

Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 9 December 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 23 September 2015.	3 - 8
4. ANNUAL AUDIT LETTER 2014/15	
Report of the Head of Finance	9 - 16
5. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE	
Report of the Head of Finance	17 - 40



6.	INTERNAL AUDIT PROGRESS REPORT - NOVEMBER 2015	
	Report of the Senior Auditor	41 - 62
7.	TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO OCTOBER 2015	
	Report of the Head of Finance	63 - 70
8.	CHANGES TO THE COUNCIL'S REGULATION OF INVESTIGATORY POWERS ACT (RIPA) POLICY	
	Report of the Head of Legal and Support Services	71 - 82
9.	STANDARDS AND ETHICS - QUARTER 2 REPORT	
	Report of the Head of Legal and Support Services	83 - 90
10.	COMMITTEE WORK PLAN	
	To note the Committee's Work Plan	91 - 92

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, 23 SEPTEMBER 2015

Present: Councillor J Cotterill (Chairman)

Councillors R Adams, R Ashman, J Clarke, F Fenning, D Harrison, T Neilson and A C Saffell

In Attendance: Councillors R Johnson

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

External Audit: Mr J Cornett and Mr S Gill

10. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor K Merrie.

11. DECLARATION OF INTERESTS

There were no interests declared.

12. MINUTES

Consideration was given to the minutes of the meeting held on 24 June 2015.

Councillor A C Saffell made reference to the report he had requested be included in the work programme. It was noted that this report would be submitted to the Policy Development Group in accordance with the Terms of Reference.

It was moved by Councillor J Cotterill, seconded by Councillor R Adams and

RESOLVED THAT:

The minutes of the meeting held on 24 June 2015 be approved and signed by the Chairman as a correct record.

13. STANDARDS AND ETHICS - QUARTER 1 REPORT

The Head of Legal and Support Services presented the report to members, advising that there was one ongoing complaint this quarter which was currently undergoing the informal resolution process. She highlighted the reduction in Freedom of Information requests, which was likely to be attributable to the increase in the amount of information available on the council's website, as a result of which, more people were able to access the information themselves.

Councillor T Neilson made reference to the increase in corporate complaints and asked how much of the increase in total complaints was attributable to housing. The Head of Legal and Support Services agreed to provide this information to the Committee after the meeting.

Councillor F Fenning asked who determined the level of compensation in cases where fault had been found. He also requested an estimate of the cost of compensation in such cases. The Head of Legal and Support Services agreed to provide details of the total cost after the meeting. She advised that the amount paid was determined by the Chief Executive or Director as appropriate, and a formula and scale was utilised. She added that the total amount paid would depend upon the circumstances and nature of complaint.

RESOLVED THAT:

The report be received and noted.

14. ANNUAL GOVERNANCE STATEMENT 2014 - 15

The Head of Finance explained that there were three reports on the agenda relating to the Statement of Accounts. He advised that the Chairman had agreed a revised agenda order to make the flow more natural and to ensure that members had the information they needed in order to sign off the Statement of Accounts.

The Head of Finance presented the report to members, bringing to their attention the post balance sheet event relating to the summer budget as outlined on page 26 of the agenda. He advised that the rent guidelines had an impact upon the housing revenue budget and business plan, as rents could not be increased over the next four years.

It was moved by Councillor R Ashman, seconded by Councillor D Harrison and

RESOLVED THAT:

The Annual Governance Statement be approved.

15. REPORT TO THOSE CHARGED WITH GOVERNANCE 2014/15

The Head of Finance introduced the report to members, drawing their attention to the recommendations on page 91 of the agenda which would need to be addressed prior to the preparation of the accounts for 2015/16.

The External Auditor presented the report to Members, drawing their attention to the headline messages which were summarised in the report. He advised that he proposed to issue an unqualified opinion on the accounts by the end of September. He highlighted the adjustments which were to be made to the accounts, most of which were presentational in nature, and the three key risks to the delivery of the audit which had been identified, two of which were standard risks in all external audits. The third risk identified was in respect of the valuation and privatisation of fixed assets.

The External Auditor stated that adequate support arrangements were in place in respect of the accounts. He added that officers had acted upon previous recommendations in respect of the quality of the papers, however there was still some room for improving this further. He explained that a short piece of work was also needed in respect of the whole of government accounts submission, however this fundamentally could not be completed until it was clear that the requisite adjustments had been made to the accounts as set out on page 85 of the agenda, most of which were misclassification issues with no impact on the financial outturn position of the council. He highlighted one misclassification issue which had been listed as an asset, when in fact it was a liability; however this would have no impact upon the outturn position. He advised that there were other adjustments to be made which were purely presentational and nothing of significance. He highlighted the recommendations on page 91 of the agenda and the indicative timetable, which officers were in agreement with. He stated that the recommendations would be monitored throughout the year to ensure that progress was being made.

Councillor T Neilson asked if there was any internal target completion date in respect of the three recommendations to ensure these were followed through. The Head of Finance advised that these recommendations would need to be acted upon before work was started on the accounts next year, and his target date would be the end of February.

In respect of the statement to be presented to government, Councillor F Fenning asked if there was any risk that the government might seek to claw back a surplus balance where a surplus was in place for more than 2 years. The Head of Finance explained that when the Revenue Budget was agreed by Cabinet and Council in February, an underspend of £1 million was projected. He advised that a level of reserves had been agreed taking into account of the risks facing the council in terms of income. He added that Council and Cabinet were happy to naturally allow the £1 million to be added to the reserves at year end, so that the reserves would rise to £2.24 million, which was considered prudent. He explained that when the accounts were closed, it was found that there was an additional £600,000 underspend, and therefore there would be an extra £600,000 in the reserves. Cabinet had agreed that this would be spent on special projects in the short term. He advised that there was currently nothing in law in respect of holding excessive reserves, however he was mindful that this might not always be the case. He explained that any funds in excess were earmarked and a reason was provided for holding the money.

Councillor F Fenning felt that stating that the funds were to be used for special projects was rather vague, and asked if they needed to be specified. The Head of Finance advised that there was no requirement to be specific, and referring to the Cabinet report, there was so much work to be done that it was hard to see how the money would not be spent.

It was moved by Councillor R Adams, by seconded by Councillor T Neilson and

RESOLVED THAT:

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

16. ANNUAL STATEMENT OF ACCOUNTS 2014/15

The Head of Finance presented the report to members.

Councillor F Fenning asked what effect the significantly increased statistical projection in respect of pensions would have on the council and whether this was a risk. The Head of Finance advised that when the Medium Term Financial Strategy (MTFS) was compiled, assumptions were made in respect of the level of employer contributions to the pensions scheme. He added that there was very little the council could do to affect this as Leicestershire County Council were the pensions authority. He advised that the percentage of contributions had risen steadily over the last few years, however he reminded members that theoretically this could also decrease. He advised that in the MTFS an increase had been assumed for next year, but no subsequent increases had been assumed as no information was available from Leicestershire County Council.

Councillor F Fenning commented that local authorities must be one of the last bastions of the final salary pension scheme. He asked if there was any pressure to bring in a separate scheme for new employees. The Head of Finance advised that the pension scheme had been reviewed and had already been moved to an average salary scheme. He added that any new entrants would be on an average salary scheme from day one.

