

Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 10 December 2014
Location	Council Chamber, Council Offices, Coalville
Officer to contact	Democratic Services (01530 454512)

All persons present are reminded that the meeting may be recorded and by attending this meeting you are giving your consent to being filmed and your image being used. You are kindly requested to make it known to the Chairman if you intend to film or record this meeting.

The Monitoring Officer would like to remind members that when they are considering whether the following items are exempt information under the relevant paragraph under part 1 of Schedule 12A of the Local Government Act 1972 they must have regard to the public interest test. This means that members must consider, for each item, whether the public interest in maintaining the exemption from disclosure outweighs the public interest in making the item available to the public.

AGENDA

Item	Pages
1. APOLOGIES FOR ABSENCE	
2. DECLARATIONS OF INTEREST	
Under the Code of Conduct members are reminded that in declaring disclosable interests you should make clear the nature of that interest and whether it is pecuniary or non-pecuniary.	
3. MINUTES	
To confirm and sign the minutes of the meeting held on 24 September 2014	3 - 8
4. STANDARDS AND ETHICS - QUARTER 2 REPORT	
Report of the Head of Legal and Support Services and Monitoring Officer	9 - 18
5. ANNUAL AUDIT LETTER 2013/14	
Report of the Head of Finance	19 - 26



6.	INTERNAL AUDIT PROGRESS REPORT - NOVEMBER 2014	
	Report of the Head of Finance	27 - 38
7.	TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO OCTOBER 2014	
	Report of the Head of Finance	39 - 46
8.	CORPORATE RISK UPDATE	
	Report of the Head of Finance	47 - 52

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 24 SEPTEMBER 2014

Present: Councillor T Neilson (Chairman)

Councillors A Bridges, D De Lacy, D Everitt, D Howe, G Jones, A C Saffell and N Smith

In Attendance: Councillors

Officers: Mr R Bowmer, Mrs M Meredith, Mr P Padaniya, Miss E Warhurst and Miss A Wright

External Audit: Mr J Cornett

10. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors C Large and J Cotterill.

11. DECLARATIONS OF INTEREST

There were no interests declared.

12. MINUTES

It was moved by Councillor N Smith, seconded by Councillor A Bridges and

RESOLVED THAT:

The minutes of the meeting held on 25 June 2014 be approved as a correct record and signed by the Chairman.

13. STANDARDS AND ETHICS - QUARTER 1 REPORT

The Head of Legal and Support Services presented the report to Members, highlighting the update sheet circulated at the meeting, which contained additional information in connection with the ethical indicators following the request for further details in respect of complaints and Freedom of Information. She commented that it was pleasing to note there were no complaints received in Quarter one.

It was moved by Councillor T Neilson, seconded by Councillor N Smith and

RESOLVED THAT:

The report be received and noted.

The Head of Legal and Support Services left the meeting at this point.

14. ANNUAL GOVERNANCE STATEMENT 2013-14

The Head of Finance presented the report to Members. He explained that the Annual Governance Statement was part of the governance framework which demonstrated that the Council had good governance arrangements, and was intended to give Members confidence in the accounts. He stated that the document was more than just a financial statement, and was based on the principles set out by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), as was reflected in the corporate nature of the document. He explained that the Annual Governance Statement was supported by the opinion from internal audit, and referred to the report received by the Committee earlier in the year which stated that

Chairmans initials;Chairmans signature 3

controls were adequate. He added that further assurance was provided by the report from the external auditors later in the agenda. He reported that there were no areas of concern to highlight, and every chief officer had signed a statement in support of the Annual Governance Statement, which provided additional assurance. He advised that the Annual Governance Statement would be signed by the Leader and Chief Executive once approved by the Committee.

Councillor N Smith congratulated officers on a good job once again.

Councillor D De Lacy highlighted the appendix to the report, which referred to the Council's Scrutiny function. He wished to reflect the views of some Members that the current Scrutiny function was not as effective as the previous one.

It was moved by Councillor N Smith, seconded by Councillor G Jones and

RESOLVED THAT:

The Annual Governance Statement be approved.

15. REPORT TO THOSE CHARGED WITH GOVERNANCE 2013/14

The External Auditor presented the report to Members, drawing their attention to the headline messages which were summarised in the report. He advised that he proposed to issue an unqualified opinion on the accounts, however having said that, there were a number of adjustments proposed as set out in the appendix. He added that it was important to note that none of the adjustments impacted upon the outturn position, nor were they indicative of systematic failures; they were simply errors in producing the accounts, and were purely presentational or technical. He advised that three of the adjustments required were due to simple classification errors. The remaining adjustment was because the Council had over-depreciated its assets. He explained that this was a technical adjustment and did not affect the outturn position, however due to the complex nature of this issue, a number of adjustments would be required throughout the accounts.

Councillor D De Lacy sought clarification on the depreciation issue, as surely this must impact upon the bottom line.

The External Auditor advised that an adjustment was made to balance the cost of depreciation, as there should be no impact upon the Council Tax as a result of this issue. He advised that future forecasting was on a net basis leaving aside the issue of depreciation.

Councillor D De Lacy sought clarification on how the Council had managed to over-depreciate its assets.

The Head of Finance advised that depreciation was shown in the accounts for the purposes of benchmarking, and there was a formula to work this out. So whilst there was no effect on the bottom line, this could potentially affect individual services as it could have an impact upon the total cost of providing that service. He added that the error had occurred a number of years ago, and this had now been identified and adjustments made in respect of the previous years.

The Financial Team Manager advised that the cause of the error was an incorrect formula in a spreadsheet which was discovered during the audit. He added that as this was a non-cash item, there was no effect overall, and was recorded to show the cost of a service for benchmarking purposes.

The External Auditor advised that risks had been highlighted in the audit plan, and the outcome of this was outlined in the report. He added that action taken by officers relating to the revaluation of the Local Government Pension Service had mitigated the risks and there were no issues to draw to Members' attention. In respect of the business rate retention scheme, he advised that there was a lack of clear guidance to assist officers with implementing this policy which had led to complexities, however the position was correct. He added that there was an unidentified item in the accounts and there was some work to be done by officers to identify this. He stated that this was not a material item and did not impact upon their opinion of the accounts. He commented that the accounts had been completed to a high standard and the working papers were adequate, however there were some opportunities to improve these to increase efficiency.

The External Auditor advised that he was also required to consider the Annual Governance Statement, and he was satisfied that it complied with the guidance and was consistent with the Council's other published information. In respect of value for money, he concluded that the arrangements were appropriate and there were no issues to highlight. He advised that the recommendations from prior years had also been addressed.

The External Auditor thanked the Finance Team for their co-operation as it had not been a straightforward year. He added that their support had been greatly appreciated and they had responded to queries quickly.

It was moved by Councillor N Smith, seconded by Councillor A Bridges and

RESOLVED THAT:

- a) The contents of the external auditor's report attached at Appendix A be noted.
- b) The letter of representation attached at Appendix B be approved.
- c) The external auditor's one recommendation and management comments set out in Appendix 1 to their report be noted.

16. ANNUAL STATEMENT OF ACCOUNTS 2013/14

The Head of Finance presented the report to Members, drawing their attention to the presentation adjustments which had been circulated at the meeting. He added that the team had worked hard to finalise the accounts and he was therefore able to present the final changes to the Committee in order that they could approve the whole statement.

In response to a question from Councillor D Howe regarding mortgage loans, the Head of Finance advised that the Council no longer offered this facility. Any long terms mortgage debts were legacy loans that were still ongoing from the 1970s and 1980s.

