

Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 23 September 2015
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. DECLARATION OF INTERESTS	
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 June 2015	3 - 6
4. STANDARDS AND ETHICS - QUARTER 1 REPORT	
Report of the Head of Legal and Support Services	7 - 16
5. ANNUAL GOVERNANCE STATEMENT 2014 - 15	
Report of the Head of Finance	17 - 26



6.	TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO AUGUST 2015	
	Report of the Head of Finance	27 - 34
7.	ANNUAL STATEMENT OF ACCOUNTS 2014/15	
	Report of the Head of Finance	35 - 38
8.	INTERNAL AUDIT PROGRESS REPORT - AUGUST 2015	
	Report of the Senior Auditor	39 - 64
9.	INTERNAL AUDIT CHARTER	
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10.	REPORT TO THOSE CHARGED WITH GOVERNANCE 2014/15	
	Report of the Head of Finance	79 - 106
11.	REVIEW OF CORPORATE GOVERNANCE POLICES	
	Report of the Head of Finance	107 - 124
12.	COMMITTEE WORK PLAN	
	To note the Committee's work plan	125 - 126

Circulation:

Councillor R Adams
Councillor R Ashman
Councillor J Clarke
Councillor J Cotterill (Chairman)
Councillor F Fenning
Councillor D Harrison (Deputy Chairman)
Councillor G Jones
Councillor K Merrie MBE
Councillor T Neilson
Councillor A C Saffell

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 24 JUNE 2015

Present: Councillor J Cotterill (Chairman)

Councillors R Adams, R Ashman, J Clarke, F Fenning, D Harrison, G Jones and A C Saffell

In Attendance: Councillors R Johnson

Officers: Mr R Bowmer, Ms L Cotton, Mrs M Meredith and Miss E Warhurst

1. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

Councillor A C Saffell commented that he had given his apologies for the previous meeting due a liaison panel meeting taking place on the same date. He added that this was a Council function and he had been forced to decide which meeting to attend. He added that the same thing had happened tonight with planning training being organised for the parish council. He stated that much better organisation was needed to avoid such meeting clashes.

2. DECLARATION OF INTERESTS

There were no interests declared.

3. MINUTES

Consideration was given to the minutes of the meeting held on 25 March 2015.

It was moved by Councillor J Cotterill, seconded by Councillor D Harrison and

RESOLVED THAT:

The minutes of the meeting held on 25 March 2015 be approved and signed by the Chairman as a correct record.

4. STANDARDS AND ETHICS - QUARTER 4 REPORT

The Head of Legal and Support Services presented the report to members, highlighting that no complaints had been received in quarter 4, and that there continued to be a decrease in the number of Freedom of Information requests being received, which it was hoped would represent the trend in the future. It was considered that this reduction was largely due to having an increased amount of information available on the Council's website, which provided for greater transparency and allowed members of the public to find the information.

Councillor G Jones reported that he received notifications in respect of Freedom of Information requests, however he was currently unable to download the information relating to the request. The Head of Legal and Support Services agreed to look into this.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

5. INTERNAL AUDIT PROGRESS REPORT - MAY 2015

The Senior Auditor presented the report to members, and gave an update on the work carried out between March and May this year. She advised that during April and May, a significant amount of resources had been utilised to complete to 2014/15 audit plan, and work had now started on the 2015/16 plan. She highlighted that no final audit reports had been issued for this period as some audits had taken longer than planned, and those reports would be brought to the next meeting. The Senior Auditor stated that it should be possible to catch up with this work and bring it back on track.

In response to a question from Councillor G Jones, the Head of Finance advised that the Council's data was stored on servers at the Council Offices which were backed up at the leisure centre. Cloud storage was not currently utilised.

In response to a question from Councillor F Fenning, the Senior Auditor advised that in addition to herself, the Internal Audit Team comprised 1 full time and 2 part time members of staff, one of whom was based mainly at Blaby District Council. She advised that there was a shared service arrangement with Blaby District Council. She felt that there was adequate resource at this time; there was some contingency built in and additional resources could be called upon as required. She added that external audit had raised no concerns, and were satisfied with the audit plan.

Councillor A C Saffell referred to Appendix E of the report and expressed concerns about the security of data. He asked whether further checks could be put in place via the internal audit team.

The Head of Finance advised that the service was currently in a transitional period. He agreed to provide Councillor A C Saffell with a written reply setting out the current position.

Councillor A C Saffell commented on problems he had experienced with the Council's IT systems, in particular relating to comments from the Parish Council regarding planning applications which were being blocked by the spam filter. He added that lots of useful tools such as the airport tracker and facebook pages were blocked by the Council's security policy, and added that officers should be able to monitor what was occurring locally.

The Head of Finance advised that action had been taken in respect of the problem with emails being blocked earlier in the year. He advised that every officer now received a quarantine report which they could review. He advised that he would check that this was working as it should be. In respect of particular websites being blocked, he advised that this was because the Council was part of a national government computer network, and as such, it was necessary to pass a compliance test each year, and therefore the Council's blocking mechanism had to be very thorough. He advised that this was continually being refined and the whitelist updated.

RESOLVED THAT:

The report be noted.

6. INTERNAL AUDIT ANNUAL REPORT 2014/15

The Senior Auditor presented the report to members, outlining the overall annual opinion for the year on the Council's framework of governance, risk management and internal control. Taking into consideration all of the audit work undertaken in 2014/15 she advised that overall she was able to give a grade 2 level of opinion in that internal controls need

some improvement. She highlighted the fact that the assurance model had changed from previous years and this was as a result of the next agenda item. She explained that the levels previously used did not align with the ongoing audit reports, and the revised assurance model was better aligned with other processes and hopefully would create more consistency.

Councillor R Adams referred to page 40 of the agenda and asked why the Local Plan audit was no longer required.

The Senior Auditor advised that there was work being done in that area by the team themselves, so if an internal review took place, the audit would be removed from plan and reconsidered. She advised that this was the case with the Planning Policy team.

Councillor G Jones asked if the Committee could be advised of the amounts of Council Tax and Business Rate write offs in the year and the reasons for writing off the debt.

The Head of Finance advised that a quarterly report was taken to Cabinet detailing the write offs, and he understood that a copy was also available in the members room. He stated that he would check and write to Cllr Jones..

The Chairman asked if the same applied to grant income. The Senior Auditor advised that many of the certification requirements had been removed this year. Further consideration was currently being given to grants where certification was required, such as disabled facilities grants.

RESOLVED THAT:

The report be noted.

7. EXTERNAL ASSESSMENT OF INTERNAL AUDIT

The Senior Auditor presented the report to members, highlighting the external assessment which had taken place in April and was conducted by CIPFA. She explained that the standards were quite unforgiving, and it had been her view, and the previous auditor's view, that full compliance would not be realistic, and the external assessor had shared that view. She stated that there were no indicators that would affect the Council's ability to deliver an effective audit service. She highlighted the action plan attached which responded to the suggestions and recommendations identified during the assessment.

RESOLVED THAT:

The report be noted.

8. TREASURY MANAGEMENT STEWARDSHIP REPORT

The Head of Finance presented the report to members, highlighting the report cycle and the manner in which the Committee monitored the process throughout the year. He advised that the report confirmed that the Council had complied with all policies and was slightly higher than the benchmark rate. He referred to the update on the UK economy set out in section 2 of the report, and the current position in respect of debts and investments set out at section 3, which showed a reduction in borrowing from £6.7 million to £6.4 million during this year. He advised that there had been no unexpected borrowing this year. He reported that an interest rate of 0.68% had been achieved for the year, which was higher than the base rate and the benchmark rate. He added that a very prudent budget had been set for last year, however a change of practice in respect of longer term lending has resulted in a much better achievement. He highlighted the change in banking

arrangements at paragraph 7 of the report, which was prompted by the Co-operative Bank withdrawing from public sector banking.

In response to a question from Councillor G Jones, the Head of Finance advised that a procurement exercise had been conducted through a framework agreement to select a new banking provider. He reported that 3 banks had tendered and Lloyds Bank was the most beneficial.

Councillor J Clarke commented that the Co-operative Bank was known for ethical banking. He asked if any consideration was given to this aspect.

The Head of Finance advised that this was not listed as a criteria as part of the tendering process, as it was exceedingly difficult to test these credentials. Empirical evidence was not available so this could not be included as a sound criteria.

Councillor F Fenning asked that local institutions such as building societies be considered when considering future investments. He felt that this would align with the corporate aim to support local institutions.

The Head of Finance advised that the criteria in respect of investments had become stricter and stricter, and the imperative was that the Council did not lose any money. He advised that there were only 2 building societies which met the Council's criteria, neither of which were local institutions. He added that the Council did not use these institutions at present.

RESOLVED THAT:

The report be approved.

9. COMMITTEE WORK PLAN

Councillor A C Saffell requested a special item at the next meeting to report on the current state of the Council's IT systems.

The Chairman advised that the terms of reference of the Committee would need to be checked to ascertain whether this was appropriate.

Councillor F Fenning asked if the Statement of Accounts was on schedule.

The Head of Finance advised that the accounts had to be closed and prepared for auditing by 30 June, and everything was on course. He stated that the audit would be taking place in the first 2 weeks of August with no issues. A report would be brought to the Committee in September.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.13 pm

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 23 SEPTEMBER 2015

Title of report	STANDARDS AND ETHICS – QUARTER 1 REPORT
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Legal and Support Services and Monitoring Officer 01530 454762 elizabeth.warhurst@nwleicestershire.gov.uk
Purpose of report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 1 of 2015/16.
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 Screening	N/A
Human Rights	N/A
Transformational Government	N/A
Consultees	N/A
Background papers	None.
Recommendations	THAT THE REPORT BE RECEIVED AND NOTED.

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STANDARDS AND ETHICS

QUARTER 1 REPORT 2015-2016

1. Introduction

This is the 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 2015/16.

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 1 complaint in Quarter 1 of 2015/16. This complaint related to a District Councillor.

2.1 Source of Complaint

The complaint was received from a member of the public.

2.2 Assessment Sub-committee Decisions

There have been 0 Assessment Sub-committee meetings in the 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 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16
SE1	Objections to the Councils Accounts	Financial Planning Team Manager	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		1		0	
SE3a	Disciplinary action relating to breaches of the Member/Officer Protocol (staff)	Human Resources Team Manager	0	0	0		0		0	
SE4	District Audit Public Interest Reports	Senior Auditor	0	0	0		0		0	
SE5	Number of Whistle blowing Incidents reported		0	0	0		0		0	
SE6	No. of recommendations made to improve governance procedures / policies		5	2	1		2		0	
SE6a	No. of recommendations implemented		5	1	7		10		5	

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16
SE7	No. of Ombudsman complaints received	Corporate Complaints Officer	0	0	1		2		2	
SE7a	No. of Ombudsman complaints resolved		0	0	1		2		2	
SE7b	No. of Ombudsman complaints where compensation paid		0	0	0		0		0	
SE8	No. of Corporate Complaints received		75	83	104		70		94	
SE8a	No. of Corporate Complaints resolved		69	79	113		91		74	
SE8b	No. of Corporate Complaints where compensation paid		1	0	4		4		17	

3

- A total of 83 corporate complaints were received during Q1 which is an increase of 11% when with the same period for Q1 14/15.
- 40 of the complaints (48%) were for the Housing Service. The most common reason for a tenant making a complaint against the Housing Service was logged against "Failing to provide a service" (19 complaints received, which equates to 48% of all Housing complaints).

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16
Freedom of Information Act Indicators										
SE9	Total no. of requests received	Head of Legal and Support Services	178	117	147		109		138	
SE9a	No. of requests compliant		125	73	83		82		85	
SE9b	No. of Non compliant requests		45	30	47		19		45	
SE9c	No of requests still open and within the 20 working days		0	1	3		0		0	
SE9d	Number withheld due to exemptions/fees applied		10	10	29		27		18	

- There has been a 34% reduction in FOI requests during Q1 this year compared to the same period of 2014/15. .
- The sustained stability in exemptions during quarter 1 reflects the fact that more information is being made available via the council's web pages, which are now easier to access following the redesign of our website. Moving forward the amount of information made available via the web pages will continue to increase. There has been an increase in the number of requests we have received that we have transferred to a different authority, and we are hoping that we can reduce this amount by constantly updating the information on our website.

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16
Regulation of Investigatory Powers Act Indicators										
SE10	No. of Directed Surveillance authorisations granted during the quarter	Senior Auditor	0	0	0		0		0	
SE10a	No. in force at the end of the quarter		0	0	0		0		0	
SE10b	No. of CHIS recruited during the quarter		0	0	0		0		0	
SE10c	No. ceased to be used during the quarter		0	0	0		0		0	
SE10d	No. active at the end of the quarter		0	0	0		0		0	
SE10e	No. of breaches (particularly unauthorised surveillance)		0	0	0		0		0	
SE10f	No. of applications submitted to obtain communications data which were rejected		0	0	0		0		0	
SE10g	No of notices requiring disclosure of communications data		0	0	0		0		0	
SE10h	No of authorisations for conduct to acquire communications data		0	0	0		0		0	
SE10i	No of recordable errors		0	0	0		0		0	

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 23 SEPTEMBER 2015

Title of report	ANNUAL GOVERNANCE STATEMENT 2014-15
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk
Purpose of report	To present the Annual Governance Statement 2014-15 for consideration and approval.
Reason for Decision	To ensure that members of the Committee have considered the Council's governance during 2014-15 and agreed the report.
Council Priorities	Value For Money
Implications:	
Financial/Staff	Not Applicable
Link to relevant CAT	Could impact on all CATs.
Risk Management	Failure to produce an accurate and comprehensive AGS could result in adverse comment from the External Auditor and failure to comply with current guidance.
Equalities Impact Screening	Not Applicable
Human Rights	Not Applicable
Transformational Government	Not Applicable
Consultees	None
Background papers	None
Recommendations	THAT THIS COMMITTEE APPROVES THE ANNUAL GOVERNANCE STATEMENT (AS ATTACHED TO THIS REPORT AT APPENDIX 1)

1.0 BACKGROUND

- 1.1 An Annual Governance Statement (AGS) is a requisite part of the annual review of corporate governance and is usually published alongside the statement of accounts. It is good practice to consider the AGS in its own right.
- 1.2 The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have issued joint guidance on corporate governance. This requires the AGS to go beyond just considering the internal control environment, and to look at wider arrangements supporting a sound corporate governance framework
- 1.3 The CIPFA/SOLACE guidance outlines six core principles for good governance, with a number of supporting principles. These are:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users
- Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning
- Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money

Members and officers working together to achieve a common purpose with clearly defined functions and roles

- Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of any scrutiny functions
- Ensuring that a constructive working relationship exists between the authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard
- Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance
- Ensuring that organisational values are put into practice and are effective

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- Ensuring that an effective risk management system is in place
- Using their legal powers to the full benefit of the citizens and communities in their area

Developing the capacity and capability of members and officers to be effective

- Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal

Engaging with local people and other stakeholders to ensure robust public accountability

- Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships
- Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning
- Making best use of human resources by taking an active and planned approach to meet responsibility to staff.

2.0 THE ANNUAL GOVERNANCE STATEMENT

2.1 The Annual Governance Statement which has been prepared in accordance with the appropriate guidance is no longer included in the statement of accounts but is still subject to audit and requires final approval from this Committee.