Councillor A C Saffell stated that he liked to be able to understand the overall opposition and he found the pie charts helpful. He noted from the report that 60% of the council's normal expenditure was spent on salaries and requested the number of full time

equivalent staff at the council, and the number of consultants. The Head of Finance agreed to provide an update to the information which he had previously circulated.

Councillor T Neilson referred to page 20 of the Statement of Accounts and noted that the total authority reserves had increased by £12,500 over the last two years and the total usable reserved had increased by over £9 million. He sought clarification on the figures and commented that this seemed to be a large increase over two years. The Head of Finance agreed to provide a written response.

In response to a question from Councillor F Fenning, the Head of Finance advised that the Corporate Leadership Team received information on the level of spend on consultants in order to monitor this. He explained that the recent trend had been moving away from temporary agency and consultancy work. He added that there was no evidence of staff leaving the authority and returning as consultants.

It was moved by Councillor T Neilson, seconded by Councillor J Clarke and

RESOLVED THAT:

- a) That the Annual Statement of Accounts be approved
- b) That the Chairman of the meeting be authorised to sign the accounts as approved
- c) Authority be delegated to the Chairman of the Committee and the Section 151 Officer to approve any minor non material amendments, as agreed with the auditor, to the accounts on behalf of the Committee

17. INTERNAL AUDIT PROGRESS REPORT - AUGUST 20

The Senior Auditor presented the report to members, drawing their attention to the key points set out on page 43 of the agenda. She highlighted the audit plan at Appendix A and advised that progress in respect of the audit plan had been slower than anticipated due to sickness in the team. She added that this had been addressed by engaging some temporary resources and she was confident that this could be brought back up to date. She reported that two final audit reports had been issued this quarter in respect of aids and adaptations and HR and payroll, the executive summaries of which were included on page 48 of the agenda. She stated that there were a number of high priority recommendations made in respect of the HR and payroll audit, and as such it had been considered appropriate to follow these up formally at the next full audit later in the financial year. She added that the Head of Finance and Chief Executive were monitoring progress on these recommendations.

The Head of Finance drew members' attention to the information relating to the risk register and advised that there was a significant amount of project work coming forward, and therefore having recognised that risk, the Chief Executive had put in place plans to increase capacity.

Councillor T Neilson commented that it was difficult to ascertain which indicators were amber and green as the document was in black and white. He requested that a key be included.

Councillor T Neilson stated that he was aware of 2 serious breaches of data protection recently, and he asked whether the council was assessing itself against any standards as part of information security. He sought clarification on the policies and procedures that were in place, whether these were robust enough and whether any review had been undertaken. The Head of Legal and Support Services assured members that these concerns had been addressed, and the Corporate Leadership Team had been proactive

in requesting that a health check take place. She added that at the same time it was ensured that the health check would address any matters which would be raised by internal audit. She advised that the report was in the final stages and it would be appropriate to share more detail once the report was finalised.

The Senior Auditor advised that she had fed into the objectives which an internal audit would have sought to address. She added that she had reviewed the report and was satisfied that it met those objectives.

The Chairman highlighted an error in the recommendation and advised members were being asked to note the report only.

It was moved by Councillor T Neilson, seconded by Councillor D Harrison and

RESOLVED THAT:

The report be noted.

18. INTERNAL AUDIT CHARTER

The Senior Auditor presented the report to members. She stated that the Public Sector Internal Audit Standards required every audit function to have a charter setting out the purpose and responsibilities of the audit function, and the standards required that the charter be reviewed and updated annually. She advised that other than changes relating to minor updates to legislation, a section had been added in respect of records retention, which addressed one of the recommendations from a previous external audit. She added that the charter itself had been reviewed and approved by the Corporate Leadership Team.

Councillor F Fenning commented on the cost of keeping paper records and how much the council was moving away from computerised records. He also expressed concern regarding external organisations coming into the building and emphasised the vitality of internal audit and the security of documents. The Senior Auditor advised that internal audit already worked electronically and did not retain any paper based records. She added that any ongoing work was locked away in a cupboard and electronic records were subject to the usual network security so could only be accessed by internal audit staff.

It was moved by Councillor R Adams, seconded by Councillor T Neilson and

RESOLVED THAT:

The internal audit charter be approved.

19. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO AUGUST 2015

The Head of Finance presented the report to members, highlighting that three technical breaches of the council's counterparty policy had occurred which he was required to bring to members' attention. He explained that one of the council's counterparties had returned monies a day early, and as a result of this, the council had deposited £0.9 million over the contractually agreed limit with Lloyds Bank. He added that as soon as this was discovered, the funds were moved. He concluded that clearly the limit to this counterparty needed to be reviewed as it was a very good counterparty, and was also the council's bank.

It was moved by Councillor T Neilson, seconded by Councillor R Ashman and

RESOLVED THAT:

The report be approved.

20. REVIEW OF CORPORATE GOVERNANCE POLICES

The Head of Finance presented the report to members, highlighting the updated policies appended to the report.

Councillor T Neilson asked if, in cases which resulted in a conviction, there was any incentivisation to encourage people to report fraud.

The Head of Finance stated that he was not aware of any reward schemes. He added that ethics of this may be questionable as the Council would want any reports to be genuine.

Councillor J Clarke commented that in the National Health Service, there had been cases of disincentivisation in respect of whistleblowing. He asked if there was any structure in place at the Council to prevent this.

The Head of Legal and Support Services advised that the Council had a separate whistleblowing policy and there was a commitment that people would not be victimised for coming forward.

In response to questions from Councillor A C Saffell, the Head of Finance advised that the two policies appended were existing policies which had been updated. The Head of Legal and Support Services reassured members that all the policies and reports were considered by the Council's legal team who would ensure that any relevant legislation was complied with and any emerging government policies were considered.

Councillor T Neilson commented that he did not consider there to be an ethical dilemma with incentivising fraud reporting so long as controls were in place.

It was moved by Councillor D Harrison, seconded by Councillor R Ashman and

RESOLVED THAT:

The report be received and noted.

21. COMMITTEE WORK PLAN

It was noted that there were no external audit reports on the work plan. The External Auditor to provide details of future reports to be included in the work plan.

RESOLVED THAT:

The Committee Work Plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.42 pm

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE - 9 DECEMBER 2015

Title of report	ANNUAL AUDIT LETTER 2014/15
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Director of Resources 01530 454501 steve.barrett@nwleicestershire.gov.uk</p> <p>Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk</p>
Purpose of report	To report the receipt of the Annual Audit Letter.
Reason for Decision	To receive a report from the External Auditor.
Council Priorities	Value for Money.
Implications:	
Financial/Staff	None.
Link to relevant CAT	None.
Risk Management	Not required.
Equalities Impact Assessment	Not required.
Human Rights	None identified.
Transformational Government	Not applicable.
Consultees	None
Background papers	None.
Recommendations	THAT THE 2014/15 ANNUAL AUDIT LETTER BE NOTED

1.0 BACKGROUND

- 1.1 The External Auditor, KPMG, was responsible for the external audit of the Council's financial statements and Value for Money arrangements in 2014/15. KPMG has provided the Annual Audit letter for consideration by the Committee. The External Auditor has already reported the findings of his audit and issued an unqualified audit opinion on the 2014/15 Financial Statements and confirmed that the Council's arrangements for providing Value for Money are satisfactory.
- 1.2 The Letter summarises all the findings from the 2014/15 audit. It is much shorter than previous audit letters provided by the Audit Commission prior to 2011/12 when KPMG were appointed as the Council's External Auditors.
- 1.3 A copy of the Annual letter is attached at Appendix 1.