In response to a question from Councillor T Neilson, the Head of Finance clarified that all bracketed figures indicated a decrease.

It was moved by Councillor D Howe, seconded by Councillor G Jones and

RESOLVED THAT:

- a) The Annual Statement of Accounts be approved.
- b) The Chairman of the Committee be authorised to sign the accounts as approved.

- c) Authority be delegated to the Committee Chairman and Section 151 Officer to approve any minor non material amendments, as agreed with the auditor, to the accounts on behalf of the Committee.

17. INTERNAL AUDIT PROGRESS REPORT - AUGUST 2014

The Senior Auditor presented the report to Members, highlighting the progress and actions plans set out in the appendices to the report.

The Chairman advised Members that the recommendation tracker at Appendix C was available on the intranet, which was updated in between meetings. He asked the Senior Auditor to circulate the details to Members.

Councillor A C Saffell referred to the recommendation in respect of ICT security and commented that this was his professional role. He advised that his company had recently needed to update its procedures due to an increased risk to the sector. He stated that one of the biggest problems was people going off on long term sick. He explained that such accounts should be disabled after a certain number of days as this presented a security risk. He felt that the Council should introduce a similar policy and that there should be time limits on accounts that were sitting there unused.

Councillor D Howe asked if Members were satisfied with the target delivery date in respect of planned maintenance.

The Chairman stated that his personal view was this was probably as quick as could be expected.

Councillor D Everitt asked if there was a problem with the accounts and referred to a particular constituent who had been told that works would be completed when funding was available.

The Chairman suggested that this was not a question for the Committee.

The Head of Finance commented that he would be interested to hear the details of the case. He added that he would be concerned if staff members had given out inaccurate information to customers and this needed to be addressed.

RESOLVED THAT:

The report be noted.

18. TREASURY MANAGEMENT STEWARDSHIP REPORT 2013/14

The Head of Finance presented the report to Members. He reported that there were no issues in 2013/14 and the policies and strategies agreed by Council had been complied with. He advised that during the year, the Council had tendered for its banking services and from 1 April 2014 had stayed with the Co-operative Bank. He explained that the Co-operative Bank had subsequently announced that it was withdrawing from the public sector. The Head of Finance advised that the Council was currently in the process of re-tendering. He added that there were more banks interested now and the tendering process was easier. He reported that income from interest was above target, and referred Members to the snapshot as outlined in the report.

It was moved by Councillor T Neilson, seconded by Councillor D De Lacy and

RESOLVED THAT:

The report be approved.

19. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO AUGUST 2014

The Head of Finance presented the report to Members. He reported that the Council's investments were performing reasonably well compared with the benchmark rate. He advised that it was estimated the General Fund would earn £145,000 for the year, against a budget of £68,000. He explained that this was as a result of investment periods having been reviewed to enable investment terms of up to three years. He added that longer term loans were also under consideration to secure the best possible rates. He commented however that a cautious approach was taken in this respect and only the best performing counterparties were utilised. He concluded that reward had to be measured against risk, and the Council could not be completely risk averse in its decision making.

The Chairman commented that it was positive to see more investment than the previous year. He added that it would be interesting to know where the extra amount had come from.

The Head of Finance advised that the two reports were not strictly comparable as one report showed the position for the year to date, whilst the other reflected the year end position. He explained that the balances tended to be higher earlier in the year, however a slight increase was forecast this year. He added that a higher grant in respect of decent homes had also been received this year.

It was moved by Councillor G Jones, seconded by Councillor A Bridges and

RESOLVED THAT:

The report be approved.

20. RISK MANAGEMENT STRATEGY

The Head of Finance presented the report to Members, advising that regular updates would be reported to Cabinet via the performance reports, which would subsequently be brought to the Committee.

It was moved by Councillor T Neilson, seconded by Councillor G Jones and

RESOLVED THAT:

The revised Risk Management Strategy attached at Appendix 1 be noted.

21. COMMITTEE WORK PLAN

By affirmation of the meeting it was

RESOLVED THAT:

The Committee Work Plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.22 pm

This page is intentionally left blank

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE – 10 DECEMBER 2014**

Title of report	STANDARDS AND ETHICS – QUARTER 2 REPORT
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Legal and Support Services and Monitoring Officer 01530 454762 elizabeth.warhurst@nwleicestershire.gov.uk</p>
Purpose of report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 2 of 2014/15.
Council Priorities	Value for Money
Implications:	
Financial/Staff	N/A
Link to relevant CAT	N/A
Risk Management	By receiving this information members will be able to manage risks.
Equalities Impact Assessment	N/A
Human Rights	N/A
Transformational Government	N/A
Consultees	N/A
Background papers	None.
Recommendations	THAT THE REPORT BE RECEIVED AND NOTED.

This page is intentionally left blank



STANDARDS AND ETHICS

QUARTER 2 REPORT 2014-2015

1. Introduction

This is the first quarterly report to the Audit & Governance Committee detailing both the figures for the Ethical Indicators and the figures for the Local Determination of Complaints process for 2014/15.

For clarification purposes the months covered by the quarters are as follows:

Quarter 1 – 1 April to 30 June
Quarter 2 – 1 July to 30 September
Quarter 3 – 1 October to 31 December
Quarter 4 – 1 January to 31 March

The report is split into 2 parts for ease of reference; Part 1 refers to the local determination of complaints, part 2 is the table showing the ethical indicators figures.

The report will enable the Audit & Governance Committee to build up a picture over time of how many complaints are received and where these are coming from. The parts of the Code of Conduct which have been breached will also be recorded to enable training to be targeted effectively.

2. Part 1 – Local Determination of Complaints

The Monitoring Officer received 3 complaints in Quarter 2 of 2014/15. All 3 complaints related to District Councillors.

2.1 Source of Complaints

The 3 complaints were received from District Councillors.

2.2 Assessment Sub-Committee Decisions

There have been no Assessment Sub-committee meetings in this quarter.

As members will be aware, the Monitoring Officer now pursues an informal dispute resolution process prior to initiating formal proceedings via the sub-committee route. Two complaints received in this quarter are currently in that process.

One complaint has been resolved informally in this quarter.

2.3 Timeliness of Decision

The Standards for England Guidance stated that the Assessment Sub-committee should complete its initial assessment of an allegation “within an average of 20 working days” to reach a decision on what should happen with the complaint. The Council has taken this standard and adapted it under the new rules to aim to hold an Assessment Sub-committee within 20 working days of notifying the parties that informal resolution is not possible.

2.4 Review Requests

There have been no review requests this year. Review requests can only be made following a decision of 'No further Action' by the Assessment Sub-committee where there is submission of new evidence or information by the complainant.

2.5 Subsequent Referrals

None to report – see above.

2.6 Outcome of Investigations

There were no investigations concluded in this period.

2.7 Parts of the Code Breached

This section is intended to show where there are patterns forming to enable the Audit & Governance Committee to determine where there needs to be further training for Councillors. Targeting training in this way makes it more sustainable and, hopefully, more effective.