2.2 The Council's governance framework is summarised in Section 3 of the AGS, and was in place throughout 2014-15. This committee plays a key role in overseeing the operation of the framework, including:

- approving the annual Internal Audit plan,
- receiving quarterly updates on the work of Internal Audit,
- receiving the annual Internal Audit report,
- receiving reports from the external auditors.

2.3 This ongoing work of the committee culminates in the consideration of the Annual Governance Statement.

2.4 Section 4 of the AGS summarises the review process that has been undertaken to review the effectiveness of the Council's Governance Statement, and the sources of evidence that have been considered as part of the review. The committee's role is to determine whether they consider that the review has been rigorous and thorough.

2.5 Section 5 of the AGS sets out any significant issues which have arisen from the review of effectiveness, and proposals for addressing them. The committee should ensure that any issues arising include any matters they have become aware of from their ongoing work during the year, and that they are satisfied that appropriate corrective actions are proposed.

- 2.6 If required the AGS has to include a section on any relevant significant post balance sheet events which may occur up until the signing of the final statement of accounts. For 2014/15 we have included a reference to the proposals in the Summer Budget to reduce HRA rental streams which will have a significant impact on the HRA Business Plan.
- 2.7 The Council's external auditors, KPMG, have reviewed the AGS and confirmed that it complies with the CIPFA/SOLACE framework and that it is not misleading or inconsistent with any other information they are aware of from their audit of the financial statements.
- 2.8 After this Committee gives its approval to the AGS it will be signed by the Leader of the Council and the Chief Executive.

ANNUAL GOVERNANCE STATEMENT 2014/15**1. Background and Scope of Responsibility**

1.1 North West Leicestershire District Council is responsible for ensuring that its 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging the overall responsibility the Council is responsible for putting into place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3 The Council has approved and adopted a local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is available on our website at:

http://www.nwleics.gov.uk/pages/corporate_policies

or can be obtained from the Council Offices, Coalville.

1.4 This Statement explains how the Council has complied with the code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2011.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems, processes, culture and values, by which the authority is controlled and directs its activities and through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The Council's system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place for the year ended 31 March 2015, and up to the date of the approval of the annual report and accounts.

3. The Governance Framework

3.1 The Council's code adopts six core principles as the basis for its corporate governance arrangements which are set out below. The key elements of the Council's systems and processes that comprise the Authority's governance arrangements are set out below for each of the six core principles as follows.

(i) Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.

- At the heart of the Council's strategic planning process is the Council Delivery Plan (CDP) and annual Team Business Plans and Medium Term Financial Strategy (MTFS). The Council's CDP has been developed in line with the Council's strategic aims and was updated and adopted by Council on 25 March 2014 for the 2014/15 year. The MTFS 2015/16 was approved by Cabinet on 24 September 2014.
- A Vision has been developed as follows: 'North West Leicestershire will be a place where people and businesses feel they belong and are proud to call home'
- The Council's performance management arrangements are strong and include the Business Planning process which integrates service and financial planning across all of the Council's aims and objectives to better align activities, improvements and resources. A set of clear and consistent Team Business Plans was developed for 2014/15 and monitored throughout the year by management on a monthly basis and reported to Cabinet quarterly using a traffic light system to facilitate robust member challenge. Profiled financial monitoring reports which also project the outturn are reviewed by all budget holders soon after the month end, enabling managers to respond to issues in a timely way.
- This model enables any service failure to be identified early and addressed through a project plan and corrective action approved where necessary.

(ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- The Council's Constitution clearly sets out the functions and roles of Members and Officers. The Constitution is continually reviewed by the Monitoring Officer and reported to members at regular intervals, following appropriate Scrutiny.
- The Constitution sets out the responsibility for all the Council's functions, including Council, Executive and Non-executive roles and a scheme of delegation to staff and Proper Officer designations. These provisions make the specific responsibilities of the Leader, Chief Executive, Section 151 Officer and Monitoring Officer (MO) clear.
- There are robust codes and protocols, including codes of conduct for both Members and Officers, a protocol on Member/Officer relations, outline roles and responsibilities for Councillors. A Local Code of Conduct was adopted in

June 2012 as required by the Localism Act 2011 which also included an informal disputes resolution process.

(iii) Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

- Arrangements have been put in place to ensure probity when dealing with different stakeholders and these are frequently updated. Accordingly, the Council has a Planning Code of Conduct, Licensing Code of Conduct and Citizens' Rights are set out in the Constitution. These are regularly reviewed to take account of the latest legislation and guidance, the last review being completed in November 2014 as part of the annual update of the Council's Constitution.
- The Constitution contains a section on the "Principles of Decision Making", and non-compliance is a ground for "call-in" by the Policy Development Group.
- During 2014/15 the Audit & Governance Committee had a pro-active work programme and each meeting of the Committee received a report from the Monitoring Officer on current issues. A quarterly performance monitoring report including ethical indicators was also produced.
- The Council has robust arrangements for monitoring compliance with the Member Code of Conduct (including gifts and hospitality). The Officer Register of Gifts and Hospitality received its six monthly checks by the Monitoring Officer at the same time she checked the Member Register.
- The Head of Paid Service, Section 151 Officer and Monitoring Officer meet regularly at the Statutory Officers' Group. Their work includes monitoring compliance with standards of conduct across the Council, including both Officers and Members. There is an in-house, LEXCEL accredited, legal team.
- Parish liaison meetings are held at least twice a year. The MO also provided training to a number of parish councils on the 2012 Local Code of Conduct.
- The Council's Whistle Blowing Policy includes Members, contractors, suppliers and service providers and people working in partnership with the Council (e.g. volunteers). All reports received under the policy are investigated thoroughly.

(iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

- The Policy Development Group acts as the Council's Scrutiny function.
- The Council maintains an Executive Decision Notice of key decisions to maximise transparency and consultation. The writing of formal reports follows a prescribed procedure which requires the completion of a number of procedural requirements for content including Statutory Officer checks for legality, budgetary compliance, rationale, etc. Reasons for all decisions must be given and these are recorded in the minutes.
- The Member and Officer Codes of Conduct and associated procedures act as a safeguard against conflicts of interest or bias.
- The Audit & Governance Committee undertook the functions of an audit committee as identified by CIPFA Guidance. It received reports and

presentations from the External Auditor and is independent of Cabinet. Unlike the previous Audit and Standards Committee there were no independent persons on it but it has been chaired by an opposition member to date.

- The Council has a customer feedback complaints system and this information is used to improve service delivery and customer satisfaction.
- The Council has a Risk Management Strategy and maintains and reviews its strategic risk register on a quarterly basis. The risks identified have been linked to Council priorities/strategic aims and lead officers have been identified to manage each risk.
- As part of the Council's Corporate Project Management Framework, all major projects have their own risk log and all reports going to Members include the risk implications associated with the decision Members are being asked to make.
- Partnership working is identified as a strategic risk and covers the Council's key strategic partnerships, e.g. LSP, Community Safety Partnership, Local Resilience Forum.
- Risk Management also forms a key element of the Council's Delivery Plan and the Service Planning process and Risk Management is an integral part of the Council's performance management arrangements.
- The Council is committed to the effective use of IT and has an ICT strategy and IT Security Policy which were reviewed during 2014/15.
- The Council's 2014/15 Treasury Management Strategy was approved by Council in March 2014, and risks are fully evaluated as part of this strategy.

(v) Developing the capacity and capability of members and officers to be effective.

- The Council's "BEE Valued" programme includes rigorous recruitment & selection, performance management and staff development processes. Workforce succession planning is undertaken to ensure capacity and continuity issues are identified and addressed.
- A comprehensive induction programme exists for both Members and Officers which has been developed to deal with all relevant core issues.
- The Council is committed to creating an environment where elected Members' skills can develop and thrive with regular courses being delivered.
- An annual development review is undertaken for all officers, which includes the identification of training and development needs, which are then considered and built into a service level and corporate training programme where appropriate.

(vi) Engaging with the local people and other stakeholders to ensure robust public accountability.

- Our Communications Strategy sets out who we communicate with, and why and how we do it. The Council uses various means to communicate key messages to staff and members of the public, such as the weekly NWL News and the Chief Executive's road shows for staff and increased use of the internet and Social Media for the public.

- The Council's scrutiny arrangements are designed to ensure that key elements were externally focussed and involve all sections of the community and stakeholders as relevant.
- The Council has adopted a consultation framework which involves staff at all levels and their Trade Union Representatives and Officials.
- The Council publishes on its web site monthly details of expenditure over £500 as well as details of major contracts and senior salaries, responsibilities etc.

4. Review of Effectiveness

4.1 The Council has responsibility for conducting at least annually, a review of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers and directors within the Council who have responsibility for the development and maintenance of the internal control environment, the Internal Audit Annual Report, the work of the Audit & Governance Committee plus the comments of external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- The full Council through its overall responsibility for the Annual Budget and Policy Framework;
- The Cabinet, which has responsibility for all executive functions and for making recommendations to Council within the Budget and Policy Framework. Its remit is clearly set out in the Constitution and it plays a major role in reviewing key aspects of overall service delivery, including monitoring its effectiveness and related governance issues;
- The Audit & Governance Committee which meets the external auditor to discuss findings in the Annual Audit Management Letter and reports and was responsible for ensuring that the Council's systems for internal control were sound by reviewing control mechanisms, and guidelines (both internal and external) as well as adherence to these; ensuring continued probity and good governance of the Council's operations.
- The Council's statutory officers who consist of the Head of Paid Service (the Chief Executive), the Monitoring Officer (Head of Legal & Support Services) and S.151 Officer (Head of Finance) fulfil the statutory duties associated with their roles, including ensuring that the Council's activities are in accordance with the law and legislative requirements, and that financial budgets are set appropriately and are monitored regularly. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) as set out in the application note to Delivering Good Governance in Local Government: Framework.
- The Internal Audit service is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an annual rolling work plan which is reviewed each quarter by the Audit and Governance Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director and Head of

Service. The report includes recommendations for improvements that are included within an action plan and require agreement by service managers. The action plan was monitored on a quarterly basis by the Audit & Governance Committee throughout the year. The Internal Audit Annual report to be considered by the Audit and Governance Committee on 24 June 2015 will confirm that the Council's overall internal control arrangements provided adequate assurance during 2014/15.

- The Council is participating in a county-wide anti-fraud initiative led by Leicester City Council. This includes an "intelligence" hub which seeks to pool information on cross boundary frauds, anti insurance fraud and the development of an "app" for the reporting of fraud. During 2014/15 33 cases of Benefit fraud were detected totalling £158,500 (37 and £122,600 in 2013/14). There were no frauds detected elsewhere in the Council.
- The Risk Management Strategy was updated and approved by Cabinet on 29 July 2014 and all reports to Council, Cabinet and Committees have a risk management section. Corporate risks are reported to cabinet and Audit and Governance Committee quarterly.
- Assurance statements have been signed by Directors and Heads of Service to ensure that there are adequate internal controls and governance arrangements in their areas of responsibility and to provide an opportunity to inform improvement action planning requirements.

4.2 The Annual Governance Statement 2014/15 will be considered by the Audit and Governance Committee on 23 September 2015. We plan to address any weaknesses or issues raised to ensure continuous improvement of the systems and governance processes.

5. Significant Governance Issues

5.1 There are no significant governance issues which need to be brought to the attention of the public or Councillors.

6. Post Balance Sheet Events

6.1 The Chancellor announced in his 2015 summer budget that rents in social housing are to be reduced by 1% a year from April 2016 for the next four years. The Council is considering the impact that the rent reductions may have on its Housing Revenue Account and will revise its HRA Business Plan accordingly.

Signed:

Richard Blunt
Leader of the Council

Christine Fisher
Chief Executive

Date: _____

Date: _____

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 23 SEPTEMBER 2015

Title of Report	TREASURY MANAGEMENT ACTIVITY REPORT – APRIL TO AUGUST 2015
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.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 August 2015.
Reason for Decision	To ensure that 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 Screening	Not Applicable
Human Rights	Not Applicable
Transformational Government	Not Applicable
Consultees	None

Background Papers	<p>Treasury Management Strategy Statement 2015/16 – Council Meeting 24 February 2015 (presented as part of the Budget and Council Tax 2015/16 Report) http://minutes-1.nwleics.gov.uk/ieListDocuments.aspx?CId=129&MId=1346&Ver=4</p> <p>Treasury Management Stewardship Report 2014/15 – Cabinet Meeting 16 June 2015 http://minutes-1.nwleics.gov.uk/ieListDocuments.aspx?CId=126&MId=1339&Ver=4</p>
Recommendations	<p>THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.</p>

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 Policy and Strategy, Interest Apportionment Policy, Prudential Indicators and Annual Minimum revenue Position Statement were approved by Council on 24 February 2015.
- 1.4 The code requires that Authorities report on the performance of the Treasury Management function at least twice yearly (mid-year and at year end).
- 1.5 This is the first of three in-year reports to be presented in 2015/16, to inform Members of the Authority’s treasury activity and enable scrutiny of activity and performance. 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 August 2015;
 - d) Reports on breaches of or compliance with treasury limits and Prudential Indicators.

3.0 THE U.K. ECONOMY AND EVENTS.

- The second estimate of Q2 GDP released by the ONS on 28th August 2015 showed the UK economy growing by 0.7% over the quarter and 2.6% year-on-year. Both of these figures were unrevised from previously published estimates.
- Since 2013, GDP has grown steadily and Q2 2015 has shown continued strength and GDP has now increased for ten consecutive quarters. Output showed increases for production, services and construction but decreases for agriculture, forestry and fishing.
- Production grew by an overall 0.7% (a downward revision of 0.3% from the previously published element). Within production, output from oil and gas extraction rose by 6.1%; electricity, gas, steam and air conditioning and supply fell by 3.1% and manufacturing which is the largest component of production, fell by 0.3%.
- Construction output rose by 0.2% in Q2 2015 (revised up from the previously published estimate) and rose by 2.5% between Q2 2014 and Q2 2015 (revised up by 0.3% from the previously published estimate).
- Within the expenditure components of GDP, net trade contributed 1.0%, household final consumption expenditure contributed 0.4% and general Government final consumption expenditure contributed 0.2%. Business investment was estimated to have risen by 2.9% on the quarter and 5.0% on the year.
- Service industries grew by 0.7% in Q2 2015 which was unrevised from the previously published element.
- 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 01/4/2015 £m	%	Maturing loans £m	Premature redemptions £m	New Borrowing £m	Balance at 31/08/2015 £m	%
Long-term fixed rate	£85.514m		£0.000m	£0.000m	£0.000m	£85.514m	
Long-term variable rate	£0.000m		£0.000m	£0.000m	£0.000m	£0.000m	
Temporary Borrowing	£0.000m		£0.000m	£0.000m	£0.000m	£0.000m	
Total borrowing	£85.514m	99.9	£0.000m	£0.000m	£0.000m	£85.514m	99.9
Other long-term liabilities	£0.126m	0.1	£0.000m	£0.000m	£0.000m	£0.126m	0.1
TOTAL EXTERNAL DEBT	£85.640m	100	£0.000m	£0.000m	£0.000m	£85.640m	100

INVESTMENTS	Balance at 01/4/2015 £m	%	Maturities £m	Sales £m	New Investments £m	Balance at 31/08/2015 £m	%
Internally Managed	£21.255m	100	£53.77m	£0.000m	£70.77m	£38.255m	100
Investments with maturities up to 1 year *	£16.255m*	76.5	£53.77m	£0.000m	£66.27m	£28.755m	75.2
Investments with maturities in excess of 1 year	£5.000m	23.5	£0.000m	£0.000m	£4.50m	£9.500m	24.8
Externally Managed Investments	£0.000m	0	£0.000m	£0.000m	£0.000m	£0.000m	0
TOTAL INVESTMENTS	£21.255m	100	£53.77m	£0.000m	£70.77m	£38.255m	100
NET DEBT	£64.385m					£47.385m	

* The 'balance of investments with maturities up to 1 year' at 01/04/2015 has been revised upwards by £9,534. This is due to interest achieved on an account in 2014/15 being represented in this table as a principal amount on maturity.