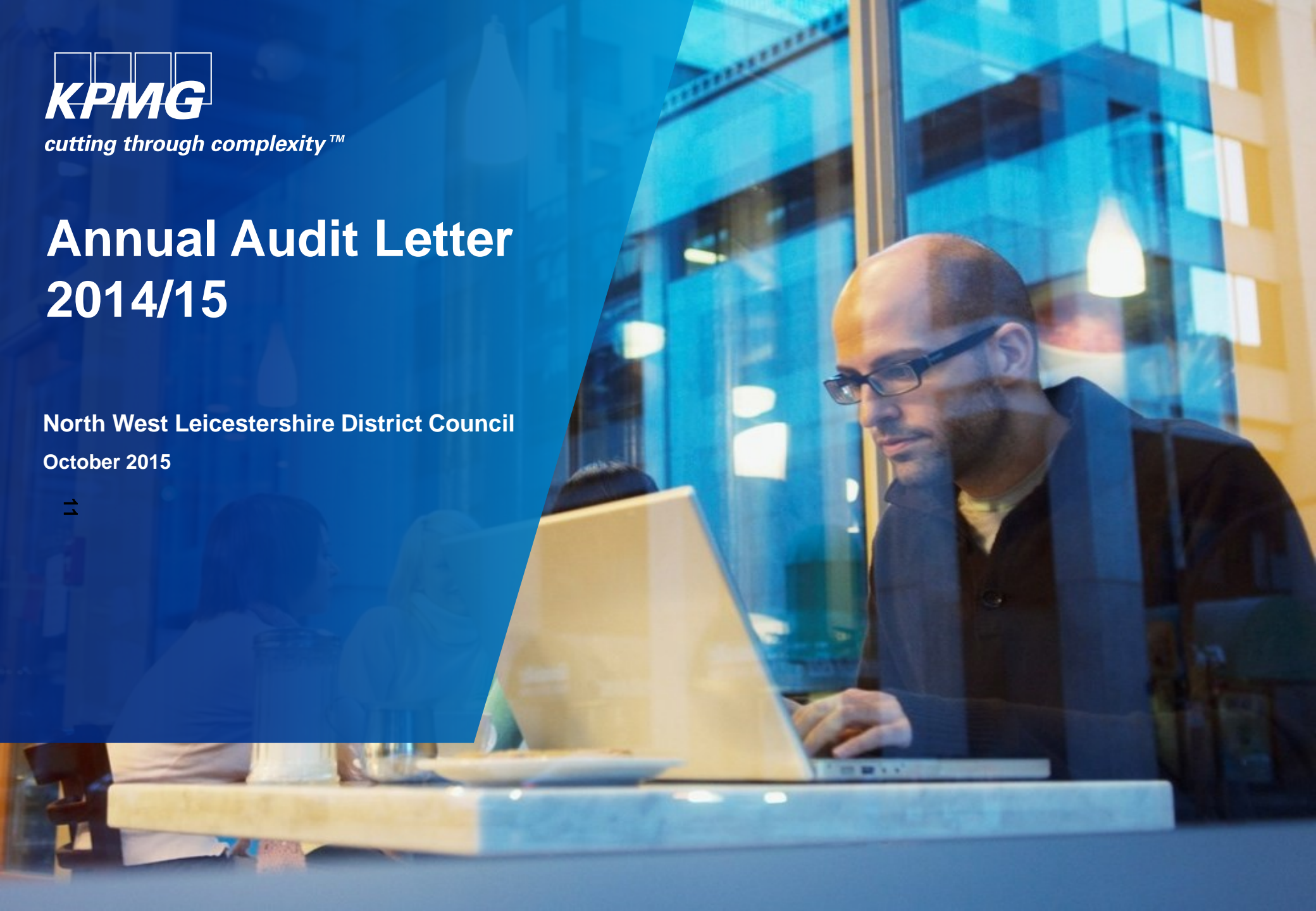


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Annual Audit Letter 2014/15

North West Leicestershire District Council

October 2015



**The contacts at KPMG
in connection with this
report are:**

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Report sections

- Headlines

Appendices

1. Summary of reports issued
2. Audit fees

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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 PSA'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 report summarises the key findings from our 2014/15 audit of North West Leicestershire District Council (the Authority).

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

Our audit covers the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

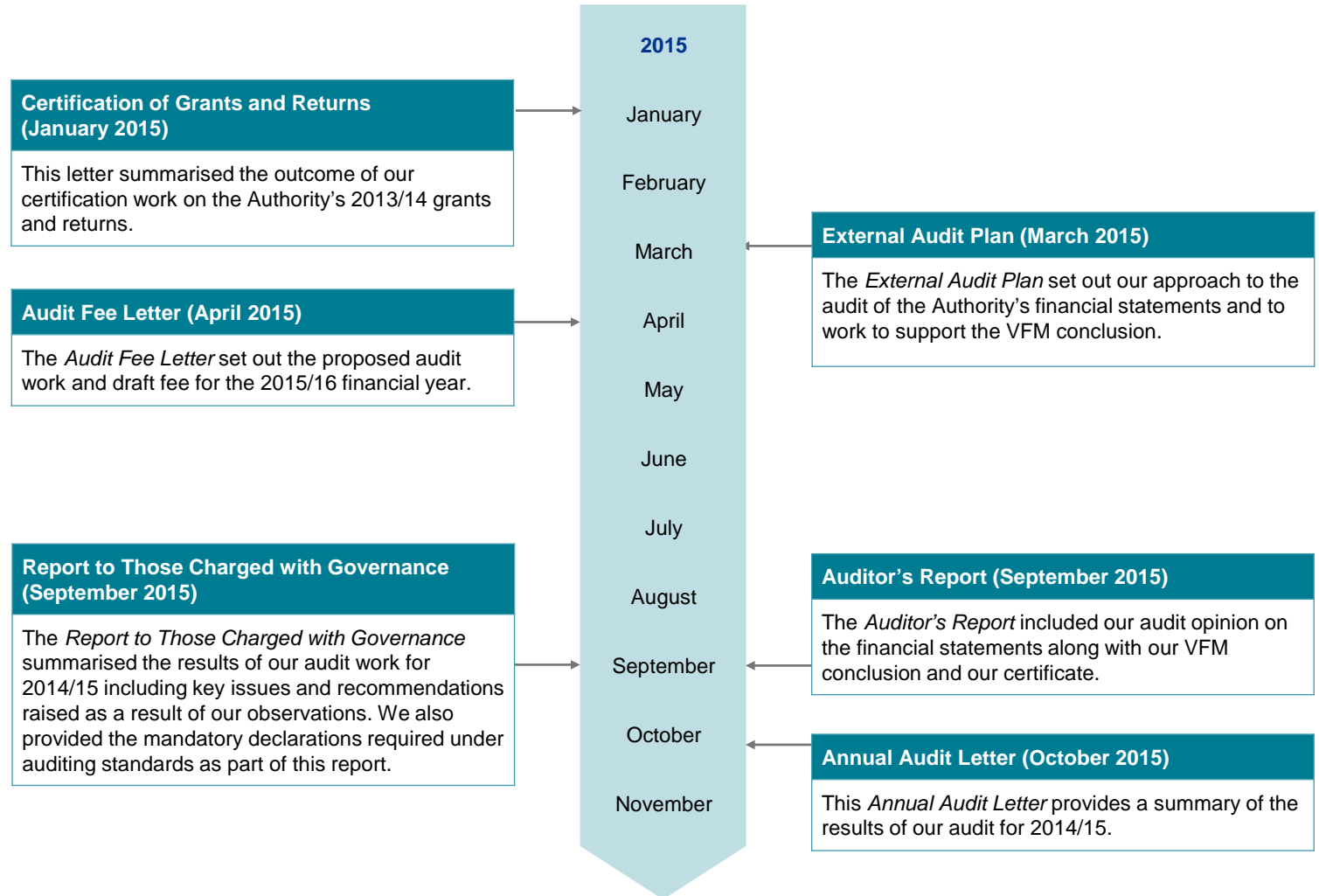
All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 29 September 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on date 29 September 2015. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
Financial statements audit	<p>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. We have made a recommendation relating to working papers in our ISA 260.</p> <p>Our audit of the financial statements resulted in a number of presentational adjustments in relation to Investment Properties, Property, Plant and Equipment (PPE), Capital Adjustment Account, Revaluation Reserves, Cash and Creditors.</p> <p>In addition, the Authority made a small number of non-trivial adjustments, most of which were of a presentational nature.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding of your governance arrangements</p>
Whole of Government Accounts	<p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.</p>
Certificate	<p>We issued our certificate on 29 September 2015. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the <i>Audit Commission's Code of Audit Practice</i>.</p>
Audit fee	<p>Our fee for 2014/15 was £67,362 excluding VAT. Further detail is contained in Appendix 2.</p>