So far this year, the following areas of the code were found to have been breached:

N/A

4. Part 2 – Ethical Indicators

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15
SE1	Objections to the Councils Accounts	Financial Planning Team Manager	0	0	0	0	0		0	
SE3	Follow up action relating to breaches of the Member/Officer Protocol (Members)	Head of Legal and Support Services	0	0	0	0	0		0	
SE3a	Disciplinary action relating to breaches of the Member/Officer Protocol (staff)	Human Resources Team Manager	0	0	0	0	0		0	
SE4	District Audit Public Interest Reports	Senior Auditor	0	0	0	0	0		0	
SE5	Number of Whistle blowing Incidents reported		0	0	0	0	0		0	
SE6	No. of recommendations made to improve governance procedures / policies		4	5	5	1	0		17	
SE6a	No. of recommendations implemented		5	5	2	7	1		9	
SE7	No. of Ombudsman complaints received	Customer Services and Corporate Complaints Officer	2	0	2	1	2		0	
SE7a	No. of Ombudsman complaints resolved		1 (1 where LGO has sent further enquiries)	0	2 (1 awaiting final decision)	1	1 (1 awaiting final decision)		0	

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15
SE7b	No. of Ombudsman complaints where compensation paid	Customer Services and Corporate Complaints Officer	1	0	0	0	0 (based on 1 resolved in Q3)		0	
SE8	No. of Corporate Complaints received		72	75	75	104	53		84	
SE8a	No. of Corporate Complaints resolved		68	69	71	113	50		79	
SE8b	No. of Corporate Complaints where compensation paid		3	1	2	4	2		3	

- A total of 104 corporate complaints were received during Q2 which is an increase of 39% when with the same period for Q2 13/14.
- 59 of all complaints (57%) were for the Housing Service. The most common reason for a tenant making a complaint against the Housing Service was delays in carrying out agreed work (26 complaints received, which equates to 44% of all Housing complaints)
- 22 complaints (21%) were made against Community Services. The majority (71%) were to do with the Leisure service and were related to classes i.e. too many in the class, and condition of facilities i.e. air conditioning, changing room cleanliness etc

After receiving customer feedback the following improvements were made to Leisure Services; More fitness classes have been added to the class timetable and a new instructor sourced to be able to re-instate a fitness class. The Fitness Studio air conditioning unit has had the coolant replaced, Leisure Services are using a new contractor in order to deal with air conditioning issues more efficiently and to a higher standard. Ventilation has been improved in the swim change toilets and staff presence has been increased to address cleaning and maintenance issues.

- A total amount of £850 compensation was paid to 4 complainants in Q2, which is an average of £212.50 per complainant. The highest amount of compensation paid was £500, and the smallest was £50.

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15
Freedom of Information Act Indicators										
SE9	Total no. of requests received	Head of Legal and Support Services	116	178	109	147	165		208	
SE9a	No. of requests compliant		100	125	92	83	125		151	
SE9b	No. of Non compliant requests		14	45	15	47	31		51	
SE9c	No of requests still open and within the 20 working days		0	0	0	3	0		0	
SE9d	Number withheld due to exemptions/fees applied		5	10	4	29	5		6	

- There has been a 31% increase in FOI requests during Q2 this year compared to the same period of 2013/14.
- Between Q1 & Q2 this financial year there has been a 20% drop in FOI requests. This has mainly been due to less requests from the press.
- The increase in exemptions used this quarter is due to more information being made available via the council's web pages. The majority of requests being diverted to the web pages using Exemption 21 (Information reasonably accessible to the applicant by other means) related to Non Domestic Rates (NDR). As we go forward we aim to increase the amount of information that we make available via our web pages.

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15	Actual 2013/14	2014/15
Regulation of Investigatory Powers Act Indicators										
SE10	No. of Directed Surveillance authorisations granted during the quarter	Senior Auditor	0	0	0	0	0		0	
SE10a	No. in force at the end of the quarter		0	0	0	0	0		0	
SE10b	No. of CHIS recruited during the quarter		0	0	0	0	0		0	
SE10c	No. ceased to be used during the quarter		0	0	0	0	0		0	
SE10d	No. active at the end of the quarter		0	0	0	0	0		0	
SE10e	No. of breaches (particularly unauthorised surveillance)		0	0	0	0	0		0	
SE10f	No. of applications submitted to obtain communications data which were rejected		0	0	0	0	0		0	
SE10g	No of notices requiring disclosure of communications data		0	0	0	0	0		0	
SE10h	No of authorisations for conduct to acquire communications data		0	0	0	0	0		0	
SE10i	No of recordable errors		0	0	0	0	0		0	

This page is intentionally left blank

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE - 10 DECEMBER 2014

Title of report	ANNUAL AUDIT LETTER 2013/14
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Chief Executive 01530 454500 christine.fisher@nwleicestershire.gov.uk</p> <p>Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk</p>
Purpose of report	To report the receipt of the Annual Audit Letter.
Reason for Decision	To receive a report from the External Auditor.
Council Priorities	Value for Money.
Implications:	
Financial/Staff	None.
Link to relevant CAT	None.
Risk Management	Not required.
Equalities Impact Assessment	Not required.
Human Rights	None identified.
Transformational Government	Not applicable.
Consultees	None
Background papers	None.
Recommendations	THAT THE 2013/14 ANNUAL AUDIT LETTER BE NOTED

1.0 BACKGROUND

- 1.1 The External Auditor, KPMG, was responsible for the external audit of the Council's financial statements and Value for Money arrangements in 2013/14. He has provided the Annual Audit letter for consideration by the Committee. The External Auditor has already reported the findings of his audit and issued an unqualified audit opinion on the 2013/14 Financial Statements and confirmed that the Council's arrangements for providing Value for Money are satisfactory.
- 1.2 The Letter summarises all the findings from the 2013/14 audit. It is much shorter than previous audit letters provided by the Audit Commission prior to 2011/12 when KPMG were appointed as the Council's External Auditors.
- 1.3 A copy of the Annual letter is attached at Appendix 1.



cutting through complexity™

Annual Audit Letter 2013/14

21
North West Leicestershire District
Council

October 2014



The contacts at KPMG in connection with this report are:

John Cornett
Director

Tel: 0116 256 6064
john.cornett@kpmg.co.uk

Sarah Brown
Senior Manager

Tel: 0121 232 3694
sarah.brown1@kpmg.co.uk

Sundeep Gill
Assistant Manager

Tel: 0116 256 6062
sundeep.gill@kpmg.co.uk

Report sections

- Headlines

Appendices

1. Summary of reports issued
2. Audit fees

Page

2

3

4

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

This report summarises the key findings from our 2013/14 audit of North West Leicestershire District Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