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 2015 to August 2015, the capacity for investment has currently increased by £17m. The volatility of balances is normal throughout the year and a number of factors contribute to this:

- a) The Authority traditionally benefits from the receipt of Council Tax and Business Rates during the first ten months of the financial year;
- b) Revenue expenditure is more evenly weighted throughout the financial year;
- c) 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.
- d) The patterns of income and expenditure are variable and are compared to previous years. The current patterns are in line with the expected trends. These patterns are reflected in the Authority's cash flow projections which is monitored and revised daily as part of the treasury management process.

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.

5.0 BORROWING ACTIVITY.

5.1 The Authority's Borrowing Strategy 2015/16, approved by Council on 24 February 2015, 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 estimated borrowing requirement for the current financial year is £1.05m. In the two subsequent financial years this is estimated to be £1.151m in 2016/17 and £0.897m in 2017/18.

5.3 The Authority has not undertaken any new long-term borrowing during the period.

5.4 The Authority has two PWLB annuity loans as part of the self-financing of the HRA. The repayment element for these in 2015/16 is £1.03m.

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 2015/16, which was approved by Council on 24 February 2015, 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 thirteen loans - ten PWLB loans and three 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 2015/16, which was approved by Council on 24 February 2015, established that the major policy objective is to invest its surplus funds prudently.

7.2 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 To lower the inherent investment risk, the Authority has minimised the use of banks and increased the use of other Local Authorities as investment counterparties. A range of lengths of investment from overnight investments to short and long fixed term, from 32 days to 3 years, are currently utilised to ensure that the principles of security, liquidity and yield are followed.

- 7.4 The counterparties that the Authority currently utilise all meet the criteria set out in the Treasury Management Strategy Statement 2015/16 and are monitored by the Authority's Treasury Management Advisors. The counterparties and amounts currently invested are shown below:

Counterparty	Length of Investment	£m
HSBC	Overnight	1.2
Lloyds Bank (Current Account)	Overnight	0.1
Bank of Scotland	Overnight	1.4
Handelsbanken	Overnight	1.5
Black Rock MMF	Overnight	2.1
Goldman Sachs MMF	Overnight	3.0
Scottish Widows Investment Partnership	Overnight	2.5
CCLA Investment Management Ltd MMF	Overnight	1.0
Lloyds Bank Notice Account	32 days	1.0
Barclays Treasury Direct	3 Months	1.5
National Counties Building Society	99 days	1.0
Coventry Building Society	100 days	1.5
Lancashire County Council	364 days	1.5
West Dunbartonshire Council	364 days	2.5
London Borough of Enfield	364 days	2.0
Barnsley Metropolitan Borough Council	364 days	3.0
North Tyneside Council	364 days	2.0
Lancashire County Council	18 months	2.0
Blaenu Gwent County Borough Council	3 years	2.5
Staffordshire Moorland	3 Years	2.0
Greater London Authority	3 Years	3.0
Total Invested		38.3

- 7.5 The average rate of return on the Authority's investment balances during the period was 0.62%. For comparison purposes, the benchmark return (average 7-day London Interbank Bid Rate or LIBID rate) at the end of August 2015 was 0.36%. The average 7 day London Interbank Offered Rate (LIBOR) rate at the end of August 2015 was 0.49%. 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 2015/16.
- 7.6 There were 82 investments made during the period, totalling £70.8m. The average balance held for the period was £30.6m.
- 7.7 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. Nine fixed term investments were taken out during the period. These investments were for amounts ranging from £1m to £2.5m. Five fixed term investments have matured within the period. The Authority and its advisors remain on a state of alert for signs of credit or market distress that may adversely affect the Authority.

- 7.8 The Authority has budgeted to achieve £145,000 of income from its investment activity in 2015/16. Investment activity from April to August 2015 has achieved £86,600 in interest. The current forecast that is estimated to be achieved is £214,500. 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 £19,200 subject to the balances remaining at the end of the financial year.
- 7.9 The estimated remaining balance of interest (£195,300) 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 2015/16, the budgeted investment income is apportioned as follows: £92,000 General Fund and £53,000 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	£92,000	£123,900
HRA	£53,000	£71,400
External Balances	£ 0	£19,200
Total	£145,000	£214,500

- 7.10 The Authority sets maximum investment limits per counterparty in its Investment Policy and Strategy. The Authority's current bank account is now included in these limits. The previous current account was not included in the limits. The banking provider altered from the Co-op to Lloyds in the recent procurement exercise and the reason for the change is because the account attracts interest.
- 7.11 The major income and expenditure streams are accounted for as part of the daily treasury management operational processes. Variations in income are anticipated by ensuring that there is scope to absorb estimated fluctuations in the bank account. Variations in income of up to £100,000 are a prudent estimate based on historical experience.
- 7.12 On 25th June, the counterparty limit was breached by £0.9m as a maturity was returned to the Authority by an investment counterparty one day earlier than requested. This is not something the Council could have taken action to avoid.
- 7.13 The Council has also moved its bank account to Lloyds and because the overall investment limit on the counterparty was not increased this has led to the limit being breached by smaller amounts on two occasions - £47,000 (31st July) and £131,000 (31st August). These breaches occurred because of fluctuations in transactions in the bank account. The counterparty investment limited will be reviewed when the next Treasury Management Strategy Statement is prepared to reflect the addition of the bank account to our investments with Lloyds. This will be presented to Cabinet and Council for approval in February 2016.
- 7.14 All other 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 August 2015, the Authority can confirm that it has complied with its Prudential Indicators, which were approved on 24 February 2015 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 August 2015. 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 August 2015, it has complied with its Treasury Management Practices other than the breaches reported above. In light of this the fluctuations in the bank account will be monitored throughout the day to mitigate potential unforeseen high level fluctuations.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT & GOVERNANCE COMMITTEE – 23 SEPTEMBER 2015

Title of report	ANNUAL STATEMENT OF ACCOUNTS 2014/15
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance / Section 151 Officer 01530 454520 ray.bowmer@nwleicestershire.gov.uk
Purpose of report	For the Committee to consider and approve the Annual Statement of Accounts for 2014-15.
Reason for Decision	To comply with the Accounts and Audit Regulations
Council Priorities	Value for Money
Implications:	
Financial/Staff	No direct implications.
Link to relevant CAT	None
Risk Management	The presentation of audited accounts giving a true and fair view assists in maintaining the council's financial standing and reputation.
Equalities Impact Screening	No impact.
Human Rights	None identified.
Transformational Government	No direct implications.
Consultees	External Auditors (KPMG)
Background papers	Working papers held in the Financial Planning section.
Recommendations	(A) THAT THE COMMITTEE APPROVES THE ANNUAL STATEMENT OF ACCOUNTS (B) THAT THE CHAIRMAN OF THE MEETING IS AUTHORISED TO SIGN THE ACCOUNTS AS APPROVED (C) TO DELEGATE AUTHORITY 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

1.0 BACKGROUND

- 1.1 The accounts of local authorities in the United Kingdom are covered by the Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code'). This must be followed to meet the requirements of the Accounts and Audit Regulations to 'present a true and fair view' of the financial position of the authority.
- 1.2 The Code is based on International Financial Reporting Standards ('IFRS'), amended as necessary in respect of legislation governing local authorities, and as a result of these rules and guidance the layout of the accounts is effectively prescribed and contains:
- Explanatory Forward – this sets out the main points on Revenue and Capital.
 - Statement of Responsibilities – shows the responsibilities of the Council and Chief Financial Officer for these accounts.
 - Accounting Policies – technical explanation of main policies and assumptions used in preparing the accounts.
 - Movement in Reserves Statement – shows the movement in reserves during the year between usable and unusable reserves, and the actual change to the reserves after all adjustments.
 - Comprehensive Income & Expenditure Account (I&E) – costs of all functions and how they were financed
 - Balance Sheet – shows all the Council's assets and liabilities at the year end, both long and short term.
 - Cash Flow Statement – sets out the flow of cash into and out of the Council.
 - Notes to the Financial Statements – these explain in more detail the make up of the various amounts included in the above items.
 - HRA (Housing Revenue Account) Income & Expenditure Account – this shows income and expenditure regarding Council dwellings.
 - Collection Fund – sets out the transactions relating to the collection and distribution of Council Tax and National Non-Domestic Rates (NNDR), or Business Rates as they are more commonly known.
 - Special Expenses Accounts – summarises spending in the special expenses areas of the district with details of how this is paid for.
 - Auditor's Report – this is the report of the external auditors, the Audit Commission, on the accounts for the year.
- 1.3 The published Statement of Accounts should provide electors, those subject to locally levied taxes and charges, members of the authority, employees, other stakeholders and interested parties clear information about the authority's finances. In addition, in order to ensure that the Council is making the best use of its resources Councillors are encouraged to undertake a robust review of these accounts and make sure that any issues are fully debated and any queries answered.
- 1.4 Basic questions answered by the accounts should be:
- What did the authority's services cost in the year of account?
 - Where did the money come from?
 - What were the authority's assets and liabilities at the year-end?
- 1.5 The Statement must comply with the Code so that comparisons can be made across different authorities and for this reason it is essential that authorities define individual costs in line with the Service Reporting Code of Practice (SERCOP). There should also be good notes and explanations to the accounts to aid understanding and,

although by nature a technical document, the notes should be concise and understandable.

- 1.6 This paper is aimed at going a step further than the definitive notes to the accounts and explaining the wider context of the document and the contents. Each of the major sections of the accounts are explained below and a Glossary of Terms is shown on page 73 of the Accounts.

2.0 MAIN CHANGES TO ACCOUNTS

- 2.1 It is anticipated that the Statement of Accounts attached will be the final version without further changes being presented to the Committee for approval.

3.0 OTHER SECTIONS OF THE ACCOUNTS

- 3.1 The Statement of Responsibilities on page 7 underlines the responsibility, conferred by law, on the Section 151 Officer for the proper administration of the financial affairs of the authority. The person presiding at the meeting approving the accounts must also sign this Statement. The S.151 Officer and also the auditors have to confirm that the accounts present a 'true and fair' view.
- 3.2 The Income & Expenditure Account on page 21 and the Notes on pages 24 to 63, is one of the core documents in the Statement and reports the net cost for the year of all the functions of the Council and how these were financed. There are three distinct sections of this account.
- 3.3 The first section on page 21 shows the costs of the authority's continuing operations, net of specific grants and income from fees and charges. This section combines the Housing Revenue Account with the General Fund activities and therefore represents information that is not shown elsewhere in the Council's financial reporting. This provides the Surplus in the Net Cost of Services of £2.274m.
- 3.4 The next section provides information on the income and expenditure relating to the council as a whole, i.e. these cannot be allocated to specific services, and shows how the Council's net expenditure was financed externally through Council Tax and General Government Grants and displays the gross Surplus on Provision of Services of £9.510m. Any gains and losses are then adjusted underneath this to give a Total Income & Expenditure Surplus of £6.579m. How this amount affects the council's reserves is then explained in the Movement in Reserves Statement on pages 25 to 27.
- 3.5 The Balance Sheet (page 22 and corresponding notes on pages 24 to 63) is fundamental to the understanding of an authority's financial position at the year-end. It shows balances and reserves available and the authority's long-term indebtedness, together with the fixed and current assets employed in its operations.
- 3.6 The Assets and Liabilities include:
- Fixed Assets – As stated above these were revalued as at 31 March 2015 and 'Tangible' fixed assets are recorded in the Balance Sheet using the principles set out on pages 15 to 17.
 - Intangible Fixed Assets – this comprises computer software and ancillary costs.
 - A list of movements in assets is shown in Note 9 on pages 32 to 35.
 - Long Term Debtors - represent mortgage loans owed to the Council from Right-to-Buy sales.

- Current Assets - are items that could be readily converted into cash and the order of these represents their convertibility.
 - Other Long Term Liabilities is mainly the Pensions Liability of £54.8m – this large sum is calculated each year based on various parameters in accordance with IAS 19 and represents the difference in the scheme’s assets compared to its liabilities. This is offset by a Pension Reserve in the final part of the balance sheet. The contributions to the scheme by both employees and the Council are targeted to eradicate any deficit over a period of 20 years.
- 3.7 Financing of the Assets less Liability is through various reserves and balances. This is more complicated in a local authority because there are no shareholder funds, or proprietor’s funds, as one would have in a commercial enterprise. These reserves are explained in the Movement In Reserves Statement on page 25. The Capital Adjustment Account represents the financing costs of the fixed assets used less the in-year costs of utilising those assets, for example depreciation and impairment. This reserve is not a resource available to the Council and represents assets already acquired.
- 3.8 The Consolidated Cash Flow Statement (Page 23 and corresponding notes on pages 45) shows the significant elements of receipts and payments of cash by the authority in dealing with third parties.
- 3.9 The Housing Revenue Account (Pages 64 and 65, and notes on pages 66 to 68) is a ‘ring fenced’ account, although included in the Income & Expenditure Account, is separate from the General Fund and the entries are prescribed in legislation.
- 3.10 The Collection Fund (Pages 69 and 70) is another account prescribed by statute and deals with the transactions relating to the collection of Council Tax and the payment of precepts out to the County Council, Combined Fire Authority and the Police, as well as to North West Leicestershire District Council. The account represents a quasi ‘trust’ account as the balance on the account is shared out between the preceptors in proportion to the precepts levied in the year of the sharing decision. Each year a decision is made in January to estimate the balance on the account and a deemed surplus, or deficit, is allocated to each of the preceptors.
- 3.11 The National Non-Domestic Rates are collected on behalf of the Government and precepting authorities as well as the District. The amount the District is due is estimated at the start of the year but changes to the business rates base including revaluations and appeals, affect the year end position.
- 3.12 The Independent Auditors’ Report will be explained by the external auditors.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 23 SEPTEMBER 2015

Title of report	INTERNAL AUDIT PROGRESS REPORT – AUGUST 2015
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>Senior Auditor 01530 454728 lisa.cotton@nwleicestershire.gov.uk</p>
Purpose of report	To inform the committee of the progress against the Internal Audit plan for 2015/16 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 Screening	Not Applicable
Human Rights	None
Transformational Government	Not Applicable
Consultees	Head of Finance
Background papers	Public Sector Internal Audit Standards

Recommendations	MEMBERS NOTE THE CONTENTS OF THE REPORT AND CONSIDER THE TIMING OF THE EXTERNAL ASSESSMENT OF CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS.
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1. INTRODUCTION

1.1 The Public Sector Internal Audit Standards require the authority’s Audit Committee to approve the audit plan and monitor progress against it. They should also receive periodic reports on the work of internal audit. The Audit and Governance Committee approved the 2014/15 Audit Plan on 26 March 2014 and 2015/16 Audit Plan on 25 March 2015. They receive quarterly progress reports.