Appendix 1: Summary of reports issued

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

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This appendix provides information on our final fees for the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit of the Authority was £67,362, which is in line with the planned fee.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments Ltd we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in February 2016.

Other services

We certified the HCA Decent Homes Backlog grant in September 2014 for a final fee of £4,000 excluding VAT.



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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE - 9 DECEMBER 2015

Title of report	EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Director of Resources 01530 454501 steve.barrett@nwleicestershire.gov.uk</p> <p>Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk</p>
Purpose of report	To provide the Committee with useful background information from the External Auditors.
Reason for Decision	To receive information from the External Auditor.
Council Priorities	Value for Money.
Implications:	
Financial/Staff	None.
Link to relevant CAT	None.
Risk Management	Not required.
Equalities Impact Assessment	Not required.
Human Rights	None identified.
Transformational Government	Not applicable.
Consultees	None
Background papers	None.
Recommendations	THAT THE REPORT BE RECEIVED AND NOTED

1.0 BACKGROUND

- 1.1 The External Auditor, KPMG continues to be responsible for the external audit of the Council's financial statements and Value for Money arrangements in 2015/16. KPMG has provided the attached report which will be presented to the Committee.
- 1.2 A copy of the report is attached at Appendix 1.



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External audit progress report and technical update

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**North West Leicestershire
District Council**
December 2015

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

PROGRESS REPORT	
External audit progress report	3
KPMG RESOURCES	
KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years	5
KPMG publication titled: Value of Audit: Perspectives for Government	6
Audit Committee Institute: Local Government Seminar Series – Autumn 2015	7
TECHNICAL UPDATE	
New local audit framework	● 9
Local Government Association’s 2015 Spending Review submission	● 10
Reporting developments – Infrastructure assets	● 11
CIPFA survey on infrastructure assets	● 12
Local Audit and Accountability Act 2014: Provisions affecting auditors’ work from 1 April 2015	● 13
Proposed changes to business rates and core grant	● 17
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Progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Area of responsibility	Commentary
Financial statements	We are in the process of planning our 2015/16 audit, and we will be holding further discussions with officers to identify the key issues and to obtain a general update on the Authority.
Value for Money	The National Audit Office is responsible for the Code of Audit Practice and supporting guidance, and it has just closed its consultation process on the future Value for Money (VFM) audit approach. We will update officers and this committee once further information is available on the revised VFM Guidance.
Certification of claims and returns	We are currently undertaking certification work on the Authority's housing benefit grant claim and we expect to meet the deadline of 30 November 2015.



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KPMG resources

Area	Comments
<p data-bbox="66 325 273 539">KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years</p> <p data-bbox="99 616 128 654">24</p>	<p data-bbox="294 325 2001 416">Without a radical programme of house building, average house prices in England could double in just ten years to £446,000 at current prices, according to research. In twenty years they could quadruple, with the average house price estimated to rise to over £900,000 at current prices by 2034 if current trends continue.</p> <p data-bbox="294 436 2001 496">The research from KPMG and Shelter also reveals that more than half of all 20-34 year olds could be living with their parents by 2040, as soaring housing costs caused by the shortage of affordable homes leave more and more people priced out of a home of their own.</p> <p data-bbox="294 516 2001 608">The warning comes in a landmark report from KPMG and Shelter outlining how the 2015 government can turn the tide on the nation's housing shortage within a single parliament. With recent government figures showing that homeownership in England has been falling for over a decade, the consequences of our housing shortage are already being felt.</p> <p data-bbox="294 628 2001 688">The report sets out a blueprint for the essential reforms that will increase the supply of affordable homes and stabilise England's rollercoaster housing market. It calls on politicians to commit to an integrated range of key measures, including:</p> <ul data-bbox="294 708 2001 1082" style="list-style-type: none"> <li data-bbox="294 708 2001 796">■ giving planning authorities the power to create 'New Homes Zones' that would drive forward the development of new homes. Combined with infrastructure, this would be led by local authorities, the private sector and local communities, and self-financed by sharing in the rising value of the land; <li data-bbox="294 816 2001 876">■ unlocking stalled sites to speed up development and stop land being left dormant, by charging council tax on the homes that should have been built after a reasonable period for construction has passed; <li data-bbox="294 896 2001 956">■ introducing a new National Housing Investment Bank to provide low cost, long term loans for housing providers, as part of a programme of innovative ways to finance affordable house building; <li data-bbox="294 976 2001 1008">■ helping small builders to get back into the house building market by using government guarantees to improve access to finance; and <li data-bbox="294 1028 2001 1082">■ fully integrating new homes with local infrastructure and putting housing at the very centre of City Deals, to make sure towns and cities have the power to build the homes their communities need. <p data-bbox="294 1102 2001 1162">To read the report, visit www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Pages/building-the-homes-we-need-programme-2015.aspx</p>