23

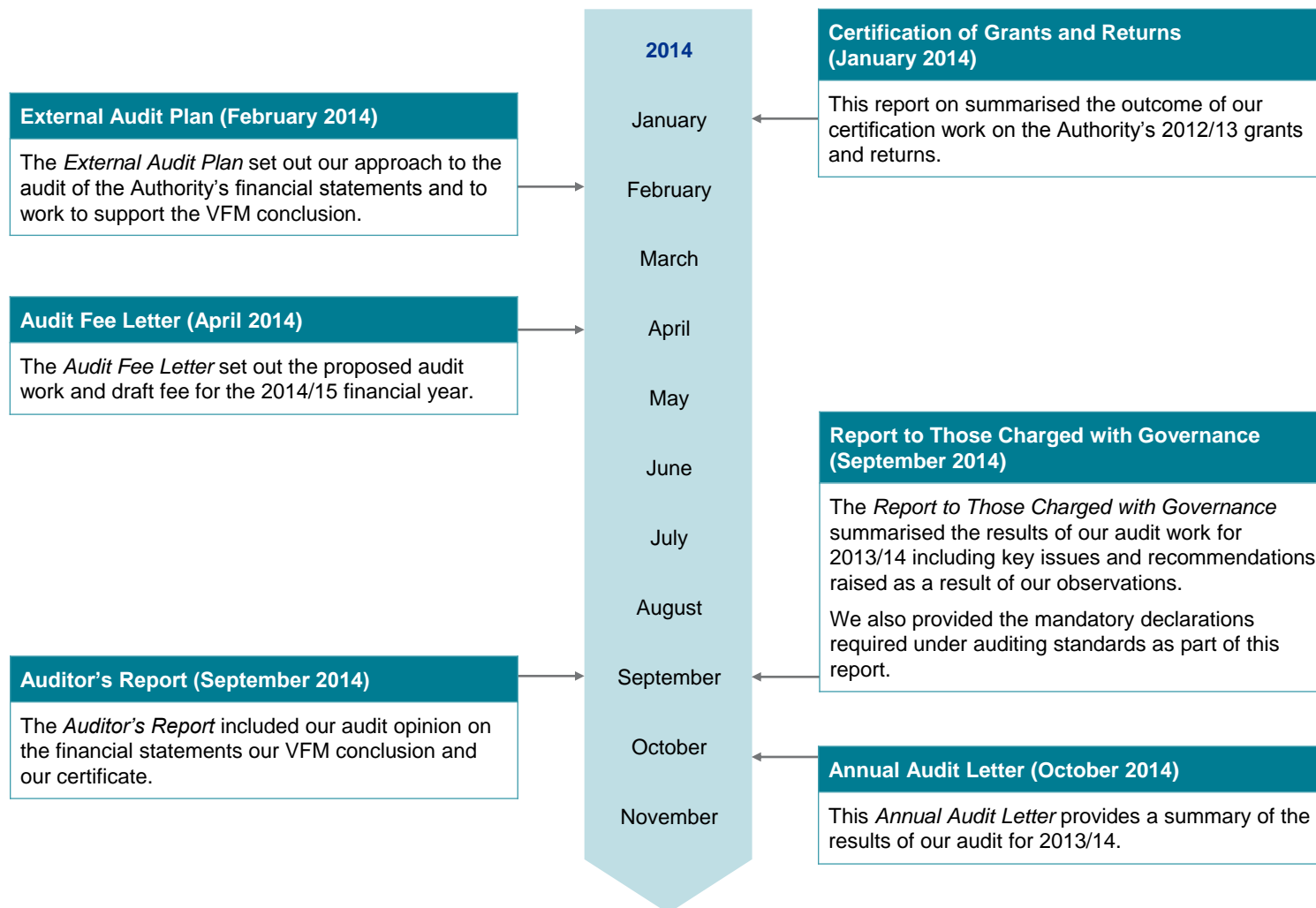
Our audit covers the audit of the Authority's 2013/14 financial statements and the 2013/14 VFM conclusion.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 29 September 2014. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 29 September 2014. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
Financial statements audit	<p>Our audit of the financial statements resulted in:</p> <ul style="list-style-type: none"> ■ A number of material adjustments in relation to depreciation, cash and short-term investments, grant income and NNDR debtors and creditors. None of which impact on the overall financial position of the Comprehensive Income and Expenditure Account or Balance Sheet. ■ A small number of non-trivial adjustments, most of which were of a presentational nature. ■ One minor recommendation relating to the quality of working papers, particularly with regard to NNDR pooling. <p>We were not required to report any further matters to those charged with governance.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding of your governance arrangements</p>
Certificate	<p>We issued our certificate on 29 September 2014.</p> <p>The certificate confirms that we have concluded the audit for 2013/14 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	<p>Our fee for 2013/14 was £67,362, excluding VAT. <i>This was £900 higher do to a fee variation proposed by the Audit Commission for additional work in relation to NNDR cash pooling.</i> Further detail is contained in Appendix 2.</p>

Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.

24



This appendix provides information on our final fees for 2013/14.

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

External audit

Our final fee for the 2013/14 audit of the Authority was £67,362. This compares to a planned fee of £66,462. The reasons for this variance are:

- A fee variation of £900 proposed by the Audit Commission for all District Councils, acknowledging that there was work that would ordinarily have been undertaken under LA01 which in 2013/14 (and future years) was required to be undertaken as part of the opinion audit.

Certification of grants and returns

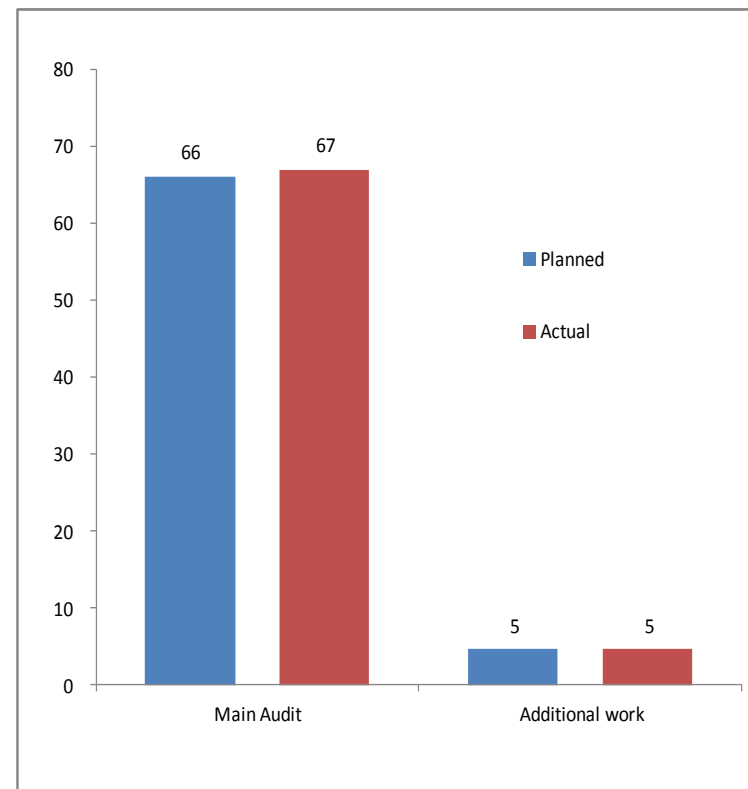
We have completed our certification of the Decent Homes Backlog grant for a final fee of £4,600.

Our benefits work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2013/14* which we are due to issue in January 2015.

Other services

We did not charge for any additional services during the year.

External audit fees 2013/14 (£'000)





cutting through complexity™

© 2014 KPMG LLP, a UK public limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 10 DECEMBER 2014

Title of report	INTERNAL AUDIT PROGRESS REPORT – NOVEMBER 2014
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Finance 01530 454520 ray.bowmer@nwleicestershier.gov.uk</p> <p>Financial Services Team Manager 01530 454492 anna.wright@nwleicestershire.gov.uk</p>
Purpose of report	To inform the committee of the progress against the internal audit plan for 2014/15 and to highlight incidences of any significant control failings or weaknesses.
Reason for Decision	To comply with the Public Sector Internal Audit Standards.
Council Priorities	Value for Money
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	The Internal Audit planning process is based on a risk assessment methodology
Equalities Impact Assessment	Not Applicable
Human Rights	None
Transformational Government	Not Applicable
Consultees	Head of Finance
Background papers	Public Sector Internal Audit Standards

Recommendations	THAT MEMBERS NOTE THE CONTENTS OF THE REPORT.
-----------------	--

1. INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards require the authority's Audit Committee to approve the audit plan and monitor progress and to receive periodic reports on the work of internal audit. The Audit and Governance Committee approved the Audit Plan on 26 March 2014.