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 August 2015 is attached at Appendix 1.



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council
Internal Audit Progress Report: August 2015

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 31 August 2015.

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 2015, 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 Unfortunately since the last update report there has been some longer term sickness within the Internal Audit team. This, coupled with the work carried over from 2014/15 and because the team is quite small, means that without some temporary additional resources the 2015/16 plan is unlikely to be delivered. A temporary auditor is starting at the end of September and will be focussed on the key financial system audits. The costs can be accommodated within the existing budget for Internal Audit.

7 Internal Audit Plan Update

- 7.1 A progress report against the 2015/16 Internal Audit plan is documented in Appendix A. All of the 2014/15 audit work outstanding has been completed and work is now focussing on the 2015/16 plan. Two audits are currently at the report drafting stage and three audits are in progress.
- 7.2 An Executive Summary of the two reports issued by the in house internal audit team since the last progress report is documented in Appendix B.
- 7.3 The Human Resources and Payroll audit report issued in June 2015 identified significant control weaknesses and made 14 high priority recommendations to address these. Internal Audit will not formally review progress against these recommendations until the next audit which will take place during quarter 4 of 2015/16. The Chief Executive and Head of Finance are monitoring progress against the recommendations, which is documented in the 'management comments' column of Appendix C.
- 7.3 A report has also been issued to us by Leicestershire County Council who carried out a Key ICT Controls audit. They use a different assurance model to us and gave a 'limited' level of assurance because at least one "high importance" (HI) recommendation was made. In fact three high importance recommendations were made in the report. All of the recommendations are included in the recommendations tracker tables in the appendices as Internal Audit are following up progress during the year.
- 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 2015 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 overdue recommendations along with a status update. Although the target dates have not been met, Internal Audit are satisfied that in the majority of cases reasonable progress had been made. Where progress has stalled, follow up

work by Internal Audit has brought this to the attention of Heads of Service and they are now addressing this.

- 8.2 All outstanding recommendations i.e. those not yet due, are included in Appendix D for information. Recommendations that have been made and addressed between June and August have been included to show progress.

9 Internal Audit Performance Indicators

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

10 Risk Management

- 10.1 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.
- 10.2 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 F to this report shows the information presented to Cabinet at its meeting on 22 September 2015.
- 10.3 The Council's Risk Management Scrutiny Group reviewed the register and recommended the following changes to the RAG ratings of the risks via Corporate Leadership Team which are now incorporated in the register:

Resource Capacity and Capability

This has changed from Green to Amber. This is in recognition of the Council's ambitious work programme, in particular the Coalville Project. Additional interim capacity at Corporate Management Team level and above is currently being recruited.

Information Governance & Data Protection

This has changed from Green to Amber. This is in recognition of self-reported data protection issues. An external audit of the Council's Data Protection processes has been requested by the Council and is about to be undertaken.

Project & Programme Management

This has changed from Amber to Red. This is also in recognition of the Council's ambitious work programme, in particular the Coalville Project. As outlined above the necessary increase in capacity and capability is being addressed through recruitment to interim positions.

2015/16 Audit Plan Progress: August 2015 (In-house Audit Team Audits)

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
Cash and Bank	Key Financial System	6	-	Scheduled for Quarter 4						Moved from Quarter 2
Creditors	Key Financial System	8	-	Scheduled for Quarter 3						Moved from Quarter 4
Debtors	Key Financial System	8	-	Scheduled for Quarter 4						
Main Accounting	Key Financial System	8	-	Scheduled for Quarter 3						Moved from Quarter 4
Payroll	Key Financial System	8	-	Scheduled for Quarter 4						
Rent Accounting	Key Financial System	8	-	Engagement Planning						
Treasury Management	Key Financial System	6	4	In progress						Brought forward to use capacity in audit team. Almost complete - one piece of information outstanding.
ICT Security	Key Financial System	5	-	Scheduled for Quarter 2						This work will take the form of following up recommendations from the LCC 2014/15 audit.
Risk Management	Assurance	5	-	Scheduled for Quarter 3						
Governance and Ethics – New Members	Assurance	10	-	In progress						
Performance Management	Assurance	6	-	Drafting report						Almost complete - one piece of information outstanding.
Fraud	Assurance	6	-	Scheduled for Quarter 2						
Information Sharing and Data Protection	Risk Based	8	-	Removed from plan						Assurance will be taken from Leicester City Council 'health check'.
Housing - Other Capital Works/Non DHIP	Risk Based	8	-	Removed from plan						Removed from plan as Senior Auditor analysis of the remaining capital work does not present a significant risk at this time.
Responsive Housing Repairs & Voids	Risk Based	8	-	Scheduled for Quarter 3						Moved to quarter 3 to allow new ways of working to embed.

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
Safeguarding	Risk Based	5	-	Scheduled for Quarter 3						Moved from quarter 1.
Disabled Facilities Grants (advisory)	Risk Based	5	6.5	Memo issued	N/A					Memo issued rather than formal report to reflect transition status of service. A formal audit will be carried out later in the year.
Leisure Centres	Risk Based	12	23	Drafting report						Planned days exceeded due to sickness issues, absences over summer and some additional testing.
Building Control	Risk Based	6	-	In progress						
Expenses/mileage claims	Risk Based	5	-	Scheduled for Quarter 3						
Green & Decent (advisory)	Risk Based	5	-	Scheduled for Quarter 3						Move to quarter 3 to allow robustness of results to be considered as part of the audit. Given the nature of the project this is likely to be an advisory piece of work.
46										
DHIP	Risk Based	5	-	Scheduled for Quarter 2						External Audit during August 2015. Senior Auditor will review results to consider need for Internal Audit.
Disabled Facilities Grant (audit)	Additional Audit	6	-	Scheduled for Quarter 4						

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 IN HOUSE INTERNAL AUDIT REPORTS ISSUED BETWEEN JUNE 2015 AND AUGUST 2015

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations			
					H	M	L	A
2014/15 – 14 Human Resources and Payroll	Leader	Chief Executive/Head of Finance HR Team Manager	Grade 3	<p>Finalising the Selima Service Level Agreement for the provision of the managed payroll service as a matter of urgency and formally assigning and documenting the roles and responsibilities of NWLDC staff.</p> <p>Strengthening and consistently applying HR procedures, this includes but is not limited to:</p> <ul style="list-style-type: none"> -all data entry to the HR module; -arrangements for new starters and leavers; and -verification of the effects of monthly amendments on the payroll. <p>Training and support for managers and staff using the self service system.</p> <p>Regular review of the Council's establishment list by Senior Managers.</p> <p>Formal recording of all under and overpayments and the corrective action taken including monitoring the recovery of overpayments.</p>	14	-	-	-
2014/15 – 15 Aids and Adaptations	Housing	Head of Housing Planned Investment Team Manager	Grade 2	<p>The engagement of the contractors with the 'mini competition' process.</p> <p>The verification of invoices to the agreed pricing schedule.</p>	3	2	-	-

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations			
					H	M	L	A
				<p>The contract / agreement in place with Leicestershire County Council.</p> <p>The monitoring and reporting of Key Performance Indicators.</p>				

Recommendations Tracker – Overdue Recommendations

Report		Recommendation	Rating	Officer Responsible	Target Date	Status	Management Comments	
2014/15 Reports								
6	Fraud Prevention and Detection	1	All Members and staff should be circulated with information detailing their responsibilities regarding fraud prevention and detection and provided with clear links to the Anti-Fraud and Corruption Strategy and the Confidential Reporting (Whistle-blowing) Policy.	High	Head of Finance / Head of Legal and Support Services	December 2014 Revised Date: March 2015 May 2015	Partially complete This has been provided for staff however not yet for Members.	Training for Members to be rolled out during September 2015.
6	Fraud Prevention and Detection	2	Members (in particular, the Audit and Governance Committee) should be provided with training to ensure they can effectively consider the effectiveness of the Authority's Anti-Fraud and Corruption Arrangements.	Medium	Head of Finance	June 2015 Revised Date: Dec 2015	In progress	Head of Finance plans to arrange for external auditors to deliver training.
LCC	ICT Key Controls Audit	1	Consideration should be given to reviewing the backup site arrangements to ensure that environmental controls from the main machine room can be replicated at the backup site. If a decision is taken to accept the risk then this should be formally accepted and recorded by Senior Management.	High	Head of Finance/ICT Team Manager	July 2015	In progress	ICT manager considers the arrangements to be adequate but will take a report to CLT on 22.09.15 to formally approve.

Recommendations Tracker – Outstanding Recommendations

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
2014/15 Reports								
6	Fraud Prevention and Detection	9	Details regarding the management of fraud risks and any identified incidences of fraud should be included within the Council's Annual Governance Statement.	Medium	Head of Finance	September 2015	Testing scheduled September 2015	
14	Human Resources and Payroll	1	The Selima Service Level Agreement for the provision of the managed payroll service should include the requirement for Selima to notify that all processes have been completed for each payroll. The SLA should be signed off by both parties as a matter of urgency.	High	Head of Finance assisted by Human Resources Team Manager and Financial Services Team Manager	Sept 2015	Testing scheduled October 2015	This was signed by both parties and returned in August 2015.
14 51	Human Resources and Payroll	2	Responsibilities in NWLDC for the HR and Payroll function should be formally assigned and fully documented.	High	Head of Finance assisted by Human Resources Team Manager and Financial Services Team Manager	Sept 2015	Testing scheduled October 2015	This was fully documented in July 2015.
14	Human Resources and Payroll	3	HR staff should ensure that all personnel files are securely held whether in paper or electronic format.	High	Human Resources Team Manager	Immediate and ongoing	Compliance testing will be undertaken as part of the 2015/16 Payroll audit which is not planned until Q4. This means Internal Audit cannot	Implemented immediately as agreed.

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
							comment on the status until this time.	
14	Human Resources and Payroll	4	All new employees should complete the starter form that should then be held on their HR file.	High	Human Resources Team Manager	Immediate and ongoing	As above	Implemented immediately as agreed.
14	Human Resources and Payroll	5	HR should verify the Offer Letter to the payslip prior to payment for all starters. The verification should be completed by a person different to the originator of the data input and a record maintained.	High	Human Resources Team Manager	Immediate and ongoing	As above	Implemented immediately as agreed.
14	Human Resources and Payroll	6	All new starters should have their identity verified and recorded as such.	High	Human Resources Team Manager	Immediate and ongoing	As above	Implemented immediately as agreed.
14	Human Resources and Payroll	7	Team managers should ensure that all staff leaving NWLDC complete a leaver form and this should be provided to HR in sufficient time for them to make accurate final payments. The leaver form should be held on the HR file together with supporting documentation.	High	Team Managers	Immediate and ongoing	As above	Implemented immediately as agreed. Chief Executive has written to the Director responsible for the work area to ask for forms to be submitted in a timely way and members of the HR Team have held a meeting with the department to clarify arrangements.
14	Human Resources and Payroll	8	HR should verify the details from the Leaver Form to the payslip prior to payment for all leavers. The verification should be completed by a person different to the originator of the data input and a record maintained.	High	Human Resources Team Manager	Immediate and ongoing	As above	Implemented immediately as agreed.
14	Human Resources and Payroll	9	The Human Resources Team Manager should review the functionality made available to Managers and staff in the self serve system to ensure that appropriate 'training notes' are issued prior to full implementation of the system.	High	Human Resources Team Manager	Immediate and ongoing	As above	This will be continually developed as the functionality of the system develops.
14	Human Resources and Payroll	10	When an employee starts to receive maternity benefits HR should check whether essential car allowance is also in	High	Human Resources Team Manager	Immediate and ongoing	As above	Implemented immediately as agreed.

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
			payment and make the appropriate adjustment to avoid an overpayment.					
14	Human Resources and Payroll	11	The Human Resources Team Manager should periodically circulate to Chief Officers the current establishment list for their area of responsibility to enable verification of the staffing structure and current employees.	High	Human Resources Team Manager	Immediate and ongoing	As above	These were circulated to all Chief Officers on the 30th June 2015 with a return date of 27 th July. The vast majority of these have now been returned.
14	Human Resources and Payroll	12	The HR database should be checked to ensure that the correct coding has been entered for the relevant service area and that the manager shown is correct as the self service authorisation system will not operate correctly with incorrect managers shown.	High	Human Resources Team Manager	Part of project	As above	Pending.
14	Human Resources and Payroll	13	A schedule of under and overpayments generated by the payroll process should be compiled with the proposals for full recovery of the overpayment that will be updated with repayment transactions as they occur.	High	Human Resources Team Manager	Immediate and ongoing	As above	Implemented immediately as agreed. It is important to note that repayment arrangements are always put in place and the Council has not been in a position of needing to write off any debts during 2014/15 as a result of overpayment errors on the Payroll system.
14	Human Resources and Payroll	14	Bulk amendments, such as increments, should be subject to sample testing of the resulting payslips and all other amendments verified to the payslip. The verification should be completed by a person different to the originator of the data input and a record maintained.	High	Human Resources Team Manager	June 2015	As above	No bulk amendments have been actioned since the recommendations of the Audit report.
15	Aids and Adaptations	1	Consideration should be given as to how the engagement from the other two contractors in the 'mini-competition' process could be improved.	Medium	Planned Investment Team Manager	31 July 2015	Implemented	
	Aids and Adaptations	2	In accordance with the agreed schedule of rates, decorating and carpentry costs should be based on specific room	High	Planned Investment Team Manager	Immediate for 2015/16 programme	Recommendation no longer	

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
			dimensions. These costs can then be verified as part of the post-work inspection process.				applicable. A revised pricing schedule has been agreed which itemises these costs and is in line with the National Housing Federation Schedule of Rates.	
54	Aids and Adaptations	3	The longstanding arrangement currently in place for the provision of goods and services for adaptations through Leicestershire County Council should be formalised in accordance with the council's procurement procedures.	High	Planned Investment Team Manager	31 st March 2016	Testing scheduled April 2016.	Discussions have started as this may be able to be progressed through Lightbulb.
	Aids and Adaptations	4	All KPIs should be formally monitored and reported to senior management and members as appropriate. This will allow action to be taken against any contractor failing to meet the required standards.	High	Planned Investment Team Manager	Immediate for 2015/16 programme	Implemented	
	Aids and Adaptations	5	Consideration should be given to introducing similar KPIs for aids and adaptations work which falls outside of the framework agreements, to allow performance in these areas to be formally monitored.	Medium	Planned Investment Team Manager	Immediate for 2015/16 programme	Implemented	
LCC	ICT Key Controls Audit	2	ICT Management should give consideration to producing a detailed DR plan and process. Once this has been completed consideration should be given to undertaking a full end to end DR test to ensure that data and systems can be recovered successfully.	High	Head of Finance/ICT Team Manager	December 2015	Testing scheduled January 2015	In progress DR plan updated and testing planned for Q3.