Area	Comments
<p data-bbox="64 315 254 501">KPMG publication titled: <i>Value of Audit – Perspectives for Government</i></p> <p data-bbox="99 776 126 811">25</p>	<p data-bbox="292 315 692 344">What does this report address?</p> <p data-bbox="292 362 1991 486">This report builds on the <i>Global Audit campaign – Value of Audit: Shaping the future of Corporate Reporting</i> – to look more closely at the issue of public trust in national governments and how the audit profession needs to adapt to rebuild this trust. Our objective is to articulate a clear opinion on the challenges and concepts critical to the value of audit in government today and in the future and how governments must respond in order to succeed.</p> <p data-bbox="292 505 1984 601">Through interviews with KPMG partners from nine countries (Australia, Canada, France, Germany, Japan, the Netherlands, South Africa, the UK and the US) as well as some of our senior government audit clients from Canada, the Netherlands and the US, we have identified a number of challenges and concepts that are critical to the value of audit in government today and in the future.</p> <p data-bbox="292 619 609 648">What are the key issues?</p> <ul data-bbox="292 666 1881 886" style="list-style-type: none"> <li data-bbox="292 666 1881 695">■ The lack of consistent accounting standards around the world and the impacts on the usefulness of government financial statements. <li data-bbox="292 714 1301 742">■ The importance of trust and independence of government across different markets. <li data-bbox="292 761 1835 789">■ How government audits can provide accountability thereby enhancing the government’s controls and instigating decision-making. <li data-bbox="292 808 1655 836">■ The importance of technology integration and the issues that need to be addressed for successful implementation <li data-bbox="292 855 1765 883">■ The degree of reliance on government financial reports as a result of differing approaches to conducting government audits <p data-bbox="292 905 1976 933">The <i>Value of Audit: Perspectives for Government</i> report can be found on the KPMG website at https://home.kpmg.com/xx/en/home/insights.html</p> <p data-bbox="292 952 1929 1009">The <i>Value of Audit: Shaping the Future of Corporate Reporting</i> can be found on the KPMG website at www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx</p>

Area	Comments
Audit Committee Institute: Local Government Seminar Series – Autumn 2015	<p>Our Audit Committee Institute ('ACI') events have been designed to provide you with sessions that help you consider the challenges faced by Local Government bodies today, and to help you think about the questions you want to be asking in relation to the assurance you need.</p> <p>Our bespoke seminars are tailored to your needs, offering you the opportunity to discuss and share best practice with your peers. They will encourage and spark debate and give you the opportunity to reflect on your role and how your organisation can meet the challenges ahead.</p> <p>Our Autumn Local Government sessions in October 2015 were led by specialists from our dedicated Local Government practice and focused on hot topics such as Audit Procurement, Cyber Crime, Early Accounts Closure, Infrastructure Assets and Internal Audit thought Leadership.</p> <p>Our next event is currently being arranged for early 2016.</p>



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Technical update

Area	Level of impact	Comments	KPMG perspective
<p data-bbox="64 348 265 405">New local audit framework</p> <p data-bbox="99 611 126 648">28</p>	<p data-bbox="319 348 426 419">● Medium</p>	<p data-bbox="472 348 1748 468">The Local Audit and Accountability Act 2014 included transitional arrangements covering the audit contracts originally let by the Audit Commission in 2012 and 2014. These contracts covered the audit of accounts up to 2016/17, and gave the Department for Communities and Local Government (DCLG) the power to extend these contracts to 2019/20.</p> <p data-bbox="472 491 1748 645">DCLG have now announced that the audit contracts for large local government bodies (including district, unitary and county councils, police and fire bodies, transport bodies, combined authorities and national parks) will be extended to include the audit of the 2017/18 financial statements. From 2018/19, local government bodies will need to appoint their own auditors; it is not yet clear whether there will be a sector-led body that is able to undertake this role on behalf of bodies.</p> <p data-bbox="472 668 1748 759">NHS and smaller local government bodies (town and parish councils, and internal drainage boards), will not have their contracts extended, and will have to appoint their own auditors for 2017/18, one year earlier than for larger local government bodies such as North West Leicestershire District Council.</p>	<p data-bbox="1781 348 1997 531"><i>We understand guidance is being prepared by CIPFA on the request of the NAO.</i></p> <p data-bbox="1781 554 1997 674"><i>We will also be preparing a briefing note for clients.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p data-bbox="64 348 256 534">The Local Government Association's 2015 Spending Review submission</p> <p data-bbox="95 776 126 812">29</p>	<p data-bbox="319 348 426 419">● Medium</p>	<p data-bbox="472 348 1742 441">In June 2015, the Local Government Association (LGA) set out proposals for the Government to consider as part of the Spending Review, aimed at streamlining public services, growth generating investment and social care and health – all while saving the public purse almost £2 billion a year by the end of the Parliament.</p> <p data-bbox="472 458 1732 582">The submission focusses on five core issues originally highlighted in A Shared Commitment, published in early 2015. The LGA hopes that local government can work with central government to balance the nation's books while improving public services and the local economic environment by delivering new, transformed and high-quality local services while at the same time reducing costs to the public sector.</p> <p data-bbox="472 599 1036 629">The LGA believes the Spending Review should:</p> <ul data-bbox="472 646 1763 1279" style="list-style-type: none"> <li data-bbox="472 646 1763 805">■ enable wider integration of social care and health services to deliver savings and improve outcomes This requires the annual £700 million funding gap in social care services to be closed and a transformation fund worth £2 billion in each year of the Spending Review period be created to allow new ways of working to become commonplace. The Spending Review should also implement a single place-based budget for delivering all local services through a Local Public Services Fund as part of at least five devolution deals; <li data-bbox="472 822 1763 1119">■ promote growth and productivity by accepting the case for further devolution of powers and funding that stretches beyond 25 November. The LGA is calling for devolution of, or local influence over, more than £60 billion of growth, skills and infrastructure funding over the Spending Review period, including: <ul data-bbox="509 933 1732 1119" style="list-style-type: none"> <li data-bbox="509 933 1732 993">– the components for an ambitious and effective Local Growth Fund with agreed settlements in devolution deals that last until 2020/21 <li data-bbox="509 1011 1612 1041">– a central-local partnership to deliver effective and targeted skills and employment initiatives <li data-bbox="509 1058 1732 1119">– unlocking the ability of councils to contribute to the Government's target of 275,000 affordable homes built over the lifetime of the Parliament. <li data-bbox="472 1136 1715 1196">■ help councils adequately resource and deliver high quality public services by transforming the business rate mechanism and providing a four year local government finance settlement; and <li data-bbox="472 1213 1690 1279">■ help councils focus on driving efficiency and value for money through an assessment of the impact of unfunded cost burdens that core council budgets are going to face over the Spending Review period. 	<p data-bbox="1783 348 2001 534"><i>The Committee may wish to seek assurances that the impact for their Authority is understood.</i></p>

