the document as it was written prior to the Covid-19 crisis. It was further acknowledged that controls and processes had continued remotely, however it was important to update the understanding.

30. REGULATION OF INVESTIGATORY POWERS ACT 2000 BI-ANNUAL PERFORMANCE REPORT JUNE 2019 - DECEMBER 2019

The City Barrister and Head of Standards submitted a report, which advised on the performance of The Council in authorising Regulation of Investigatory Powers Act (RIPA) applications, from 1 June 2019 to 31 December 2019.

There had been no applications for RIPA powers to be used during this period, or indeed from January 2020 to date.

RESOLVED:

That the report and its contents be noted.

31. REVIEW OF WHISTLEBLOWING POLICY

The City Barrister and Head of Standards submitted a report, which invited the Committee to review the Whistleblowing Policy.

Changes to the policy included:

- A link to the Corporate and Councillor Complaints had been included.
- The policy about keeping the Whistleblower informed about progress had been removed. This was now only done if it was appropriate and did not breach anybody else's rights.
- The external organisation reference was now the independent whistleblowing charity 'Protect'.
- The e-form had been replaced with an instruction to email the relevant Human Resources manager for the service area.

RESOLVED:

That the report and its contents be noted.

32. RISK MANAGEMENT AND BUSINESS CONTINUITY STRATEGY AND POLICIES 2020

The Director of Delivery, Communications and Political Governance submitted a report, which presented the Risk Management and Business Continuity Policy Statement and Strategies. These documents provided an effective framework for the Council to manage and respond to key risks facing its services to help achieve the delivery of its Business Plan. The documents had been significantly reviewed which had led to minor changes in the structure and general format.

The Risk Management Policy and Strategy had been approved by the Corporate Management Team and the Executive. Key risks and ways in which the Council could deliver the plan had been identified. The key deliverables, adhering to the policy and strategy and reflecting the organisational structure, had been assessed, managed and reported.

The Council had established robust business continuity practices which were reviewed and maintained continuously throughout the year by service areas. Progress continued to be made to improve and strengthen business continuity management arrangements, particularly addressing the continuous change the organisation experiences.

Mandatory training in Risk Management which had taken place every six weeks would now have to be conducted remotely.

The Corporate Business Continuity Plan (CBCP) had been triggered by the Covid-19 pandemic:

- Meetings of the CBCP group oversaw the Council response and City Mayor Briefing daily.
- There would be a formal debrief to record lessons learned and good practice in the coming weeks and lessons learnt reflected in plans and strategies going forward.
- The CBCP Plan was being amalgamated with the Major Incident Plan to form an overall Crisis Response Plan due to overlaps.

RESOLVED:

1) That the Corporate Risk Management Policy Statement and Strategy set out in Appendix 1 of the report be approved.

2) That the Corporate Business Continuity Management Policy Statement and Strategy set out in Appendix 2 of the report be approved.

33. ANNUAL REVIEW OF THE COUNCIL'S LOCAL CODE OF CORPORATE GOVERNANCE

The Director of Finance and the City Barrister & Head of Standards submitted a report seeking approval of updates to the assurance and corporate governance processes at the City Council.

The Chief Accountant presented the report and it was noted that the Local Code of Corporate Governance had been refreshed for 2020/21 to ensure it set out the Council's objectives and reflected the controls currently in place. It also set out how the annual review would be conducted.

RESOLVED:

That the Local Code of Corporate Governance be approved.

34. MEMBER SCRUTINY AND INVOLVEMENT DURING THE COVID-19 PANDEMIC

The Director of Delivery, Communications and Political Governance submitted a report updating the Committee on the scrutiny and member involvement during the Covid-19 Pandemic.

The report gave a summary of how scrutiny and member involvement had been maintained during the Covid-19 pandemic. The report gave background on remote working. Particular emphasis was made about Adult Social Care and the pressures faced in tackling homelessness.

The Chief Accountant reported that Member involvement had continued through briefings throughout the crisis, with regular communication between Members and Democratic and Civic Support.

It was further noted that all Scrutiny Commissions had a remote meeting

scheduled for before the end of July 2020.

Councillor Joshi expressed thanks towards officers in Democratic and Civic Support, particularly Member Services, who had supported meetings and briefings which had generally been very beneficial. He also thanked officers who had kept services running, and informed members about how they were doing this, which was particularly important when vulnerable people needed support. He further thanked officers for responding quickly to enquiries.