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
		3	A formal ICT change control policy and process should be established for all ICT changes and changes associated with Line of Business Systems.	High	Head of Finance/ICT Team Manager	July 2015	Implemented Policy has been produced and will be presented to CLT 22.09.15.	
		4	ICT Management should give consideration to what performance indicators and reports should be made available and the new Service Desk Management System should be developed to satisfy this requirement.	Medium	Head of Finance/ICT Team Manager	July 2015	Implemented PIs agreed and sample reports being produced.	
55		5	ICT Management should give consideration to developing a formal ICT Service Level Standard which ICT should be monitored against.	Medium	Head of Finance/ICT Team Manager	July 2015	Implemented Service standards developed, sample report being produced.	
		6	Consideration should be given to formalising systems ownership for all applications in use at NWLDC and the associated roles and responsibilities. This should include the:- Senior Management Owner (Usually at Assistant Director Level) Name of the Systems Owner Name of the Deputy Systems Owner Main Systems Administrator	Medium	Head of Finance/ICT Team Manager	September 2015	Testing scheduled October 2015	In progress This is being considered as part of systems improvements ICE workstream. Role description has been documented and systems list drafted.
		7	Consideration should be given to developing and rolling out key ICT related policies.	Medium	Head of Finance/ICT Team Manager	March 2016	Testing scheduled April 2016	Work to start in September.
		8	Where a decision is taken not to pay for support, this decision should be formally	Medium	Head of Finance/ICT	August 2015	Implemented	

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
			risk assessed and approved by Management. ICT should determine if there are any similar instances where systems are being run unsupported and this decision should be approved by Senior Management, risks assessed and mitigating controls put in place.		Team Manager		However no such decisions since the audit.	
		9	Consideration should be given to testing what would happen if one of the air conditioning units was to stop operating in the main machine room e.g. would the other AC units still function and whether just running on one or two of the AC units would provide adequate cooling.	Medium	Head of Finance/ICT Team Manager	July 2015	Implemented	
56		10	Consideration should be given to whether some more operational business tasks currently being undertaken by ICT would, subject to adequate segregation of duties, reside better within the departments e.g. the processing of BACS files.	Medium	Head of Finance/ICT Team Manager	July 2015	Implemented	
		11	Consideration should be given to ascertaining if there are any efficiencies to be gained through automating some of the manual processes currently (e.g. spreadsheets for overtime) undertaken by departments.	Medium	Head of Finance/ICT Team Manager	September 2015	Implemented	
		12	Consideration should be given to implementing capacity monitoring processes to prevent any system downtime as a result of capacity issues and ensure that any areas of concern are addressed in a proactive manner.	Medium	Head of Finance/ICT Team Manager	July 2015	Implemented Data is being collected and contract is in place.	
		13	ICT staff should give consideration to undertaking a risk assessment when moving systems to a cloud based system	Medium	Head of Finance/ICT Team Manager	July 2015	Implemented Clearly	

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
			to ensure that key risks have been identified and mitigating controls implemented.				documented risk assessments will be carried out for any major changes.	
		14	The ICT Section of the Corporate Business Continuity Plan should be reviewed and updated to reflect timescales that are aligned to operational business needs for the recovery of IT systems and should also detail the new backup arrangements.	Medium	Head of Finance/ICT Team Manager	July 2015	Implemented	
		15	The policy for passwords should be revised to reflect the actual settings. Furthermore the policy should include the requirement for the number of passwords to be retained in the password history.	Medium	Head of Finance/ICT Team Manager	July 2015	Implemented	
57		16	Consideration should be given to reviewing the password configurations within key applications to either ensure that they comply with best practice or that a conscious decision has been made to accept any residual risk of non-compliance (once other controls such as lock out settings have also been taken into account)	Medium	Head of Finance/ICT Team Manager	January 2016	Testing scheduled February 2016	In progress Systems list created.
		17	Staff should be reminded on the need to notify ICT and relevant systems administrators promptly when an employee leaves the organisation. Furthermore HR should ensure that leaver forms are promptly sent to ICT so that leavers can be removed from the network. (The feasibility of receiving a monthly leavers report from HR should be	Medium	Head of Finance/ICT Team Manager	September 2015	Testing scheduled October 2015	In progress A comprehensive audit of ICT managed user accounts has been completed and where problems have been identified an improved process has been designed. Next stage is to advise system owners.

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
			investigated as an additional control).					
		18	For the Selima System (HR) consideration should be given to training and assigning another user with HR Super User access in order to ensure system continuity.	Medium	Head of Finance/ICT Team Manager	July 2015	Implemented	
		19	ICT Management should consider undertaking a review of all the generic accounts set up and disable/ delete the accounts as appropriate. This review should also include consideration on whether passwords should be set to expire depending on the level of risk posed if the password for the generic account was breached.	Medium	Head of Finance/ICT Team Manager	August 2015	Implemented	

Internal Audit Performance: August 2015

Performance Measures:

Performance Measure	2015/16 Qtr 2 Target	Position as at 31.08.15	Comments
Delivery of 2015/16 Audit Plan – Key Financial Systems	25%	0%	Treasury Management almost complete. Temporary audit resources will focus on key financial systems.
Delivery of 2015/16 Audit Plan – Non Key Financial Systems	40%	10%	
Percentage of time spent on audit work	80%	85%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	Not available	Surveys sent out for quarter 1 of 2015/16 however no responses. Surveys will be sent out for quarter 2 in October.
Compliance with the Internal Audit Standards	Full	No significant gaps in compliance	
Compliance testing of completed recommendations	90%	100%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 2 Milestone	Position as at 31.08.15
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	On target – no actions. Review due September 2015.
Undertake audits as per agreed Audit Plan.	Complete audits of 6 systems to enable the completion of the audit plan	Under control. Temporary resources from September 2015 will focus on key financial systems. We are behind from quarter 1 however at this point should be able to catch up.
Provide the Audit and Governance Committee with quarterly reports on the work and performance of internal audit.	Progress report to June Audit and Governance Committee	On target
Achievement of the PSAIS	External assessment of compliance with PSAIS	On target
Produce the 2014/15 Annual Audit Opinion Report by 30 th June 2015.	Prepare Annual Report for presentation to June Audit and Governance Committee.	Completed.
Produce and have approved the 2016/17 Internal Audit Plan by 31 st March 2016.	No action	-

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.	3	2	6

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 programme in place for staff.	3	2	6
Information Governance & Data Protection	4	4	16	Policies and procedures are in place. Corporate Governance 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	2	8
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 offsite at Hermitage Leisure Centre. Improved business recovery arrangements have been implemented to minimise recovery time.	3	2	6
Project & Programme Management	4	4	16	Progress is shared regularly with CLT, experienced PRINCE 2 staff, transformation programme is continually reassessing its objectives	4	3	12

Governance, Policies & Procedures	4	4	16	Policies & procedures in place, governance processes are documented and in operation, ongoing assessments and reviews are performed.	4	1	4
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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 23 SEPTEMBER 2015

Title of report	INTERNAL AUDIT CHARTER
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>Senior Auditor 01530 454728 lisa.cotton@nwleicestershire.gov.uk</p>
Purpose of report	To allow the Members of the Audit and Governance Committee to review and approve the recently updated Internal Audit Charter.
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	None
Equalities Impact Screening	Not Applicable
Human Rights	None
Transformational Government	Not Applicable
Consultees	Corporate Leadership Team
Background papers	Public Sector Internal Audit Standards
Recommendations	MEMBERS APPROVE THE INTERNAL AUDIT CHARTER.

1. INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards require that the purpose, authority and responsibility of the internal audit activity must be formally set down in an internal audit charter. This charter must be reviewed periodically by the Chief Audit Executive (the Senior Auditor at this Council) and then presented to the board and Audit Committee for approval.

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. INTERNAL AUDIT CHARTER

- 3.1 The Senior Auditor has reviewed the Internal Audit Charter and made minor changes to update it. The Corporate Leadership Team reviewed and approved the updated Charter on 18 August 2015. The Charter is attached at Appendix A.

INTERNAL AUDIT CHARTER

Version Control

Version No	Author	Date
1.2	Anna Wright Senior Auditor	September 2014
1.3	Lisa Cotton Senior Auditor	August 2015

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1 Introduction

- 1.1 The Internal Audit Charter is a formal document that defines the purpose, authority and responsibility of Internal Audit. The Internal Audit Charter establishes Internal Audit's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the Board, authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities. Final approval of the Internal Audit Charter resides with the Board.

2 Definitions

- 2.1 As per the Public Sector Internal Audit Standards, 'Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

- 2.2 For the purpose of this charter the following definitions shall apply:

The Board – The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At this Council this shall mean the Audit and Governance Committee.

Senior Management – those responsible for leadership and direction of the Council. At this Council this shall mean the Corporate Leadership Team which is documented at Appendix A.

Chief Audit Executive – describes the person in a senior position responsible for effectively managing the Internal Audit activity in accordance with the Internal Audit charter and the Public Sector Internal Audit Standards. The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications. At this Council the Chief Audit Executive is the Senior Auditor.

3 Purpose of Internal Audit

- 3.1 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 of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

3.2 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.

4 Scope of Internal Audit

4.1 There are no restrictions placed upon the scope of Internal Audit's work. Internal Audit work will usually include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risk associated with areas under review and making proposals for improving the management of risks;
- appraising the effectiveness and reliability of the risk management framework and recommending improvements where necessary;
- assisting management and members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations and programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned; and
- reviewing the operations of the Council in support of the Council's Anti-Fraud and Corruption policy.

5 Authority of Internal Audit

- 5.1 Internal Audit derives its authority from the Accounts and Audit Regulations 2015, this Charter and the Council's Constitution. The Financial Regulations, which are part of the Constitution, sets out that 'the Auditor shall have the 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.

6 Responsibility of Internal Audit

- 6.1 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;
 - 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.

7 Reporting Lines

- 7.1 Day to day management of the Internal Audit team will be performed by the Chief Audit Executive. The Board is responsible for appointing the Chief Audit Executive. The Chief Audit Executive reports to the Board for organisational purposes but will report significant audit findings and audit progress directly to the Head of Finance (Section 151 Officer). The Chief Audit Executive will keep the Head of Finance and the Board informed of progress and developments on a regular basis.

- 7.2 The Chief Audit Executive has a direct right of access to the Chief Executive, who carries out the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.
- 7.3 The Chief Audit Executive has direct access to the Council's Monitoring Officer where matters arising relate to the Chief Executive's responsibility, legality and standards.
- 7.4 Should the Chief Audit Executive not be satisfied with management's response to a given audit report then this will be highlighted to the Board and significant weaknesses escalated to the Head of Finance if they remain unresolved.

8 Independence and Objectivity

- 8.1 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. Objectivity requires that Internal Auditors do not subordinate their judgement on audit matters to others.
- 8.2 To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the Internal Audit activity:
- retains no executive or operational responsibilities;
 - operates in a framework that allows unrestricted access to senior management and the Board;
 - reports in their own name;
 - rotates responsibilities for audit assignments (where possible) within the Internal Audit team;
 - completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements; and
 - ensures the planning process recognises and addresses potential conflicts of interest through Internal Audit staff not undertaking an audit for at least two years in areas where they have had previous operational roles.
- 8.4 If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to senior management and the Board. The nature of the disclosure will depend upon the impairment.
- 8.5 To ensure the independence of the Chief Audit Executive is safeguarded and that remuneration and performance assessment is not inappropriately influenced by those subject to audit, the Chief

Executive will both countersign and contribute to the feedback of the performance appraisal of the Chief Audit Executive. Feedback will also be sought from the Chair of the Audit and Governance Committee.

9 Accountability

9.1 The Chief Audit Executive shall be accountable to the Board and the Head of Finance for:

- providing, at least annually, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
- reporting significant issues related to the processes for controlling the activities of the Council and its affiliates, including recommendations and status of implementation of improvements;
- periodically providing information on the status and results of the annual audit plan and the sufficiency of the Internal Audit's function's resources; and
- co-ordination with other significant assurance functions.

10 Internal Audit Resources

- 10.1 The Chief Audit Executive will be professionally qualified (CIMA, CCAB or equivalent) and have wide Internal Audit and management experience, reflecting the responsibilities that arise from the need to liaise with Members, senior management and other professionals, both internally and externally.
- 10.2 The Head of Finance will provide the Chief Audit Executive with the appropriate resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the Internal Audit opinion.
- 10.3 The Chief Audit Executive will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit plan.
- 10.4 The annual plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Audit Executive can propose an increase in audit resource or reduction in the coverage if insufficient resources are available.

11 Management Responsibilities

11.1 An Internal Audit service can only be effective if it receives the full co-operation of management. By approving this Internal Audit Charter the Board and Senior Management are mandating management to co-operate with Internal Audit in the delivery of the service by:

- agreeing Terms of Reference no later than the agreed deadline, to include agreements on duration, scope, reporting and response;
- sponsoring each audit at Head of Service level;
- providing Internal Audit with full support and co-operation, including complete access to all records, data, property and personnel relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay;
- responding to the draft internal report, including provision of management responses to recommendations, within the timescale requested by the audit team;
- implementing agreed management actions in accordance with the agreed timescales; and
- updating Internal Audit with progress made on management actions, informing Internal Audit of proposed changes and developments in processes and systems, newly identified significant risks and cases of a criminal nature.

11.2 Whilst the annual Internal Audit report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit will be agreed with the Board at the beginning of the year and presented in the annual Internal Audit plan (and subsequent agreed amendments). As such, the annual Internal Audit opinion does not replace responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities.

12 Advisory Work

12.1 The Public Sector Internal Audit Standards (PSIAS) allows that Internal Audit may sometimes be more usefully focussed towards providing advice rather than assurance of core controls. Where appropriate, Internal Audit will act in a consultancy capacity by providing guidance and advice for strengthening the control environment, providing:

- the objectives of the consulting engagement address governance, risk management and control processes to the extent agreed upon with the Council;
- the scope of the consulting engagement has been clearly defined;
- the request has been approved by the Head of Finance;
- Internal Audit is considered to have the rights skills, experience and available resource;
- management understand that the work being undertaken is not Internal Audit work; and
- Internal Audit's involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and Internal Audit will not assume a management role in providing this advice.

12.2 When performing consultancy services, the auditor must maintain objectivity and not take on a management responsibility.

12.3 The Chief Audit Executive is responsible for ensuring that all requests are reviewed in accordance with the above criteria and for making the final decision. The role which Internal Audit will assume on any particular advisory assignment will be agreed with the sponsor, will be documented within the assignment plan, and reported to the Board.

13 Role of Internal Audit in Fraud-Related Work

13.1 The primary responsibility for maintaining sound systems of internal control including arrangements to prevent and detect fraud and corruption lies with Senior Management. An annual programme of internal audits is designed to assist this process by highlighting areas where controls are inadequate or are not operating.

13.2 All cases of suspected fraud and/or irregularity should be reported to the Chief Audit Executive, with the exception of benefit fraud which should be reported to the Benefit Fraud Investigation Team within the Revenues and Benefits Partnership. The Chief Audit Executive is responsible for initiating and overseeing all fraud investigations and for all subsequent follow up work to be completed. All fraud investigations will be conducted in accordance with the Council's Constitution, Anti-Fraud and Corruption Strategy and the Confidential Reporting (Whistleblowing) Policy.

14 Relationships

14.1 The Chief Audit Executive and Internal Audit staff are involved in a wide range of relationships and the quality of those relationships impact on the quality of the audit function and the effective delivery of that function.

- **Relationships with Management**

The Chief Audit Executive and Internal Audit staff will maintain effective relationships with managers of the Council. Regular meetings will be held with key stakeholders and management will be consulted with during the audit planning process. Timing of audit engagements will be in conjunction with management.