Area	Level of impact	Comments	KPMG perspective
<p>Reporting developments – Infrastructure assets</p> <p>30</p>	<p>● Medium</p>	<p>CIPFA/LASAAC, the group that produce the <i>Code of Practice for Local Authority Accounting</i>, have confirmed that transport infrastructure assets owned by local authorities will be required to be included in the accounts from 2016/17. This would require prior period adjustments for 2015/16, including the opening position at 1 April 2015.</p> <p>The changes require local authorities to recognise the value of all transport infrastructure assets using the depreciated replacement cost method, i.e. the cost required to replace the asset with a new replacement depreciated over the life of the existing asset. Transport infrastructure assets include:</p> <ul style="list-style-type: none"> ■ roads, bridges, roundabouts and traffic calming measures; ■ footways, footpaths and cycle tracks; ■ tunnels and underpasses; and ■ water supplies and drainage systems, as they support the assets identified above. <p>Even non-highway authorities will be affected to the extent that footways etc are material to their accounts. Railway assets are not currently included in the proposals, although it is possible that these may be included in subsequent periods.</p> <p>CIPFA have issued a <i>Code of Practice on Transport Infrastructure Assets</i> which contains the requirements to be included in the Local Authority Code. This is available to purchase from the CIPFA website.</p> <p>Local authorities should have developed a project plan to identify all of the relevant transport infrastructure they own and a timetable for valuing these. CIPFA expects authorities to have undertaken the 1 April 2015 valuations by 31 December 2015.</p> <p>The Whole of Government Accounts submission includes unaudited data on transport infrastructure assets. 2013/14 data indicates assets of over £400 billion will be accounted for on local authority balance sheets. However, only 93% of authorities provided this information, and of these less than 70% used actual inventory data to complete the return. This indicates that the sector faces a significant challenge in accurately identifying the assets it owns and will have to account for.</p>	<p><i>The Committee may wish to enquire of officers whether a project plan has been developed to address the requirements and review progress against this on a regular basis.</i></p>

Area	Level of impact	Comments	KPMG perspective
CIPFA survey on infrastructure assets	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>On 26 August CIPFA sent a letter to Treasurers' Societies and Directors' of Finance groups for onward circulation to authorities drawing attention to CIPFA's survey to assess the readiness of bodies for the introduction of depreciated replacement cost (DRC) for highways infrastructure assets in 2016/17.</p> <p>The letter from CIPFA's Chief Executive is available here: www.cipfa.org/~media/files/policy%20and%20guidance/local%20authority%20transport%20infrastructure/150826-tia-survey-letter-signed-rw.pdf?la=en</p> <p>The online survey tool can be found here: www.surveymonkey.com/r/NGC8MXH</p> <p>CIPFA is encouraging responses from both accountants and highways engineers, either jointly or separately. The letter has also been sent to the Highways Asset Management and Financial Information Group (HAMFIG) to bring this to the attention of relevant authorities' highways engineers.</p>	<p><i>The Committee may wish to enquire of officers whether the online survey has been completed and any gaps be amended in the project plan</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>Local Audit and Accountability Act 2014 – provisions affecting auditors’ work from 1 April 2015</p> <p>32</p>	<p>● Low</p>	<p>With effect from 1 April 2015, certain provisions of the <i>Local Audit and Accountability Act 2014</i> (LAAA 2014) came into force and are applicable to auditors’ work for the year 2015/16. Whilst the <i>Audit Commission Act 1998</i> is transitionally saved for auditors engaged in planning work for 2015/16, or possibly considering public interest reports (PIRs) to be made during 2015/16, they need to be aware of the provisions of LAAA 2014 that are already in force.</p> <p>Provisions affecting auditors’ work with effect from 1 April 2015 are:</p> <p>1) <i>New duty to publish PIRs on audited bodies’ websites</i></p> <p>Under the new audit regime, there is an emphasis on the publication of relevant information on the relevant authority’s website. The following provisions are relevant to auditors carrying out work on 2015/16 if they decide to issue a public interest report during the audit.</p> <p>Under Schedule 7 LAAA 2014, the following matters must be published on the relevant authority’s website (if it has one):</p> <ul style="list-style-type: none"> ■ PIRs (relating to the relevant authority or a connected entity); ■ notice of a meeting to consider a PIR/written recommendation; and ■ notice summarising those decisions approved by the auditor as a result of consideration of the PIR/recommendation. <p>Where the relevant authority does not have a website, it is instead generally required to make the relevant publication “in such manner as it thinks is likely to bring the notice or report to the attention of persons who live in its area”. This could be, for example, in a local newspaper (as was required in certain cases under the previous legislation).</p>	<p><i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>Local Audit and Accountability Act 2014 – provisions affecting auditors’ work from 1 April 2015 (continued)</p> <p>33</p>	<p>● Low</p>	<p>2) Prohibition on disclosure</p> <p>The prohibition against disclosure that was previously to be found in section 49 of the <i>Audit Commission Act 1998</i> has been repealed and replaced by provisions in Schedule 11 of LAAA 2014. This change has not been transitionally introduced and auditors and local authority bodies need to be aware that this applies to all audits, irrespective of the year. Thus, any reference to the prohibition against disclosure needs to be to Schedule 11 and not section 49. There are no material differences between the two sets of provisions.</p> <p>3) Connected entities</p> <p>LAAA 2014 introduces a new concept into the audit regime, “connected entities”. Connected entities are bodies that are separate to the relevant authority, but are associated with the authority in such a manner that requires the authority to record financial information relating to the entity in its accounts.</p> <p>The full definition of “connect entities” is set out in paragraph 8 of Schedule 4 LAAA 2014.</p> <p>For the purposes of this Act, an entity (“E”) is connected with a relevant authority at any time if E is an entity other than the relevant authority and the relevant authority considers that, in accordance with proper practices in force at that time:</p> <ul style="list-style-type: none"> ■ the financial transactions, reserves, assets and liabilities of E are to be consolidated into the relevant authority's statement of accounts for the financial year in which that time falls; ■ the relevant authority's share of the financial transactions, reserves, assets and liabilities of E is to be consolidated into the relevant authority's statement of accounts for that financial year; or ■ the relevant authority's share of the net assets or net liabilities of E, and of the profit or loss of E, are to be brought into the relevant authority's statement of accounts for that financial year. 	<p><i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>Local Audit and Accountability Act 2014 – provisions affecting auditors’ work from 1 April 2015 (continued)</p>	<p>● Low</p>	<p>3) Connected entities (continued)</p> <p>Authorities have a number of duties in relation to their connected entities under LAAA 2014 beyond those which are expanded on below:</p> <ul style="list-style-type: none"> ■ Auditors have a right to access documents (at all reasonable times) relating to connected entities, as well as those relating to the “parent” relevant authority. The auditor can inspect, copy or take away documents. The auditor can also require people who are in possession or are accountable for the document (or have been in the past) to provide the auditor with any information or explanation that may be needed, and can require a meeting with such persons. Where a document is stored electronically, the auditor can require assistance from the relevant person at the connected entity or relevant authority in accessing the document. The connected entity must provide the auditor with such facilities and information as are reasonably required to carry out the audit functions. ■ The right to information and explanation, or to require a meeting, extends in relation to connected entities to: <ul style="list-style-type: none"> – any persons elected or appointed to an entity; – any employee of the entity; and – an auditor of the accounts of the entity. <p>Many of the provisions on PIRs and written recommendations in Schedule 7 apply to connected entities. Accordingly, auditors must consider whether a PIR should be made on any matter coming to their attention during the audit and relating to the authority and/or a connected entity. Similarly, an auditor may make a written recommendation to a relevant authority relating to a connected entity.</p>	<p><i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
Local Audit and Accountability Act 2014 – provisions affecting auditors’ work from 1 April 2015 (continued)	<p style="text-align: center;">●</p> <p style="text-align: center;">Low</p>	<p>4) Power to call for information: exception for legally professionally privileged information</p> <p>Section 22(12) LAAA 2014 clarifies that the auditor’s right to information and documents cannot be used to compel disclosure of legally privileged information. If a person would be entitled to refuse to produce documents in legal proceedings in reliance on the doctrine of legal professional privilege, they are equally entitled to refuse to provide the relevant information or documents to the auditor. This is a notable new provision and auditors will need to bear this in mind in requesting sight of an audited body’s own legal advice. Any provision of such will be voluntary and cannot be compelled.</p>	<p><i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments
<p>Proposed changes to business rates and core grant</p> <p>36</p>	<p>●</p> <p>For Information</p>	<p>The Chancellor of the Exchequer has proposed some radical reforms of local government finance. The proposals are that by the end of the decade, councils will retain all locally raised business rates but will cease to receive core grant from Whitehall.</p> <p>The Chancellor set out the landmark changes in a speech to the Conservative party conference in Manchester, saying it was time to face up to the fact that “the way this country is run is broken”.</p> <p>Under the proposals, authorities will be able to keep all the business rates that they collect from local businesses, meaning that power over £26 billion of revenue from business rates will be devolved, he said</p> <p>The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Cities that choose to move to systems of combined authorities with directly elected city wide mayors will be able to increase rates for specific major infrastructure projects, up to a cap, likely to be set at 2p on the rate.</p> <p>The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state.</p>