2. TERMS OF REFERENCE

- 2.1 Section 3 of Part 3 of the Constitution sets out the Terms of Reference of the Audit and Governance Committee, as set out at the extract below:
'To act as the Authority's Audit Committee, to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to be responsible for the financial reporting process'.

3. PROGRESS REPORT

- 3.1 The Internal Audit Progress Report for the period to the end of November 2014 is attached at Appendix 1.



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council
Internal Audit Progress Report: November 2014

1. Introduction

- 1.1 The assurances received through the Internal Audit programme is a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to highlight the progress against the Internal Audit Plan up to the end of November 2014.

2. Purpose of Internal Audit

- 2.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to Internal Audit activity should lead to strengthening the control environment, and therefore contribute to the achievement of the organisation's objectives.
- 2.2 This is achieved through Internal Audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

3. Authority of Internal Audit

- 3.1 Internal Audit derives its authority from the Accounts and Audit Regulations 2011, the Internal Audit Charter and the Council's Constitution. The Financial Regulations, which are part of the Constitution, sets out that 'Internal Audit has authority to:
- a) enter any Council owned or occupied premises or land at all times (subject to any legal restrictions outside the Council's control);
 - b) have access at all times to the Council's records, documents and correspondence;
 - c) require and receive such explanations from any employee or member of the Council as he or she deems necessary concerning any matter under examination; and
 - d) require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.
 - e) The Senior Auditor shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.

4 Responsibility of Internal Audit

- 4.1 Internal Audit will have the responsibility to review, appraise and report as necessary on:
- a) the adequacy and effectiveness and application of internal controls and processes and systems;
 - b) the extent of compliance with Financial Regulations and Standing Orders and approved policies and procedures of the Council plus the extent of compliance with external laws and regulation; and
 - c) the extent to which the Council's assets and interest are accounted for and safeguarded from losses of all kinds arising from waste, inefficient administration, poor value for money, fraud or other cause.

5 Independence of Internal Audit

- 5.1 Internal Auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal Auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made.

- 5.2 If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to senior management and the Audit and Governance Committee. There are no impairments to report to senior management and the Audit and Governance Committee for the current financial year.

6 Internal Audit Team Update

- 6.1 The Senior Auditor has moved to a new role within the council, the Financial Services Team Manager post with effect from the 17th November. An interim Senior Auditor has been appointed on a four month contract and will commence on the 5th January. A review of the Internal Audit service is in progress by the Head of Finance to determine the method of delivery of the service from April 2015.

7 Internal Audit Plan Update

- 7.1 A progress report against the 2014-15 Internal Audit plan is documented in Appendix A. Nine audits have been completed for 2014/15.
- 7.2 An Executive Summary of all final reports issued since the progress report in September 2014 are documented in Appendix B.
- 7.3 The Internal Audit plan needs to be flexible in order to reflect current issues and resource requirements. There have been a number of changes to the Internal Audit plan approved in March 2014 and details are documented in the 'comments' column in Appendix A.

8 Internal Audit Recommendations

- 8.1 Internal Audit monitors and follows up all medium and high risk recommendations. Appendix C lists all outstanding recommendations along with a status update. Four recommendations outstanding have not been implemented by the agreed target date. Non implementation of recommendations exposes the council to risks within the internal control environment as highlighted within the internal audit report.

9 Internal Audit Performance Indicators

- 9.1 Period 8 performance information for Internal Audit in relation to its team plan actions and performance indicators is documented in Appendix D.

2014/15 Audit Plan Progress: November 2014 (In-house Audit Team Audits)

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
Business Rates Retention	Risk Based	6.0	5.5	Final Report Issued	Grade 1	-	-	-	-	Audit undertaken by agency auditor.
Capital	Key Financial System	5.0	0.0	Audit removed from plan	-	-	-	-	-	Audit no longer required
Cash and Bank	Key Financial System	6.0	6.0	Final Report Issued	Grade 1	-	-	-	-	
Contracts and Procurement	Risk Based	6.0	0.1	Scheduled for Qtr 4						Moved to Quarter 4 due to the resources available within Internal Audit.
Creditors	Key Financial System	8.0	0.0	Scheduled for Qtr 4						
Debtors	Key Financial System	8.0	0.0	Scheduled for Qtr 4						
Decent Homes Improvement Programme	Risk Based	10.0	8.5	Final Report Issued	Grade 2	-	1	-	-	
Ethics	Assurance	8.0	0.0	Removed from plan						Testing included within the Governance audit
Fraud	Assurance	8.0	10.00	Draft Report Issued						Audit undertaken by agency auditor.
Governance & Ethics	Assurance	10.0	11.5	Final Report Issued	Grade 2	-	1	1	-	Audit now includes Ethics and number of days have increased.
Grant Income	Key Financial System	5.0	0.0	Scheduled for Qtr 4						
Housing – Other Capital Works	Risk Based	8.0	0.1	Scheduled for Qtr 4						Moved from Quarter 1 at the request of the Head of Housing
ICT Security/Back Up	Key Financial System	2.0	0.0	Removed from plan						Testing to be included within IT Key Controls audit to be undertaken by Leicestershire County Council.
Information Sharing	Risk Based	6.0	0.0	Scheduled for Qtr 4						Moved to Quarter 4 due to the resources available within Internal Audit.
Main Accounting	Key Financial System	8.0	0.0	Scheduled for Qtr 4						
Payroll	Key Financial System	8.0	0.0	Scheduled for Qtr 4						
Performance Management	Assurance	6.0	0.0	Scheduled for Qtr 4						Moved from Quarter 4

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
										at the request of the Head of Legal and Support Services
Planned Housing Maintenance	Risk Based	8.0	7.6	Final Report Issued	Grade 2	2	-	-	-	
Planning Policy/Local Plan	Risk Based	6.0	0.6	Removed from plan						The council is currently engaging the service of a consultant which is providing independent assurance.
Rent Accounting	Key Financial System	8.0	4.5	Draft Report Issued						
Risk Management	Assurance	8.0	0.0	Scheduled for Qtr 4						Moved to Quarter 4 due to the resources available within Internal Audit.
Sunbed Policy	Risk Based	4.0	4.1	Final Report Issued	Grade 2	3	-	-	-	Additional audit requested by the Head of Community Services.
Treasury Management	Key Financial System	6.0	5.8	Final Report Issued	Grade 1	-	-	-	-	Audit undertaken by agency auditor.