- **Relationships with External Audit**

Internal Audit have an established working relationship with the current external auditors which allows internal and external audit to rely on each other's work, subject to the limits determined by their responsibilities, enabling them to evaluate, review and only re-perform where necessary. Periodic meetings take place and plans and reports shared.

- **Relationships with Regulators and Inspectors**

The Chief Audit Executive and Internal Audit staff will take account of the results and reports from any inspections when planning and undertaking Internal Audit work. Where appropriate the Chief Audit Executive will establish a dialogue with representatives of the appropriate inspection agencies.

- **Relationships with Elected Members**

The Chief Audit Executive will establish a working relationship with members, in particular members of the Audit and Governance Committee. The Chief Audit Executive has the opportunity to meet with the Chair of the Audit and Governance Committee if required.

15 Standards of Internal Audit Practice

15.1 This charter recognises the mandatory nature of the Institute of Internal Auditing (IIA) definition of Internal Auditing and Code of Ethics, and the Public Sector Internal Audit Standards (PSIAS).

15.2 The Internal Audit team comply with the Standards that came into effect on the 1st April 2013.

16 Quality Assurance

16.1 The Public Sector Internal Audit Standards require that the audit function is subject to a quality assurance and improvement programme that must include both internal and external assessments.

16.2 Internal Assessments

All of the Internal Audit engagements are subjected to a thorough internal peer review of quality by the Chief Audit Executive, to ensure that its work meets the standards expected from the Internal Audit staff. For example, the internal file quality reviews undertaken cover the following:

- all work undertaken is in accordance with PSIAS;
- the work is planned and undertaken in accordance with risks associated with areas under review;
- sampling is undertaken in accordance with the agreed methodology; and
- the conclusions are fully supported by our detailed work.

16.3 External Assessments

An external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Executive will discuss options for the assessment with the Head of Finance and the Audit and Governance Committee.

16.4 In April 2015 the first external assessment of how well Internal Audit complies with the Public Sector Internal Audit Standards was carried out by CIPFA. This assessment did not identify any significant gaps in compliance.

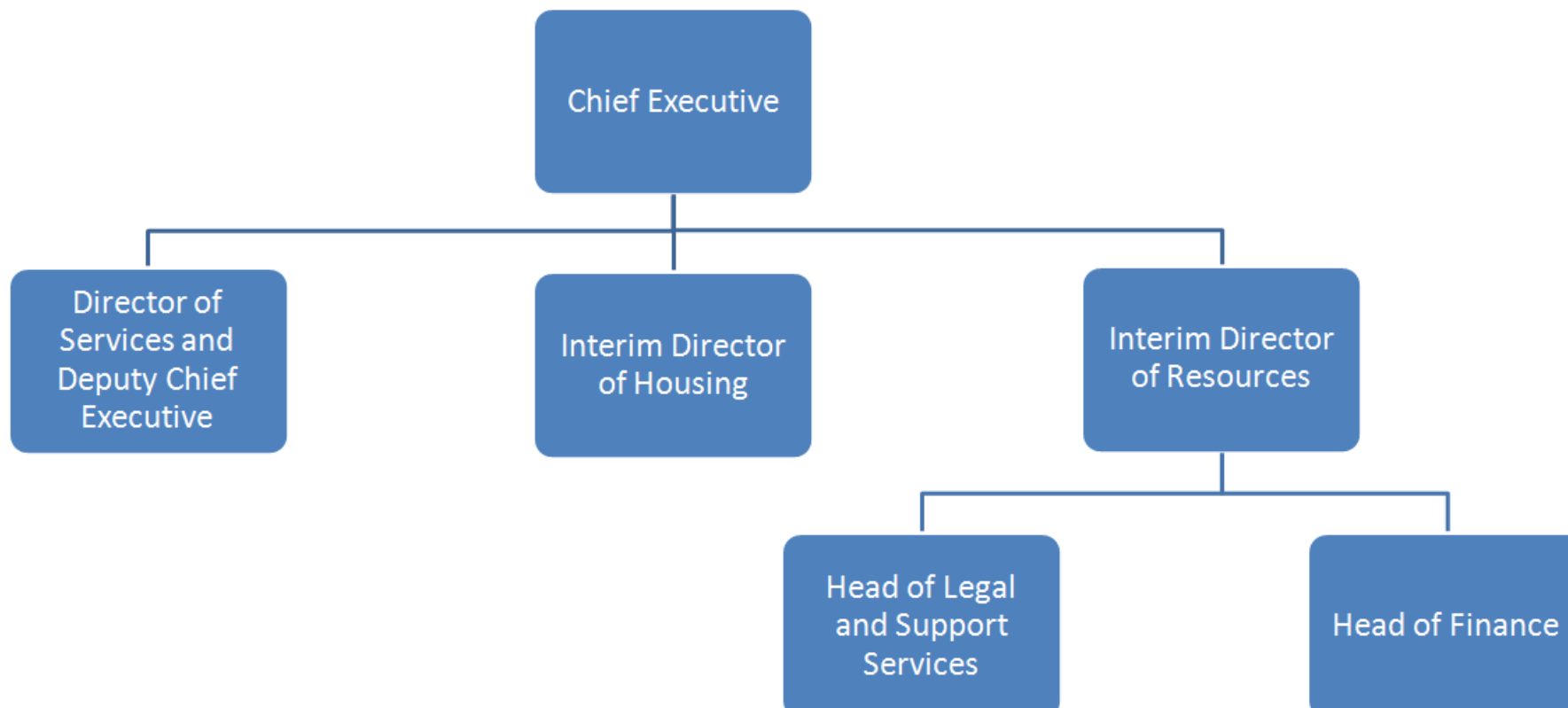
17 Records Retention

17.1 Audit engagement records will be retained for six years. This is in line with Local Government Association guidance.

18 Review

18.1 The Internal Audit Charter will be reviewed annually by the Chief Audit Executive and presented to Senior Management and the Board for approval if any changes are identified.

Corporate Leadership Team



NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 23 SEPTEMBER 2015

Title of report	REPORT TO THOSE CHARGED WITH GOVERNANCE 2014/15
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance / Section 151 Officer 01530 454520 ray.bowmer@nwleicestershire.gov.uk
Purpose of report	To consider the External Auditor's Report to Those Charged With Governance for 2014-15.
Reason for Decision	In order to approve the Letter of Representation in relation to the 2014-15 Statement of Accounts.
Council Priorities	Value for Money
Implications:	
Financial/Staff	No direct implications.
Link to relevant CAT	None
Risk Management	The Council's governance arrangements are a fundamental part of the Authority's management of risk and contribute towards good corporate governance.
Equalities Impact Assessment	Not applicable
Human Rights	None identified.
Transformational Government	No direct implications.
Consultees	None
Background papers	None
Recommendations	THAT THE COMMITTEE: (A) NOTES THE CONTENTS OF THE EXTERNAL AUDITOR'S REPORT ATTACHED AT APPENDIX A. (B) APPROVES THE LETTER OF REPRESENTATION ATTACHED AT APPENDIX B. (C) NOTES THE EXTERNAL AUDITOR'S RECOMMENDATIONS AND MANAGEMENT COMMENTS SET OUT IN APPENDIX 1 TO THEIR REPORT.

1.0 BACKGROUND

- 1.1 The annual accounts of the authority are audited in accordance with Part II of the Audit Commission Act 1998 and, as part of that process; the External Auditor (KPMG) produces an Annual Report to Those Charged With Governance which is attached. The Director from KPMG will present his report to the Committee.
- 1.2 The Report states that the auditors will issue an unqualified audit report and that there are no important weaknesses in internal control. It also confirms that there are proper arrangements to secure value for money.
- 1.3 There are three audit recommendations and these are set out in Appendix 1 to the auditor's report along with the formal Management Responses. Whilst none of the recommendations have been rated Priority 1 by the auditors and do not require immediate action, they will be addressed in time for the production of the 2015/16 Accounts.



cutting through complexity

APPENDIX 1

Report to those charged with governance (ISA 260) 2014/15

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North West Leicestershire District Council

September 2015

The contacts at KPMG in connection with this report are:

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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 issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.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.

We are committed to providing you with a high quality service. 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 engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- Our audit work at North West Leicestershire District Council ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- The work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in April 2015, set out the four stages of our financial statements audit process.



This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during August/September 2015.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- Assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- Considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	Our audit identified a number of presentational and disclosure adjustments which were amended by the Authority. We also identified a number of errors in the compilation of the investment property and property, plant and equipment (PPE) notes including the capital adjustment account and revaluation reserves notes. These errors are covered in more detail on page 4 and at appendix 2.
Key financial statements audit risks	<p>We identified the following key financial statements audit risks in our 2014/15 External Audit Plan issued in March 2015.</p> <ul style="list-style-type: none"> ▪ Management override of controls; ▪ Fraudulent revenue recognition; and ▪ Valuation and componentisation of fixed assets. <p>We have worked with officers throughout the year to discuss these key risks and our detailed findings are reported in section 3 of this report.</p>
Accounts production and audit process	The Authority has adequate processes in place for the production of the accounts and adequate quality supporting working papers, although there is scope for improvement. The Authority has made progress in implementing the working paper recommendation raised in last year's ISA 260 report. Further improvements in the quality of working papers will be required in order to maintain the quality of the audit within the reduced audit fee from 2015/16 onwards. We have made a further recommendation relating to working paper in Appendix 1.
Completion	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> ■ Completion of outstanding queries on certain areas of the financial statements; ■ Updated set of financial statements, including the processing of audit adjustments; and ■ Whole of Government Accounts <p>Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
VFM conclusion and risk areas	<p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.</p>

There are no uncorrected audit differences but a number of adjustments above our reporting threshold were identified during the course of the audit.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

The wording of your Annual Governance Statement accords with our understanding of your arrangements.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit and Governance Committee.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities. The final materiality (see Appendix 4 for more information on materiality) level for this year's audit was set at £1.1 million. Audit differences below £55k are not considered significant.

There are no uncorrected audit differences to report. The following adjustments above our reporting threshold were identified as a result of audit of the Authority's 2014/15 financial statements and these are also detailed at Appendix 2:

- a number of errors were found in the notes for Investment Properties, Property, Plant and Equipment (PPE), Capital Adjustment Account and Revaluation Reserves and we have recommended that the Authority reviews its processes for compiling these notes next year. The errors included:
 - misclassification of £1.3m net book value relating to garages as Council Dwellings rather than Other Land and Buildings with no effect on the net book value. The 2013/14 figures have also been restated.
 - Incorrect recognition of £0.07m relating to building valuations as Revaluation Reserve rather than CIES. Resulting in the incorrect recognition of £0.07m within the revaluation reserve rather than in the CIES, MIRS and Capital Adjustment Account.
 - Incorrect recognition of £0.97m relating to building valuations as transfers rather than net gains from fair value adjustment. Resulting in the incorrect recognition of £0.97m within the revaluation reserve rather than in the CIES, MIRS and Capital Adjustment Account.
 - Incorrect recognition of £0.73m disposals as revaluation decrease. Resulting in the omission of £0.41m from the CIES and MIRS and £0.73m from the Capital Adjustment Account.
 - Revaluations not reconciled between PPE note and Capital Adjustment Account, Revaluation Reserves and MIRS.
- Misclassification of £0.48m relating to April 2015 HMRC and Pensions payments as cash rather than creditors.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2014/15 ('the Code')*.

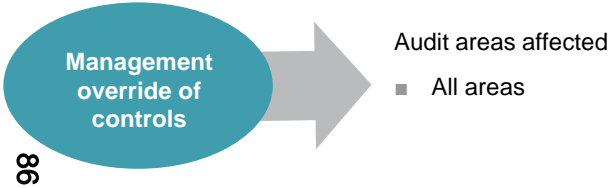
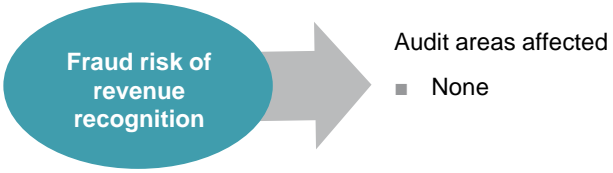
Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were management override of controls and the fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

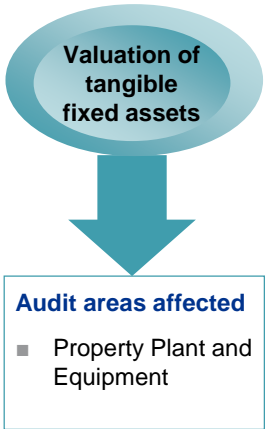
Areas of significant risk	Summary of findings
 <p>Management override of controls</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> All areas 	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
 <p>Fraud risk of revenue recognition</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> None 	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our <i>External Audit Plan 2014/15</i> we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

In our *External Audit Plan 2014/15*, presented to you in March 2015, we identified the significant risks affecting the Authority's 2014/15 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for the risk that is specific to the Authority

Significant audit risk	Issue	Findings
 <p>Valuation of tangible fixed assets</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> Property Plant and Equipment 	<p>Risk</p> <p>In 2013/14 the Authority reported the net book value of tangible fixed assets of £172m. The Authority exercises judgement in determining the fair value of the different classes of assets held and the methods used to ensure the carrying values recorded each year reflect those fair values. In 2014/15 the Authority engaged its external valuer to undertake a full revaluation exercise on land and buildings including componentisation of assets to comply with CIPFA Code of Practice as at 31 March 2015. Given the materiality in value, the amendments required in this area of the financial statements last year and the judgement involved in determining the carrying amount for each component of an asset we consider this to be a significant audit risk for 2014/15.</p>	<p>As part of our audit, we undertook the following work over the componentisation and valuation of material fixed asset balances:</p> <ul style="list-style-type: none"> We reviewed the terms of engagement with the valuer to ensure compliance with the Authority's accounting policies. We reviewed the componentisation and revaluation basis and considered its appropriateness with CIPFA Code of Practice and the underlying IFRS accounting standards. We reviewed the appropriateness of any amendments made by management to the information received from the valuer before being incorporated into the financial statements. We undertook appropriate work to understand the basis upon which any impairments to land and buildings have been calculated. <p>Our testing of the PPE identified a number of errors in the notes for property, plant and equipment which resulted in audit adjustments. We recommend that the Authority gives priority to reviewing the compilation of these notes for next year, which has been reported at Appendix 1.</p>

Financial Statements (continued)

Accounts production and audit process

The Authority has adequate processes in place for the production of the accounts and adequate quality supporting working papers.

Officers dealt with audit queries within a reasonable time.

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Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has adequate financial reporting arrangements in place. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts by 30 June 2015. The Authority has made a number of presentational changes to the accounts presented for audit.
Quality of supporting working papers	Our <i>Accounts Audit Protocol</i> , which we issued in March 2015, set out our working paper requirements for the audit. The quality of working papers were of an adequate standard, although there is scope for further improvement to ensure the delivery of a quality audit engagement in light of the further fee reductions from 2015/16 onwards.
Response to audit queries	Officers dealt with audit queries within a reasonable time.

Findings in respect of the control environment for key financial systems

There are no significant findings to report to you in respect of the control environment.

Prior year recommendations

As part of our audit we specifically follow up the Authority's progress in addressing the recommendations in last year's ISA 260 report. There was one recommendation relating to improvement of working papers for the statement of the accounts. We found that the Authority has not fully implemented the recommendation detailed in our ISA 260 Report 2013/14, therefore we have made this recommendation in this report.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of North West Leicestershire District Council for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and North West Leicestershire District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff.