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Appendix

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2015	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2016	TBC
Substantive procedures			
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Authority's VFM arrangements.	September 2016	TBC
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	October 2016	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	January 2016	In progress



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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 9 DECEMBER 2015

Title of report	INTERNAL AUDIT PROGRESS REPORT – NOVEMBER 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 Assessment	Not Applicable
Human Rights	None
Transformational Government	Not Applicable
Consultees	Head of Finance
Background papers	Public Sector Internal Audit Standards

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 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 November 2015 is attached at Appendix 1.



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council
Internal Audit Progress Report: November 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 27th November 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 Plan Update

- 6.1 A progress report against the 2015/16 Internal Audit plan is documented in Appendix A. Good progress has been made this quarter with the use of a temporary auditor and the Service has now caught up with the plan. Nine final reports have been issued and four audits are currently in progress.
- 6.2 An Executive Summary of the nine reports issued by the in house internal audit team since the last progress report is documented in Appendix B. The Senior Auditor does not consider it necessary to draw attention to any specific control weaknesses at this time.
- 6.3 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.

7 Internal Audit Recommendations

- 7.1 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 is satisfied that in both cases reasonable progress is being made.
- 7.2 All outstanding recommendations i.e. those not yet due, are included in Appendix D for information. Recommendations that have been made and addressed between September and November have been included to show progress.

8 Internal Audit Performance Indicators

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

9 Risk Management

- 9.1 Cabinet received its usual Corporate Risk Update as part of the Second Quarter Performance Report at its meeting on 10 November 2015. This was unchanged from the first quarter and is attached at Appendix F.

2015/16 Audit Plan Progress: November 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	3	In progress						Moved from Quarter 2
Creditors	Key Financial System	8	6.3	Final Report Issued	Grade 1	-	-	1	-	Moved from Quarter 4
Debtors	Key Financial System	8	-	Scheduled for Quarter 4						
Main Accounting	Key Financial System	8	5	Final Report Issued	Grade 1	-	-	-	-	Moved from Quarter 4
Payroll	Key Financial System	8	-	Scheduled for Quarter 4						
Rent Accounting	Key Financial System	8	8.4	Final Report Issued	Grade 2	2	-	1	-	
Treasury Management	Key Financial System	6	4	Final Report Issued	Grade 1	-	-	-	1	Brought forward to use capacity in audit team.
ICT Security	Key Financial System	5	0.5	In progress						This work will take the form of following up recommendations from the LCC 2014/15 audit and a focused audit testing high risk objective.
46										
Risk Management	Assurance	5	-	Scheduled for Quarter 3						
Governance and Ethics – New Members	Assurance	10	6.5	Final Report Issued	Grade 2	3	2	-	-	
Performance Management	Assurance	6	10	Final Report Issued	Grade 1	-	-	-	-	
Fraud	Assurance	6	-	Scheduled for Quarter 4						Moved to quarter 4 to take account of updating of Anti Fraud and Corruption Policy
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 4						Moved to quarter 4 due to audit team capacity.

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
Safeguarding	Risk Based	5	1	In progress						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	Final Reports Issued: Hood Park Leisure Centre	Grade 2	3	1	-	1	Planned days exceeded due to sickness issues, absences over summer and some additional testing.
				Hermitage Leisure Centre	Grade 2	5	1	-	1	
Building Control	Risk Based	6	8.5	Final Report Issued	Grade 2	4	-	-	-	
Expenses/mileage claims	Risk Based	5	-	Removed from plan						No longer required. New system is not being implemented.
47 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.
DHIP	Risk Based	5	0.5	In progress						
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 IN HOUSE INTERNAL AUDIT FINAL REPORTS ISSUED BETWEEN SEPTEMBER 2015 AND NOVEMBER 2015

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations			
					H	M	L	A
2015/16 – 1 Treasury Management	Corporate	Head of Finance Financial Planning Team Manager	Grade 1	None. One suggestion has been made to consider the need to document, and therefore be able to provide evidence of, the decision making process when 'reinvesting' funds.	-	-	-	1
2015/16 – 2 Hood Park Leisure Centre 49	Community Services (Deputy Leader)	Head of Community Services Leisure Services Team Manager	Grade 2	Procedure notes for the day to day operations of the leisure centre need to be updated. Cash collection procedures must be adhered to at all times. Senior management should ensure that there is adequate separation of duties.	3	1	-	1
2015/16 – 3 Hermitage Leisure Centre	Community Services (Deputy Leader)	Head of Community Services Leisure Services Team Manager	Grade 2	Procedure notes for the day to day operations of the leisure centre need to be updated. Cash collection procedures must be adhered to at all times. Senior management should ensure that there is adequate separation of duties. Management should review the completion of bar and vending stock sheets and stock checks by a Duty Manager.	5	1	-	1

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations			
					H	M	L	A
				Management should review the arrangements for the certification of timesheets.				
2015/16 – 4 Corporate Performance Management	Leader	Head of Legal and Support Services Customer Team Manager	Grade 1	None.	-	-	-	-
2015/16 – 5 Building Control	Regeneration and Planning	Head of Planning and Regeneration Building Control and Land Charges Team Manager	Grade 2	<p>Making sure the application file is updated with the date of fee payment if this is after the application is submitted.</p> <p>Correct coding and VAT treatment of income by all staff responsible for the receipt of funds.</p> <p>The organisation of daily tasks by Building Control Inspectors, in particular prioritising plan checking.</p> <p>The secure storage of Building Control application files</p>	4	-	-	-
2015/16 – 6 Governance and Ethics – Member Training	Corporate	Head of Legal and Support Services Democratic and Support Services Team Manager	Grade 2	<p>Availability of online training materials.</p> <p>Trying to build more opportunities for interaction and engagement in to future training sessions.</p> <p>Review of attendance records following compulsory training sessions.</p>	3	2	-	-
2015/16 – 7 Rent Accounting	Housing	Head of Housing Housing Management Team Manager and HRA Business Support Team Manager	Grade 2	<p>Delays in completing monthly reconciliations between rent system and cash receipting system together with reconciliation not being reviewed.</p> <p>Authoriser details on Capita Open House user rights forms.</p>	2	-	1	-
2015/16 – 8 Creditors	Corporate	Head of Finance Financial Services Team Manager	Grade 1	One minor area identified where the audit trail for new users of the e-	-	-	1	-