Councillors Pantling and Kaur Saini also expressed their thanks to these officers for their extra work put in and the care they provided.

RESOLVED:

That the report be noted.

35. INTERNAL AUDIT CHARTER (MARCH 2020)

Neil Jones (Internal Audit) submitted a report seeking the approval of the Committee of a new Internal Audit Charter following the regular annual review and updates and explaining how the impact of Covid-19 might affect parts of the Charter.

It was noted that the Charter established the position of the Internal Audit within the Council. It also defined a scope of activities to follow and allowed a measurement of performance.

Neil Jones explained that the previous charter was approved by the Committee in March 2018. Whilst there had not been major changes to the standards, it promoted good governance for the current Committee to see and understand the Charter. It was also noted that there were areas of the Charter that would need rethinking due to the Covid-19 pandemic as there would be implications for working arrangements with Leicester City Council management and the type of audit work that could be conducted. The importance of developing logistics in order to retain the integrity of the audit process with regards to access to records was also emphasised.

RESOLVED:

That the Internal Audit Charter (March 2020) be approved.

36. INTERNAL AUDIT SERVICE - ANNUAL PLAN 2020-21

Neil Jones (Internal Audit) submitted a report which provided the Committee with an indication of internal audit work planned to be conducted during 2020-21.

Members' attention was drawn to the fact that the original plan provided for a wide and varied range of audits, however with the onset of the Covid-19 crisis it became clear that it would impact services and new services would come to the fore.

Some of the planned work for 2020/21 had continued, however, reviews of changes to systems brought about by Covid-19, such as business and transport grants were planned.

It was noted that the focus was shifting to long-term recovery and as such there would be changes with new risks emerging. These would be looked at with officers to determine which amendments to the plan would be required. A short-term plan was being drafted for the next 3-6 months with a review after 3 months.

Changes in methodology would need to be adapted to with 'flash reporting' getting reports and identifying problems quickly, and utilising data analytics and conducting remote meetings.

RESOLVED:

That the Internal Audit – Audit Plan 2020/21 be approved.

37. PRIVATE SESSION

RESOLVED:

That the press and public be excluded during consideration of the following reports, in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because they 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 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- Progress Against the 2018-19 and 2019-20 Internal Audit Plans

INTERNAL AUDIT- Internal Audit Service – Annual Report 2019-20

38. PROGRESS AGAINST THE 2018-19 AND 2019-20 INTERNAL AUDIT PLANS

Bharat Mistry (Internal Audit) submitted a report, which provided:

- A summary of progress against the 2018-19 and 2019-20 Internal Audit Plans.
- Information on resources used to progress the plan.
- Summary information on high importance recommendations and

progress with implementing them.

It was reported that under the Council's Constitution, the Committee had duties to monitor performance against the Internal Audit Plan on an annual basis.

Summaries of Internal Audit reports were therefore regularly provided with details of any issues arising. The impact of the Covid-19 Crisis on work completed and the mindfulness of increased risk of service failure and Business Continuity were emphasised and noted. However, the service had been equipped for mobile and flexible working, so immediate continuity and sustainability was not an issue.

In considering the detailed information in appendices and particularly the timeframes, it was confirmed that managers had been given more time to provide responses on how they were implementing High Importance Recommendations due to the Covid-19 crisis, but responses to follow-ups had been good overall.

RESOLVED:

That the report be noted.

39. INTERNAL AUDIT SERVICE ANNUAL REPORT 2019-20

Neil Jones (Internal Audit) submitted the annual report on internal audit work conducted during 2019-20. The report also contained information on the internal audit function's conformance to professional standards and its quality assurance framework, which provided an insight into its effectiveness.

It was reported that the opinion of the Head of Internal Audit Service was that prior to the onset of Covid-19, the Council's control environment was in a steady state. The build-up and immediate impact of Covid-19 was significant, of adverse nature and unique in character. However, no significant governance, risk management internal control failings had come to the attention of the Head of Internal Audit Service, and therefore reasonable assurance was given that the Council's control environment overall had remained adequate and effective.

RESOLVED:

That the report be approved.

40. ANY OTHER URGENT BUSINESS

There being no further business the meeting closed at 7pm.