We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the S151 Officer for presentation to the Audit and Governance Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;

- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority’s financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

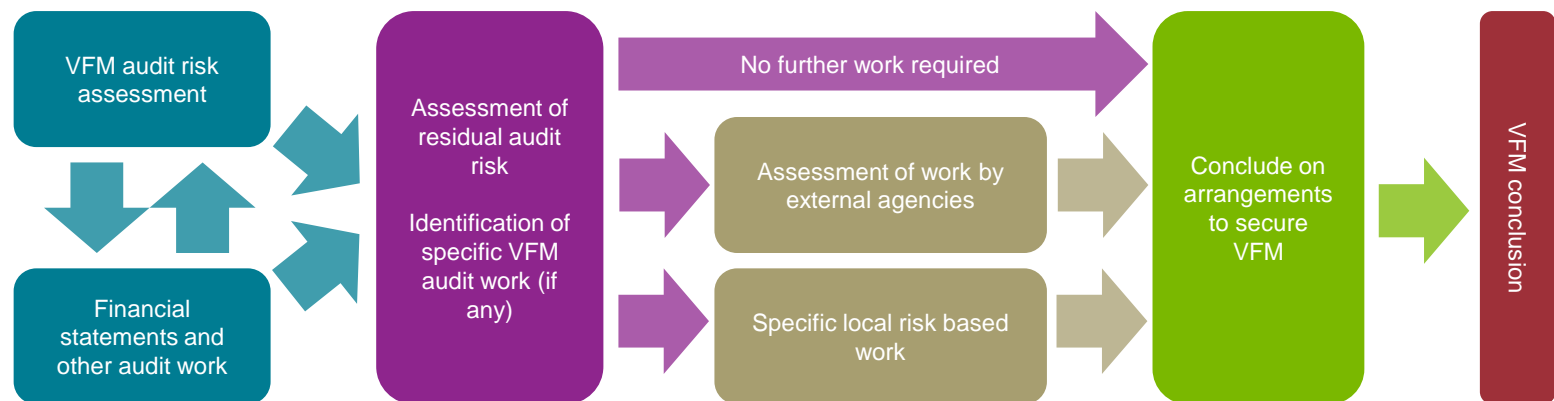
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
<p>1 Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	2	There were a number of errors in the notes for Investment Properties, Property, Plant and Equipment (PPE), Capital Adjustment Account and Revaluation Reserves, which resulted in audit adjustments. We recommend that the Authority gives priority to reviewing the compilation of these notes for next year.	Agreed, responsible officer Financial Planning Manager, due date 30 June 2016.
2	2	There a number of inconsistencies in the HRA Beacon references. We recommend that the Authority undertakes a data cleansing exercise to ensure it hold the correct data.	Agreed, responsible officer Financial Planning Manager, due date 30 June 2016.
3	3	The supporting working papers to the accounts were of an adequate standard, although could be more clearly presented to avoid additional queries being raised. We made this recommendation last year and have seen some improvement. We will again discuss with management specific working papers which could be improved.	Agreed, responsible officer Financial Planning Manager, due date 30 June 2016.

This appendix sets out the audit differences.

The financial statements have been amended for all of the errors identified through the audit process.

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We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit and Governance Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Uncorrected audit differences

There are no uncorrected audit differences to report.

Corrected audit differences

Material misstatements

The following material misstatements have been corrected in the revised accounts:

- Misclassification of £1.3m net book value relating to garages as Council Dwellings than Other Land and Buildings with no effect on the net book value. The 2013/14 figures have also been restated.

Non material audit differences

Our audit identified a small number of non material errors in the financial statements. These have been discussed with management and the financial statements have been amended for all of them as follows:

- Incorrect recognition of £0.07m relating to building valuations as Revaluation Reserve rather than CIES. Resulting in the incorrect recognition of £0.07m within the revaluation reserve rather than in the CIES, MIRS and Capital Adjustment Account.
- Incorrect recognition of £0.97m relating to building valuations as transfers rather than net gains from fair value adjustment. Resulting in the incorrect recognition of £0.97m within the revaluation reserve rather than in the CIES, MIRS and Capital Adjustment Account.
- Incorrect recognition of £0.73m disposals as revaluation decrease. Resulting in the omission of £0.41m from the CIES and MIRS and £0.73m from the Capital Adjustment Account.
- Revaluation did not reconcile between PPE note and Capital Adjustment Account, Revaluation Reserves and MIRS.
- Misclassification of £0.48m relating to April 2015 HMRC and Pensions payments as cash rather than creditors.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2014/15* ('the Code').

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

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Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit and Governance Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

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Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of North West Leicestershire District Council for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and North West Leicestershire District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

For 2014/15 our materiality is £1.1m for the Authority's accounts.

We have reported all audit differences over £55k for the Authority's accounts to the Audit and Governance Committee.

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Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2014/15, presented to you in April 2015.

Materiality for the Authority's accounts was set at £1.1m which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £55k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.

Appendix 5: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

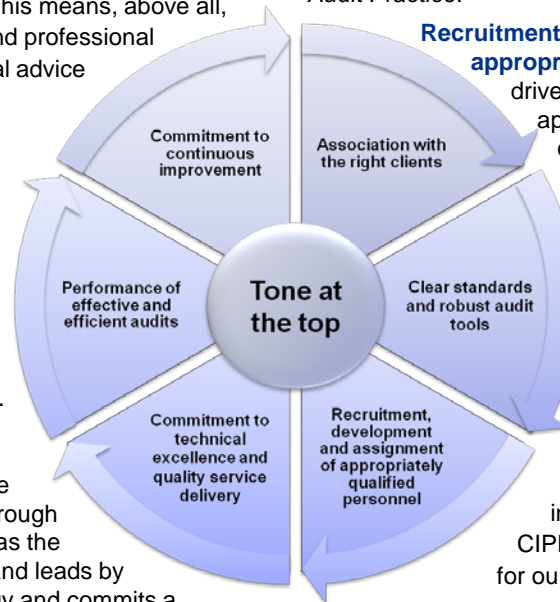
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. John Cornett as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel:

One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/>).

The latest Annual Regulatory Compliance and Quality Report (issued June 2014/2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.



cutting through complexity™

KPMG LLP
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

23 September 2015

Dear Mr Cornett

This representation letter is provided in connection with your audit of the financial statements of North West Leicestershire District Council (“the Authority”), for the year ended 31 March 2015, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority’s expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

These financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority’s expenditure and income for the year then ended; and
 - ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. In respect of the restatement of garages within the Property, Plant and Equipment note that has been made to correct a material misstatement in the prior period financial statements, resulting in the reclassification of garages from council dwellings to other land and buildings category, the Authority confirms that the restatement is appropriate.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular,

the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
11. The Authority confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit and Governance Committee on 23 September 2015.

Yours faithfully,

[Chair of the Audit and Governance Committee]
[Head of Finance]

Optional cc: [Audit and Governance Committee]

Appendix to the Authority Representation Letter of North West Leicestershire District Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).

- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 23 SEPTEMBER 2015

Title of report	REVIEW OF CORPORATE GOVERNANCE POLICIES
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk</p> <p>Financial Services Team Manager 01530 454492 anna.wright@nwleicestershire.gov.uk</p>
Purpose of report	To receive the committee's comments on the Anti-Fraud and Corruption and Anti-Money Laundering Policies.
Council Priorities	Value for Money
Implications:	
Financial/Staff	The adoption of these policies has no financial or staffing implications in itself.
Link to relevant CAT	N/A
Risk Management	Fraud risks are identified and monitored through the business planning process.
Equalities Impact Assessment	N/A
Human Rights	None
Transformational Government	No direct implications
Consultees	Internal Audit
Background papers	None
Recommendations	THAT THE COMMITTEE PROVIDES ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY CABINET WHEN IT MEETS ON 20 OCTOBER 2015 TO CONSIDER THE POLICIES.

1.0 INTRODUCTION

1.1 This report is to consult Audit and Governance Committee as a result of the review of two of the Council's Corporate Governance policies:

1. Anti-Fraud and Corruption Policy (Appendix 1)
2. Anti-Money Laundering Policy (Appendix 2).

2.0 BACKGROUND

2.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards. In discharging this responsibility the Council has in place arrangements for governance of its affairs and staff.

2.2 The following documents constitute the Council's suite of Corporate Governance policies:

- Anti-Fraud and Corruption Policy;
- National Fraud Initiative Fair Processing Notice;
- Confidential Reporting (Whistleblowing) Policy;
- Anti-Money Laundering Policy;
- Regulation of Investigatory Powers Act (RIPA) Policy;
- ICT Security Policy;
- Internet and Email Conditions of Use;
- Risk Management Strategy; and
- Local Code of Corporate Governance.

3.0 REVIEW OF GOVERNANCE POLICIES

3.1 The Anti-Fraud and Corruption and Anti-Money Laundering Policies have been reviewed to ensure they remain fit for purpose, reflect current legislation and best practice. Amendments have been made to both policies and are attached as Appendix 1 and 2 for review.



ANTI-FRAUD AND CORRUPTION POLICY

**A guide to the Council's approach to
preventing fraud and corruption and
managing suspected cases.**

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Anti-Fraud and Corruption Policy

1. Introduction

- 1.1 North West Leicestershire District Council, like every Local Authority, has a duty to ensure that it safeguards the public money that it is responsible for. The Council expects the highest standards of conduct and integrity from all that have dealings with it including staff, members, contractors, volunteers and the public. It is committed to the elimination of fraud and corruption and to ensuring that all activities are conducted ethically, honestly and to the highest standard of openness and accountability so as to protect public safety and public money.
- 1.2 All suspicions or concerns of fraudulent or corrupt practise will be investigated. There will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. Any investigations will not compromise the Council's commitment to Equal Opportunities or the requirements of the Human Rights Act or any other relevant statutory provision.

2. Scope

- 2.1 This policy provides an overview of the measures designed to combat any attempted fraudulent or corrupt act, whether attempted internally or externally. The policy is designed to:
- Encourage prevention;
 - Promote detection;
 - Ensure effective investigation where suspected fraud or corruption has occurred; and
 - Prosecute offenders where appropriate.

3. Definitions

3.1 Fraud

- 3.1.1 The Fraud Act 2006 is legislation that has been introduced in order to provide absolute clarity on the subject of fraud. Section 1 of the Act introduced a new general offence of fraud and three ways of committing it:
- Fraud by false representation
 - Fraud by failing to disclose information; and
 - Fraud by abuse of position.
- 3.1.2 Fraud by false representation requires:
- Dishonesty;
 - An intent to make gain or cause loss; and
 - The person makes the representation knowing that it is or might be untrue or misleading.
- 3.1.3 Fraud by failing to disclose information requires:
- Dishonesty;
 - An intent to make gain or cause loss; and
 - Failure to disclose information where there is a legal duty to disclose.

3.1.4 Fraud by abuse of position requires:

- Dishonesty;
- An intent to make gain or cause loss; and
- Abuse of a position where one is expected to safeguard another person's financial interests.

3.2 Corruption

3.2.1 Corruption is the offering, giving, soliciting or acceptance of an inducement or reward, or showing any favour or disfavour which may influence the action of any person to act improperly.

3.3 Bribery

3.3.1 The Bribery Act 2010 covers, amongst other things, the offences of bribing another person, of allowing persons to be bribed and organisational responsibility. Such offences include:

- The offer, promise or giving of financial or other advantage to another person in return for the person improperly performing a relevant function or activity.
- Requesting, agreeing to receive or accepting a financial or other advantage intending that, in consequence a relevant function or activity should be performed improperly.
- Commercial organisation responsibility for a person, associated with the organisation, bribing another person for the purpose of obtaining or retaining business for the organisation.

3.4 Money Laundering

3.4.1 Money laundering describes offences involving the integration of the proceeds of crime, or terrorist funds, into the mainstream economy. Whilst the risk of money laundering to the Council is relatively low and the provision of The Money Laundering Regulations 2007 do not strictly apply to the Council, the Council has adopted an Anti-Money Laundering policy as good practice. This policy supports staff in complying with the money laundering provisions included within the Proceeds of Crime Act 2002 and the Terrorism Act 2000.

4. **Culture**

4.1 The prevention/detection of fraud/corruption and the protection of public money are responsibilities of everyone, both internal and external to the organisation. The Council's elected members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will wherever possible be treated in confidence. The public also has a role to play in this process and should inform the Council if they feel that fraud/corruption may have occurred. The Nolan Committee on Standards in Public Life set out the seven guiding principles (Appendix A) that apply to people who serve the public.

4.2 Concerns must be raised when members, employees or the public reasonably believe that one or more of the following has occurred or is in the process of occurring or is likely to occur:

- A criminal offence;
- A failure to comply with a statutory or legal obligation;

- Improper or unauthorised use of public or other official funds;
- A miscarriage of justice;
- Maladministration, misconduct or malpractice;
- Endangering an individual's health and/or safety;
- Damage to the environment; and
- Deliberate concealment of any of the above.

4.3 The Council will ensure that any allegations received in any way, including by anonymous letter or telephone call, will be taken seriously and investigated in an appropriate manner. The Council has a [Confidential Report \(Whistleblowing\) policy](#) that sets out the approach to these types of allegation in more detail.

4.4 The Council will deal firmly with those who defraud the Council or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.

4.5 Where fraud or corruption has occurred due to a breakdown in the Council's systems or procedures, the Head of Service will ensure that appropriate improvements in systems of control are implemented in order to prevent re-occurrence.

5. Responsibilities

5.1 Responsibilities of Elected Members

5.1.1 As elected representatives, all members of the Council have a duty to protect the Council and public money from any acts of fraud and corruption. This is done through existing practice, compliance with the Members' Code of Conduct, the Council's Constitution including Financial Regulations and Standing Orders and relevant legislation.

5.2 Responsibilities of the Monitoring Officer

5.2.1 The Monitoring Officer is responsible for ensuring that all decisions made by the Council are within the law. The Monitoring Officer's key role is to promote and maintain high standards of conduct throughout the Council by developing, enforcing and reporting appropriate governance arrangements including codes of conduct and other standards policies.

5.3 Responsibilities of the Section 151 Officer

5.3.1 The Head of Finance has been designated as the statutory officer responsible for financial matters as defined by s151 of the Local Government Act 1972. The legislation required that every local authority in England and Wales should 'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs'.

5.3.2 Under the Head of Finance's responsibilities, 'proper administration' encompasses all aspects of local authority financial management including;

- Compliance with the statutory requirements for accounting and internal audit;
- Managing the financial affairs of the Council;
- The proper exercise of a wide range of delegated powers both formal and informal;
- The recognition of the fiduciary responsibility owed to local tax payers.

Under these statutory responsibilities the Section 151 Officer contributes to the anti-fraud and corruption framework of the Council.

5.4 Responsibilities of Employees

5.4.1 Each employee is governed in their work by the Council's Standing Orders and Financial Regulations, and other codes on conduct and policies (Employee Code of Conduct, Health and Safety Policy, IT Strategy, IT Security Policy). Included in the Employee Code of Conduct are guidelines on Gifts and Hospitality, and advice on professional and personal conduct and conflicts of interest. These are issued to all employees when they join the Council.

5.4.2 Employees are responsible for ensuring that they follow instructions given to them by management, particularly in relation to the safekeeping of the assets of the Council.