KEY

Assurance Levels:

Grade 1	Internal Controls are adequate in all important aspects
Grade 2	Internal Controls require improvement in some areas
Grade 3	Internal Controls require significant improvement
Grade 4	Internal Controls are inadequate in all important aspects

Recommendations:

H	High Priority
M	Medium Priority
L	Low Priority
A	Advisory

EXECUTIVE SUMMARY OF FINAL INTERNAL AUDIT REPORTS ISSUED BETWEEN SEPTEMBER 2014 AND NOVEMBER 2014

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations			
					H	M	L	A
Sunbed Policy	Community Services	Head of Community Services Leisure Services Team Manager	Grade 2	<p>The Suntower Skin Analysis Form should be redesigned without the ‘scoring table’ to avoid the possible skewing of answers to enable the user access to the sunbeds;</p> <p>The Centre Managers should consider whether the doors to the rooms containing the Suntower equipment should be re-hung to open out of the room in accordance with the Sunbed Association Code of Practice to avoid blocking access if the customer faints/collapses inside the room; and</p> <p>‘Instructions for use’ should be displayed in the Suntower room in accordance with the Sunbed Association Code of Practice.</p>	3	-	-	-
Planned Investment – Decent Homes Improvement Programme	Housing	Head of Housing Repairs & Investments Team Manager	Grade 2	The spreadsheet used to notify the Business Support Team of completed improvements should be updated monthly following agreement of completed works with the contractors.	-	1	-	-
Governance & Ethics	Corporate	Head of Finance & Head of Legal and Support Services	Grade 2	<p>The Local Code of Corporate Governance should be reviewed and updated; and</p> <p>Governance and Ethics awareness training should be provided to all relevant officers.</p>	-	1	1	-
Cash and Bank	Corporate	Head of Finance Financial Planning Team Manager	Grade 1	None identified	-	-	-	-

Appendix C

Recommendations Tracker – Outstanding High & Medium Recommendations

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
2013/14 Reports								
6	Risk Management	2	Regular reports should be taken to the Cabinet and Audit Committees to provide assurance that risks are being managed appropriately.	High	Head of Finance as Chair of RMG	January 2014 Revised Date: July 2014 Dec 2014	In Progress (overdue)	Head of Finance comments: Updates were provided to the Cabinet meeting on 18 November 2014 and for the Audit & Governance Committee on 10 December 2014.
16	Payroll	5	The draft service level agreement prepared by Selima should be redrafted with more performance targets identified. Until this happens it would be sensible to have formal recording of issues maintained by NWLDC and Selima with monthly exchange of such detail	High	Head of Finance	August 2014	In Progress (overdue)	Head of Finance comments: Monthly conference calls and quarterly review meetings are in place. Performance has continued to improve.
17	ICT Security & Back Up Controls	1	ICT staff should only create a network user account on receipt of a properly authorised network access request and ensure that access rights are disabled for any user where notification is received that the user no longer requires network access.	High	ICT Team Manager	December 2014	In Progress	ICT Team Manager Comments: Process is in place – January test is to reconcile active accounts with HR records to ensure process is working

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
		3	ICT in conjunction with Departmental managers should review the network access for staff under their control on an annual basis and the ICT Service Desk staff should ensure that managers authorise the required data areas for any user that has a change of role necessitating a variation in their access rights.	High	ICT Team Manager	March 2015	In Progress	ICT Team Manager Comments: To be addressed as part of the preparation for the 2014-15 PSN submission. Planning is now in progress, access list will be sent to Team Managers in January for review
36		4	The ICT Team Manager should expedite the introduction of the proposed revised backup arrangements and perform a disaster recovery test at the earliest opportunity.	High	ICT Team Manager	December 2014	In Progress	ICT Team Manager Comments: New backup solution implemented and being tested onsite at council offices before being relocated offsite. In the meantime, tape backups still being done. 80% of testing of new backup solution complete. Will complete remaining 20% in December. Testing for email disaster recovery complete, planning for testing other systems in progress.
2014/15 Reports								
1	Planned Maintenance	1	All staff with responsibility for ordering goods and services should be given enhanced induction training covering Contract Procedure Rules and Financial Regulations.	High	Repairs & Investments Team Manager	October 2014	In Progress	Repairs and Investment Team Manager comments: Training to be delivered by the end of December 2014.
		2	The workload of the Repairs Client Team Leader should be reviewed by management and appropriate measures considered and implemented.	High	Repairs & Investments Team Manager	October 2014	In Progress	Repairs and Investment Team Manager comments: Review currently in progress.
7	Governance & Ethics	2	Governance and Ethics awareness training should be provided to all relevant officers.	Medium	Legal Services Team Manager	March 2015	In Progress	

Internal Audit Performance: November 2014

Performance Measures:

Performance Measure	2014-15 Qtr 3 Target	Position as at 30.11.14	Comments
Delivery of Audit Plan – Key Financial Systems	30%	37.5%	Housing Rents audit completed during the quarter and the Main Accounting audit will commence in December. The target has been achieved for the quarter.
Delivery of Audit Plan – Non Key Financial Systems	100%	55%	No-non key financial systems audits have been completed for the quarter. The risk management audit is due to commence in December. Due to the change in the audit team resources for quarter 3, the target will not be achieved. However, the performance measure is still on target to be achieved by the end of March 2015. Audit resources were used to complete the 2013/14 audit plan during Quarter 1.
Percentage of time spent on audit work	75%	81%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	
Compliance with the Internal Audit Standards	n/a	n/a	
Compliance testing of completed recommendations	90%	100%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 3 Milestone	Position as at 30.11.14
Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Set action plan and timescale to deliver improvements where highlighted in reviews	Achieved No actions required
Undertake audits as per agreed Audit Plan.	Complete audits of 3 systems to enable the completion of the audit plan	On Target One audit has been completed and a further two are due to commence in December.
Provide the Audit Committee with quarterly reports on the work and performance of internal audit.	Progress report to December Audit Committee	On Target
Achievement of the PSAIS	Completion of action plan targets	Failing PSIAS action plan currently on hold whilst the service review is undertaken to determine the future delivery of the service.

Key Deliverables (Action)	Quarter 3 Milestone	Position as at 30.11.14
Produce the 2013/14 Annual Audit Opinion Report by 30 th June 2014	No action for Quarter 3	-
Produce and have approved the 2015/16 Internal Audit Plan by 31 st March 2015.	No action for Quarter 3	-

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE – 10 DECEMBER 2014

Title of report	TREASURY MANAGEMENT ACTIVITY REPORT – APRIL TO OCTOBER 2014
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicesterhire.gov.uk</p> <p>Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk</p> <p>Finance Team Manager 01530 454707 pritesh.padaniya@nwleicestershire.gov.uk</p>
Purpose of report	To inform Members of the Authority's Treasury Management activity undertaken during the period April to October 2014
Reason for Decision	To ensure the Members are informed of the Authority's Treasury Management activity during the financial year and have the opportunity to scrutinise that activity.
Council Priorities	Value for Money
Implications:	
Financial/Staff	Interest earned on balances and interest paid on external debt, impact on the resources available to the Authority.
Link to relevant CAT	Could impact upon all Corporate Action Teams.
Risk Management	Borrowing and investment both carry an element of risk. This risk is mitigated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA Code of Treasury Management and the retention of Treasury Management Advisors (Arlingclose) to proffer expert advice.
Equalities Impact Assessment	Not applicable
Human Rights	Not applicable
Transformational Government	Not applicable

Consultees	None
Background papers	<p>Treasury Management Strategy Statement 2014/15 –Council Meeting 25 February 2014 (presented as part of the Budget and Council Tax 2014/15 Report) http://minutes-1.nwleics.gov.uk/ieListDocuments.aspx?CId=129&MId=160&Ver=4</p> <p>Update on HRA Budget, Housing Capital Programme 2014/15, Treasury Management Strategy Statement for 2014/15, Prudential Indicators -Council Meeting 25 March 2014 http://minutes-1.nwleics.gov.uk/ieListDocuments.aspx?CId=129&MId=161&Ver=4</p> <p>Additional Costs Of the Decent Homes Improvement Programme 2014/15 and updated HRA Business Plan –Council Meeting 16 September 2014. http://minutes-1.nwleics.gov.uk/ieListDocuments.aspx?CId=129&MId=1344&Ver=4</p> <p>Treasury Management Activity Report, April to August 2014–Audit and Governance Committee 24th September 2014 http://minutes-1.nwleics.gov.uk/documents/s3483/Treasury%20Management%20Activity%20Report%20to%20P5%202014-15%20Final%20-%20Audit%20and%20Governance.pdf</p>
Recommendations	THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.