5.4.3 Employees are expected always to be aware of the possibility that fraud, corruption and theft may exist in the workplace and be able to share their concerns with management.

5.5 Role of the Leicestershire Revenues and Benefits Partnership Fraud Investigation Team

5.5.1 The Fraud Team based at the Leicestershire Revenues and Benefits Partnership are responsible for the investigation of all revenues and benefit related alleged/suspected fraud cases. Due to the specialised nature of these investigations, a separate sanctions policy has been developed that covers all aspects of the investigation process.

5.6 Role of the External Auditors

5.6.1 Independent external audit is an essential safeguard of the stewardship of public money. This is currently carried out by KPMG through specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice.

5.7 Role of the Public

5.7.1 This policy, although primarily aimed at those within or associated with the Council, enables concerns raised by the public to be investigated, as appropriate, by the relevant person in a proper manner.

5.8 Conflicts of Interest

5.8.1 Both elected members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues etc. Effective role separation will ensure decisions made are seen to be based on impartial advice and avoid questions about improper disclosure of confidential information.

6. Prevention and Deterrence

6.1 Responsibilities of the Senior Management Team

6.1.1 Managers at all levels are responsible for the communication and implementation of this policy. They are also responsible for ensuring that their employees are aware of the Council's policies and procedures relating to financial management and conduct and that the requirements are being met. Managers are expected to create an environment in which their staff feels able to approach them with any concerns they may have about suspected irregularities. Special arrangements may be applied from time to time for example where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll or the Council Tax system. These procedures should be supported by relevant training.

6.1.2 The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts and agency staff. The Council's formal recruitment procedures contain appropriate safeguards in the form of written references, the verification of qualifications held and employment history. Disclosure and Barring Service (DBS) checks are undertaken for employees working with or who may have contact with children and vulnerable adults.

6.2 Role of Internal Audit

6.2.1 Internal Audit plays a preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. Internal Audit may be requested to investigate cases of suspected financial irregularity, fraud or corruption, except Benefit fraud investigations and Single Person Discount fraud, in accordance with agreed procedures. Within the Financial Procedures Rules in the Constitution, representatives of Internal Audit have the authority to:

- enter any council owned or occupied premises or land at all times (subject to any legal restrictions outside the council's control);
- have access at all times to the council's records, documents and correspondence;
- require and receive such explanations from any employee or member of the council as he or she deem necessary concerning any matter under examination; and
- require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.

Internal Audit liaises with management to recommend changes in procedures to reduce risks and prevent losses to the Authority.

6.3 Working with others and sharing information

6.3.1 The Council is committed to working and co-operating with other organisations to prevent fraud and corruption and protect public funds. The Council may use personal information and data-matching techniques to detect and prevent fraud, and ensure public money is targeted and spent in the most appropriate and cost-effective way. In order to achieve this, information may be shared with other bodies for auditing or administering public funds including the Cabinet Office, the Department of Work and Pensions, other local authorities, National Anti-Fraud Network, HM Revenues and Customs, and the Police.

6.4 National Fraud Initiative (NFI)

6.4.1 The Council participates in the National Fraud Initiative (NFI). This requires public bodies to submit a number of data sets, for example payroll, council tax, and accounts payable (but not limited to these) which is then matched to data held by other public bodies. Any positive matches (e.g. an employee on the payroll in receipt of housing benefit) are investigated.

6.5 Training and awareness

6.5.1 The successful prevention of fraud is dependent on risk awareness, the effectiveness of training and the responsiveness of staff throughout the Council. The Council recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of training and awareness for members and employees and will therefore take appropriate action to raise awareness levels.

6.6 Disciplinary Action

6.6.1 The Council's Disciplinary Procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. Theft, fraud and corruption are serious offences which may constitute gross misconduct against the Council and employees will face disciplinary action if there is evidence that they have been involved in these activities, including Benefit fraud. Disciplinary action will be taken in addition to, or instead of, criminal proceedings depending on the circumstances of each individual case.

6.6.2 Members will face appropriate action under this policy if they are found to have been involved in theft, fraud or corruption against the Authority. Action will be taken in addition to, or instead of criminal proceedings, depending on the circumstances of each individual case but in a consistent manner. If the matter is a breach of the Members Code of Conduct then it will be dealt with under the arrangements agreed by the Council in accordance with the Localism Act 2011.

6.7 Prosecution

6.7.1 In terms of proceedings the Council will endeavour to take action in relevant cases to deter others from committing offences against the Authority. Any prosecution will be in accordance with the principles contained within The Code for Crown Prosecutors.

6.8 Publicity

6.8.1 The Council will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. Wherever possible, where the Council has suffered a financial loss action will be taken to pursue the recovery of the loss.

6.8.2 All anti-fraud and corruption activities, including the update of this policy, will be publicised in order to make employees and the public aware of the Council's commitment to taking action on fraud and corruption when it occurs.

7. Detection and Investigation

- 7.1 Although audits may detect fraud and corruption as a result of the work that they are undertaking, the responsibility of the detection of financial irregularities primary rests with management. Included within the audit plans are reviews of system controls including financial controls and specific fraud and corruption tests, spot checks and unannounced visits.
- 7.2 In addition to Internal Audit, there are numerous systems and management controls in place to deter fraud and corruption but it is often the vigilance of employees and members of the public that aids detection. In some cases frauds are discovered by chance or 'tip-off' and the council will ensure that such information is properly dealt with within its Confidential Reporting (Whistleblowing) policy.
- 7.3 The Council is committed to the investigation of all instances of actual, attempted and suspected fraud committed by employees, Members, consultants, suppliers and other third parties and the recovery of funds and assets lost through fraud.
- 7.4 Any suspected fraud, corruption or other irregularity should be reported to Internal Audit. The Senior Auditor will decide on the appropriate course of action to ensure that any investigation is carried out in accordance with Council policies and procedures, key investigation legislation and best practice. This will ensure that investigations do not jeopardise any potential disciplinary action or criminal sanctions.
- 7.5 Action could include:
- Investigation carried out by Internal Audit staff;
 - Joint investigation with Internal Audit and relevant directorate management;
 - Directorate staff carry out investigation and Internal Audit provide advice and guidance;
 - Referral to the Police.
- 7.6 The responsibility for investigating potential fraud, corruption and other financial irregularities within the Council lies mainly (although not exclusively) with the Internal Audit section.

8. Raising Concerns

- 8.1 All suspected or apparent fraud or financial irregularities must be raised, in the first instance, directly with the manager or if necessary in accordance with the Council's [Confidential Reporting \(Whistleblowing\) Policy](#). Advice and guidance on how to pursue matters of concern may be obtained from the Council's nominated contact points who are:
- Chief Executive: CHRISTINE.FISHER@nwleicestershire.gov.uk
Telephone 01530 454500
 - Monitoring Officer: ELIZABETH.WARHURST@nwleicestershire.gov.uk
Telephone 01530 454762
 - Section 151 Officer: RAY.BOWMER@nwleicestershire.gov.uk
Telephone 01530 454520
 - Senior Auditor: LISA.COTTON@nwleicestershire.gov.uk
01530 454728

The Seven Principles of Public Life

Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisation that might influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and action that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

Committee on Standards in Public Life – The Nolan Report (1995)



ANTI-MONEY LAUNDERING POLICY

**A guide to the Council's anti-money
laundering safeguards and reporting
arrangements.**

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Anti-Money Laundering Policy

1. Introduction

- 1.1 Although local authorities are not directly covered by the requirements of the Money Laundering Regulations 2007, guidance from the Chartered Institute for Public Finance and Accountancy (CIPFA) indicates that they should comply with the underlying spirit of the legislation and regulations. The Council is committed to the highest possible standards of conduct and has, therefore, put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

2. Scope of the Policy

- 2.1 This policy applies to all employees, whether permanent or temporary, and Members of the Council. Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the Council. Individuals who may have a concern relating to a matter outside work should contact the Police.

3. Definition of Money Laundering

- 3.1 Money laundering describes offences involving the integration of the proceeds of crime, or terrorist funds, into the mainstream economy. Such offences are defined under the Proceeds of Crime Act 2002 as the following 'prohibited acts':
- a) Concealing, disguising, converting, transferring or removing criminal property from the UK;
 - b) Becoming involved in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property;
 - c) Acquiring, using or possessing criminal property;
 - d) Doing something that might prejudice an investigation e.g. falsifying a document;
 - e) Failure to disclose one of the offences listed in a) –c) above, where there are reasonable grounds for knowledge or suspicion;
 - f) Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.
- 3.2 Provided the Council does not undertake activities regulated under the Financial Services and Markets Act 2000, the offences of failure to disclose and tipping off do not apply. However, the Council and its employees and Members remain subject to the remainder of the offences and the full provisions of the Terrorism Act 2000.
- 3.3 The Terrorism Act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism.
- 3.4 Although the term 'money laundering' is generally used to describe the activities of organised crime for most people it will involve a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.
- 3.5 Potentially very heavy penalties (unlimited fines and imprisonment up to fourteen years) can be handed down to those who are convicted of one of the offences above.

4. Requirements of the Money Laundering Legislation

4.1 The main requirements of the legislation are:

- To appoint a money laundering reporting officer;
- Maintain client identification procedures in certain circumstances;
- Implement a procedure to enable the reporting of suspicions of money laundering; and
- Maintain record keeping procedures.

5. The Money Laundering Reporting Officer (MLRO)

5.1 The Council has designated the Section 151 Officer as the Money Laundering Reporting Officer (MLRO). He can be contacted on 01530 454520 or at ray.bowmer@nwleicestershire.gov.uk .

In the absence of the MLRO or instances where it is suspected that the MLRO themselves are involved in suspicious transactions, concerns should be raised with the Deputy Section 151 Officer. He can be contacted on 01530 454707 or at pritesht.padaniya@nwleicestershire.gov.uk .

6. Client Identification Procedures

6.1 Although not a legal requirement, the Council has developed formal client identification procedures which must be followed when Council land or property is being sold. These procedures require individuals and if appropriate, companies to provide proof of identity and current address.

If satisfactory evidence is not obtained at the outset of a matter, then the transaction must not be progressed and a disclosure report, available on iNet, must be submitted to the Money Laundering Reporting Officer.

All personal data collected must be kept in compliance with the Data Protection Act.

7. Reporting procedure for Suspicions of Money Laundering

7.1 Where you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under the Act, you must disclose this as soon as practicable to the MLRO. The disclosure should be within 'hours' of the information coming to your attention, not weeks or months.

7.2 Your disclosure should be made to the MLRO using the disclosure form, available on iNet. The report must include as much detail as possible including:

- Full details of the person involved;
- Full details of the nature of their/your involvement;
- The types of money laundering activity involved;
- The dates of such activities;
- Whether the transactions have happened, are ongoing or are imminent;
- Where they took place;
- How they are undertaken;
- The (likely) amount of money/assets involved; and
- Why, exactly, you are suspicious.

Along with any other available information to enable the MLRO to make a sound judgement as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable him to prepare his report to the National Crime Agency (NCA), where appropriate. You should also enclose copies of any relevant supporting documentation.

- 7.3 If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327-329 of the Proceeds of Crime Act 2002, then your report must include all relevant details, as you will need consent from the NCA, via the MLRO, to take any further part in the transaction – this is the case even if the client gives instructions for the matter to proceed before such consent is given. You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline.
- 7.4 Once you have reported the matter to the MLRO you must follow any directions he may give you. You must NOT make any further enquiries into the matter yourself, any necessary investigation will be undertaken by the NCA. Simply report your suspicions to the MLRO who will refer the matter on to the NCA if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 7.5 Similarly, at no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, even if the NCA has given consent to a particular transaction proceeding, without the specific consent of the MLRO; otherwise you may commit a criminal offence of ‘tipping off’.
- 7.6 Do not, therefore, make any reference on a client file, to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

8. Consideration of the disclosure by the Money Laundering Reporting Officer

- 8.1 Upon receipt of a disclosure report, the MLRO must note the date of receipt on his section of the report and acknowledge receipt of it. He should also advise you of the timescale within which he expects to respond to you.
- 8.2 The MLRO will consider the report and any other available internal information he thinks relevant e.g.
- reviewing other transaction patterns and volumes;
 - the length of any business relationship involved;
 - the number of any one-off transactions and linked one-off transactions;
 - any identification evidence held.
- and undertake such other reasonable inquiries he thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.
- 8.3 Once the MLRO has evaluated the disclosure report and any other relevant information, he must make a timely determination as to whether;
- there is an actual or suspected money laundering taking place; or
 - whether there are reasonable grounds to know or suspect that this is the case; and

- whether he needs to seek consent from the NCA for a particular transaction to proceed.
- 8.4 Where the MLRO does so conclude, then he must disclose the matter as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless he has a reasonable excuse of non-disclosure to the NCA (for example, if you a lawyer and you wish to claim legal professional privilege for not disclosing the information).
- 8.5 Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then he must note the report accordingly, he can then immediately give his consent for any ongoing or imminent transactions to proceed. In cases where legal professional privilege may apply, the MLRO must liaise with the Council's Monitoring Officer to decide whether there is a reasonable excuse for not reporting the matter to the NCA.
- 8.6 Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question, must not be undertaken or completed until the NCA has given specific consent, or there is deemed consent through the expiration of the relevant time limits in which the NCA must respond and no response has been received.
- 8.7 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then he shall mark the report accordingly and give his consent for any ongoing or imminent transaction(s) to proceed.
- 8.8 All disclosure reports referred to the MLRO and reports made by him to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.
- 8.9 The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the NCA.
- 9. Training**
- 9.1 Officers considered likely to be exposed to suspicious situations, will be made aware of these by their senior officer and provided with appropriate training.
- 9.2 Additionally, all employees and Members will be familiarised with the legal and regulatory requirements relating to money laundering and how they affect both the Council and themselves.
- 9.3 Notwithstanding the paragraphs above, it is duty of officers and Members to report all suspicious transactions whether they have received their training or not.
- 10. Review**
- 10.1 This policy will be reviewed annually.

**AUDIT AND GOVERNANCE COMMITTEE
WORK PLAN 2015 - 16**

Issue	Details	Report Author	Meeting at which will be reported
Annual Audit Letter	To consider the Annual Audit Letter	Senior Auditor	9 December 2015
Internal Audit Plan Update Report	To receive an update report on the Internal Audit plan	Senior Auditor	9 December 2015
Treasury Management Activity Report	To consider the Treasury Stewardship report	Head of Finance	9 December 2015
Standards Quarterly Report	To receive the quarterly report	Head or Legal & Support Services	9 December 2015
Member Conduct Annual Report	To consider the Annual Report.	Head of Legal & Support Services	23 March 2016
Standards Quarterly Report	To receive the quarterly report	Head or Legal & Support Services	23 March 2016
Internal Audit Plan Update Report	To receive an update report on the Internal Audit plan	Senior Auditor	23 March 2016
Treasury Management Activity Report	To consider the Treasury Stewardship report	Head of Finance	23 March 2016
Standards Quarterly Report	To receive the quarterly report	Head or Legal & Support Services	29 June 2016
Internal Audit Progress Report	To consider the progress report.	Senior Auditor	29 June 2016
Internal Audit Annual Report	To consider the annual report.	Senior Auditor	29 June 2016
Treasury Management Activity Report	To consider the Treasury Stewardship report	Head of Finance	29 June 2016

Updated: 11/09/15

Agenda Item 12.