1.0 BACKGROUND

- 1.1 The Authority's Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the code"), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and Investment activity.
- 1.2 Treasury Management is defined as "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.3 The Authority's current Treasury Management Strategy Statement, including the Borrowing Strategy, Debt rescheduling Strategy, Annual Investment Strategy, Prudential Indicators and Annual Minimum revenue Position Statement were approved by Council on 25 February 2014.

- 1.4 This is the second in-year report of 2014/15, to inform Members of the Authority's treasury activity and enable scrutiny of activity and performance. The first activity report was presented to the Audit and Governance Committee on 24 September 2014. These reports supplement the annual Treasury Stewardship Report, which will be presented to this Committee and Cabinet as soon as possible after the end of the financial year.

2.0 SCOPE

- 2.1 This report:
- a) Has been prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
 - b) Presents details of capital financing, borrowing, debt rescheduling and investment transactions;
 - c) Gives details of the treasury management transactions for the period April to October 2014;
 - d) Confirms compliance with treasury limits and Prudential Indicators.

3.0 THE U.K. ECONOMY AND EVENTS.

- Bank of England projects growth of 3.5% in 2014, 2.9% in 2015 and 2.6% for each of the following two years. Domestically, the projection is for solid consumption growth as households reduce their saving rate further, particularly in the near term. The weakness in the housing market bears down on housing investment, but consumer confidence is being supported by a combination of low effective interest rates and a strong labour.
- The GDP projection assumes that overseas growth is slower than in August, particularly in the Euro area. The main downside risk stems from weaker euro-area activity, which would weigh on UK exports and could be associated with a further rise in financial market volatility.
- Labour force participation has been weaker than expected in recent months and total hours worked were broadly flat in the last three months. The projection is for the unemployment rate to fall further, but only to around its long-run equilibrium rate of 5%.
- Consumer Price Inflation increased to 1.3% year-on-year to October 2014, and from 1.2% in September this year. The key contributor to this was a 1.1% fall on Transport prices between September & October 2014. Recreation & culture where the largest upward contribution came from price movements for computer games, toys and hobbies. Overall for recreation and culture rose by 0.4%, compared with a 0.2% rise between the same two months a year ago.
- There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375bn respectively.

4.0 THE AUTHORITY'S TREASURY POSITION.

4.1 The Authority's gross / net debt and investment positions are as follows:

DEBT	Balance at 01/4/2014 £m	%	Maturing loans £m	Premature redemptions £m	New Borrowing £m	Balance at 02/11/2014 £m	%
Long-term fixed rate	£87.523m	100	£0.502m	£0.000m	£0.000m	£87.021m	100
Long-term variable rate	£0.000m	0	£0.000m	£0.000m	£0.000m	£0.000m	0
Temporary Borrowing	£0.000m	0	£0.000m	£0.000m	£0.000m	£0.000m	0
Total borrowing	£87.523m	100	£0.502m	£0.000m	£0.000m	£87.021m	100
Other long-term liabilities	£0.136m		£0.000m	£0.000m	£0.000m	£0.136m	
TOTAL EXTERNAL DEBT	£87.659m		£0.502m	£0.000m	£0.000m	£87.157m	
INVESTMENTS	Balance at 01/4/2014 £m	%	Maturities £m	Sales £m	New Investments £m	Balance at 02/11/2014 £m	%
Internally Managed	£20.728m	100	£83.465m	£0.000m	£87.602m	£24.866m	100
Investments with maturities up to 1 year,	£20.728m	100	£83.465m	£0.000m	£87.602m	£24.866m	100
Investments with maturities in excess of 1 year	£0.000m	0	£0.000m	£0.000m	£0.000m	£0.000m	0
Externally Managed Investments	£0.000m	0	£0.000m	£0.000m	£0.000m	£0.000m	0
TOTAL INVESTMENTS	£20.728m		£83.465m	£0.000m	£87.602m	£24.866m	
NET DEBT	£66.931m					£62.291	

4.2 The investment position varies throughout the year as it is dependent upon cash flow. Examples of significant areas that can impact on cash flow are collection of Council tax, business rates, grants, capital receipts, payments to other precepting authorities or central government and interest on treasury activity.

4.3 In the period April to October 2014, the capacity for investment has currently increased by £4.64m. The volatility of balances is normal throughout the year and a number of factors contribute to this:

- The Authority traditionally benefits from the receipt of Council Tax and Business Rates during the first ten months of the financial year;
- Revenue expenditure is more evenly weighted throughout the financial year;
- Capital expenditure is more heavily weighted towards the latter part of the financial year due to the time required to schedule programmes of work or award contracts.
- The patterns of income and expenditure are reflected in the Authority's cash flow projections. This is monitored and revised daily.

4.4 The current increased capacity for investment is expected to reverse towards the end of the financial year and this is in line with the Authority's experience. The capacity for investment has decreased slightly (by £0.3m) since the activity report presented in September.

5.0 BORROWING ACTIVITY.

5.1 The Authority's Borrowing Strategy 2014/15, approved by Council on 25 February 2014, incorporates a prudent and pragmatic approach to borrowing to

minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Authority's Prudential Indicators.

- 5.2 The Authority's revised estimated borrowing requirement for the current financial year is £1.24m. In the two subsequent financial years this is estimated to be £0.749m in 2015/16 and £0.908m in 2016/17. This was reported in the Additional Costs of the Decent Homes Improvement Programme 2014/15 – Appendix C, to Council on 16 September 2014.
- 5.3 The Authority has not undertaken any new long-term borrowing during the period.
- 5.4 A market loan with a value of £1m is due to be repaid. This loan had an interest rate of 7.99%.
- 5.5 The Authority's cash flow remained positive during the period. The Authority did not require any temporary loans during the period.

6.0 DEBT RESCHEDULING ACTIVITY.

- 6.1 The Authority's Debt Rescheduling Strategy 2014/15, which was approved by Council on 25 February 2014, establishes a flexible approach where the rationale for rescheduling could be one or more of the following:
- Savings in interest costs with minimal risk.
 - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
 - Amending the profile of maturing debt to reduce any inherent refinancing risks.
- 6.2 No opportunities for debt rescheduling were identified which conformed to the above rationale. Accordingly, the Authority has undertaken no debt rescheduling activity during the period.
- 6.3 The Authority's portfolio of fourteen loans - ten PWLB loans and four market loans - will continue to be monitored for debt rescheduling opportunities that comply with the Authority's Policy and rationale.

7.0 INVESTMENT ACTIVITY.

- 7.1 The Authority's Investment Policy and Strategy 2014/15, which was approved by Council on 25 February 2014, established that the major policy objective is to invest its surplus funds prudently.
- 7.2 The Authority's Investment Policy and Strategy 2014/15, establishes that the major policy objective is to invest its surplus funds prudently. The Authority's investment priorities are:
- security of the invested capital;
 - sufficient liquidity to permit investments; and,
 - optimum yield which is commensurate with security and liquidity.

- 7.3 The counterparties that the Authority currently utilises all meet the criteria set out in the Treasury Management Strategy Statement 2014/15 and are monitored by the Authority's Treasury Management Advisors. The minimum long term rating for counterparties is A- or equivalent. The counterparties and amounts currently invested are shown below:

Counterparty	Length of Investment	£m
HSBC	Overnight	2.2
Lloyds Banking Group / Bank of Scotland	Overnight	2.5
Santander	Overnight	3.0
Handelsbanken	Overnight	2.3
Black Rock MMF	Overnight	1.5
Goldman Sachs MMF	Overnight	2.1
Scottish Widows Investment Partnership	Overnight	1.0
CCLA Investment Management Ltd MMF	Overnight	0.5
Barclays Treasury Direct	3 Months	2.7
Nationwide Building Society	364 days	2.0
Staffordshire Moorland	3 Years	2.0
Greater London Authority	3 Years	3.0
Total Invested		24.8m

- 7.4 The average rate of return on the Authority's investment balances during the period was 0.64%. For comparison purposes, the benchmark return (average 7-day London Interbank Bid Rate or LIBID rate) for the period to the end of October 2014 was 0.35%. The average 7 day London Interbank Offered Rate (LIBOR) rate for the period to the end of October 2014 was 0.47%. The comparison of rates of return against a benchmark is less relevant when set against the ultimate priority of Security as set out in the Authority's Treasury Management Strategy Statement 2014/15.
- 7.5 There were 125 investments made during the period, totalling £84.9m. The average balance held for the period was £22.6m.
- 7.6 Short term interest rates remain low resulting in a lengthening of investment periods, where cash-flow permits, in order to lock in higher rates of return. Two fixed term investments of £2.7m and £3m were taken out during the period. Both Investments have matured within the period with £2.7m reinvested to mature within the year. The Authority and its advisors remain on a state of alert for signs of credit or market distress that may adversely affect the Authority.
- 7.7 The Authority has budgeted to achieve £68,000 of income from its investment activity in 2014/15. Investment activity from April to October 2014 has achieved £49,338 in interest. The current forecast that is estimated to be achieved is £168,000. Of this total, an element is applied to balances held on external income. This external income represents balances from S106 contributions that have not yet been spent. The estimated amount forecast to be applied is

approximately £26,000, subject to the balances remaining at the end of the financial year.

- 7.8 The estimated remaining balance of interest (£142,000) received on investment income is budgeted to be apportioned between General Fund and the Housing Revenue Account based on the estimated cash flow position. For 2014/15, the budgeted investment income is apportioned as follows: £43,000 General Fund and £25,000 Housing Revenue Account. Any over or under achievement of interest is apportioned on this basis and the current forecast is anticipated as follows:

	Budget	Projected
General Fund	£43,000	£90,0000
HRA	£25,000	£52,000
External Balances	£ 0	£26,000
Total	£68,000	£168,000

- 7.9 All investments made during the period complied with the Authority's agreed Annual Investment Strategy, Treasury Management Practices, Prudential Indicators and prescribed limits.

8.0 SUMMARY

- 8.1 For the period April to October 2014, the Authority can confirm that it has complied with its Prudential Indicators, which were approved on 25 February 2014 and the subsequent update on September 16 2014 as part of the Authority's Treasury Management Strategy Statement.
- 8.2 In compliance with the requirements of the CIPFA Code of Practice, this report provides members with a summary report of the Treasury Management activity for the period April to October 2014. No indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 8.3 The Authority can confirm that during the period April to October 2014, it has complied with its Treasury Management Strategy Statement, policies and Treasury Management Practices.

This page is intentionally left blank

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE – 10 DECEMBER 2014**

Title of report	CORPORATE RISK UPDATE
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicesterhire.gov.uk</p> <p>Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk</p>
Purpose of report	To receive the Quarter 2 Corporate Risk Update.
Reason for Decision	The approved Risk Management Strategy requires regular Risk Updates to be presented to Cabinet and the Audit and Governance Committee.
Council Priorities	Value for Money
Implications:	
Financial/Staff	The Council manages its risks within its existing budgets. Effective risk management reduces the number of insurance claims which can have a positive impact on the premium paid.
Link to relevant CAT	Not applicable
Risk Management	Risks have been considered and are covered within the policy
Equalities Impact Assessment	Not applicable
Human Rights	Not applicable
Transformational Government	Not applicable
Consultees	None
Background papers	None
Recommendations	THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTES THE QUARTER 2 CORPORATE RISK UPDATE.

1.0 BACKGROUND

- 1.1 The Cabinet approved an updated Risk Management Strategy at its meeting on 29 July 2014 and this was presented to Audit and Governance Committee on 24 September 2014.

- 1.2 One of the requirements of the Strategy is for members of the Cabinet and this Committee to receive details of the high level risks monitored through the Corporate Risk Register. These are now included in the Quarterly Performance Reports which are presented to Cabinet. Appendix 1 to this report shows the information presented to Cabinet at its meeting on 18 November 2014.
- 1.3 The Council's Risk Scrutiny Group, chaired by the Director of Services, reviews the corporate risks quarterly and recommends any changes through the Corporate Leadership Team prior to the information being presented to the Cabinet.

APPENDIX 1

Corporate Risk Register							
Risk Area	Inherent Risk			Control Measures	Residual Risk		
	Impact	Likelihood	Rating		Impact	Likelihood	Rating
Finance & Budget	4	4	16	Monthly management reviews are performed of actual against budgets and forecast to the end of the year. Monthly reporting and challenging at CLT, and reported to Cabinet quarterly Sound policies and procedures are in place. Planning for the Future has been documented and is reviewed regularly. Internal and External audit of systems and accounts.	4	1	4
Resource Capacity & Capability	4	4	16	Advance planning will mitigate this risk; however should it occur diverting resources from other services, bringing in additional resources from other sources (e.g. Agencies, Consultants, Voluntary/Community sector etc.) would be activated. Market conditions are tested through recruitment processes. The Council offers a package of additional benefits to enhance the recruitment offer. Linked to the above, the Council has developed innovative partnering relationships with other sectors including the private sector to make posts uniquely attractive. Best Employee Experience is a programme to attract and develop the right skills. It is a programme developing the talent within the staff resource through secondments and tailored development programmes.	2	2	4
Contract Management & Procurement	4	4	16	Corporate procurement staff and legal team to support where necessary on contract management. Policies and procedures are in place. Procurement Gateway Board oversees a procurement planning process. Training	3	2	6

Corporate Risk Register							
Risk Area	Inherent Risk			Control Measures	Residual Risk		
	Impact	Likelihood	Rating		Impact	Likelihood	Rating
				programme in place for staff.			
Information Governance & Data Protection	4	4	16	Policies and procedures are in place. Corporate Governance is training is undertaken annually and includes information governance as appropriate to reflect changes in legislation. The Council has a dedicated SIRO. Corporate Governance Groups are in place to scrutinise impacts/issues arising.	4	1	4
Emergency Planning & Business Continuity arrangements	4	4	16	Business continuity plans have been documented, policies and procedures are in place, initial continuity plans are in place to allow access to the service through alternative mechanisms (Hermitage Leisure Centre)	4	1	4
Effective IT Systems & Procedures	4	4	16	Fully resilient environment in place with no single points of failure for core systems, other critical systems use cold standby equipment. New business services are being run in remote fully resilient data centres and existing systems are being progressively migrated to these cloud computing centres. Data is backed up to a second disk unit at the council office and a third offsite at Hermitage Leisure Centre so there are multiple levels of protection. Improved business recovery arrangements have been implemented to minimise recovery time.	3	2	6
Project & Programme Management	4	4	16	Progress is shared with regularly with CLT, experienced PRINCE 2 staff, transformation programme is continually reassessing its objectives	3	2	6
Governance, Policies & Procedures	4	4	16	Policies & procedures in place, governance processes are documented and in operation, ongoing assessments and reviews performed.	4	1	4

This page is intentionally left blank