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Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations			
					H	M	L	A
				purchasing system could be improved by including the job title of the authoriser on the set up form.				
2015/16 – 9 Main Accounting System	Corporate	Head of Finance Financial Planning Team Manager	Grade 1	None.	-	-	-	-

Recommendations Tracker – Overdue Recommendations

Report		Recommendation	Rating	Officer Responsible	Target Date	Status	Management Comments
2014/15 Reports							
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: April 2016	In progress Head of Finance plans to arrange for external auditors to deliver training.
LCC	ICT Key Controls Audit	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 Revised March 2016	In progress In order to implement this recommendation fully this has become part of a bigger project and will take longer than originally planned.
52							

Recommendations Tracker – Outstanding Recommendations

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
2014/15 Reports							
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.
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
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
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
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
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
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
14	Human	10	When an employee starts to receive	High	Human Resources	Immediate and	As above

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
	Resources and Payroll		maternity benefits HR should check whether essential car allowance is also in payment and make the appropriate adjustment to avoid an overpayment.		Team Manager	ongoing	
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
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
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
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
15	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.
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	High	Head of Finance/ICT Team Manager	December 2015	Testing scheduled January 2016

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
			ensure that data and systems can be recovered successfully.				
		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
		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
2015/16 Reports							
2	Hood Park Leisure Centre	1	All procedure notes and associated forms for the day to day operations of the leisure centre should be reviewed and updated as a matter of urgency.	High	Facilities Manager	October 2015	Testing scheduled January 2016
55		2	Senior Management should remind all staff with cash collection responsibilities of the need for accuracy in all aspects of their work, and to closely follow all procedures.	High	Commercial Manager and Facilities Manager	October 2015	Testing scheduled January 2016
		3	Senior Management should consider alternative arrangements for the security of income arising from the bar operation when manned by the Duty Manager.	High	Commercial Manager	October 2015	Testing scheduled January 2016
		4	Check that the correct formulae are built into spreadsheets used to calculate charges for the following year.	Medium	Commercial Manager	Immediate	Implemented
3	Hermitage Leisure Centre	1	All procedure notes and associated forms for the day to day operations of the leisure centre should be reviewed and updated as a matter of urgency.	High	Facilities Manager	October 2015	Testing scheduled Jan 2016
		2	Senior Management should remind all staff with cash collection responsibilities of the need for accuracy in all aspects of their work, and to closely follow all procedures.	High	Commercial Manager and Facilities Manager	October 2015	Testing scheduled Jan 2016
		3	Senior Management should consider	High	Commercial Manager	October 2015	Testing scheduled Jan 2016

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
			alternative arrangements for the security of income arising from the bar operation when manned by the Duty Manager.				
		4	Check that the correct formulae are built into spreadsheets used to calculate charges for the following year.	Medium	Commercial Manager	Immediate	Implemented
		5	The vending and bar stock sheets should be revised and it is recommended that Management arranges for the Catering Supervisor to liaise with her opposite number at HPLC about the completion of the sheets and stock checks by a Duty Manager.	High	Commercial Manager	October 2015	Testing scheduled Jan 2016
		6	Senior Management should review the arrangements for the certification of timesheets including authorisation of all claims by the Centre Manager.	High	Commercial Manager	October 2015	Testing scheduled Jan 2016
5	Building Control	1	The Building Control administrative staff should be reminded of the need to update the date of validation of the application with the date the fee is received if later than the application and to follow procedures in the updating of the application file.	High	Building Control and Land Charges Team Manager	Immediate	Testing scheduled Feb 2016
		2	All staff responsible for the receipt of funds should be made fully aware of the need to correctly identify the different types of Building Control income and the appropriate VAT coding of the income.	High	Building Control and Land Charges Team Manager	Immediate	Testing scheduled Feb 2016
		3	The Building Control Manager should insist that the Building Control Inspectors organise their daily tasks in line with management instructions. If that approach to improving plan checking performance is not successful then alternative action should be considered such as competency discussions or a review of capacity.	High	Building Control and Land Charges Team Manager	Immediate	Testing scheduled Feb 2016
		4	Senior Management should arrange for suitable secure fire resistant storage to be	High	Building Control and Land Charges Team	Q1 2016 financial year	Testing scheduled June 2016

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
			made available for the storage of Building Control application files.		Manager		
6	Governance and Ethics – Member Training	1	Training materials should be available on the intranet for Members to refer back to.	Medium	Democratic Services Officers	Immediate and Ongoing	Testing scheduled March 2016
		2	Trainers should allow the Democratic and Support Services Manager to review the plan for the training session to try to ensure that opportunities for engagement are built in.	High	All Team Managers/Heads of Service (Democratic and Support Services Team Manager to communicate this at Team Managers Forum)	March 2016	Testing scheduled March 2016
		3	Promote the upcoming Planning Forum training events to encourage take-up and engagement.	High	Head of Planning and Regeneration	November 2015	Testing scheduled March 2016
		4	Consideration should be given to offering Members a tour of the building for future induction programmes.	Medium	Democratic and Support Services Team Manager	Next Induction Programme	N/A
57		5	Democratic Services chase up attendance records from officers delivering compulsory training if it is not provided in a timely fashion so that they can make appropriate alternative arrangements.	High	Democratic Services Officers	Immediate and Ongoing	Testing scheduled March 2016
7	Rent Accounting	1	Reconciliations should be completed in a timely fashion.	High	Finance Systems Team Leader	November 2015	Testing scheduled Jan 2016
		2	Monthly reconciliations between the housing rents system and the cash receipting system should be reviewed by an appropriate officer who signs and dates the reconciliations. The reconciliation procedure notes should be updated to reflect this.	High	Finance Systems Team Leader	November 2015	Testing scheduled Jan 2016

Internal Audit Performance: November 2015

Performance Measures:

Performance Measure	2015/16 YTD Target	Position as at 27.11.15	Comments
Delivery of 2015/16 Audit Plan – Key Financial Systems	25%	50%	Focus on completing more key financial systems earlier in the year rather than leaving all until quarter 4.
Delivery of 2015/16 Audit Plan – Non Key Financial Systems	80%	46%	Focus on completing more key financial systems earlier in the year rather than leaving all until quarter 4.
Percentage of time spent on audit work	80%	84%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	Based on 2 responses so far this year. Survey link is sent out at end of each quarter.
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 3 Milestone	Position as at 27.11.15
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.
Undertake audits as per agreed Audit Plan.	Complete audits of 4 systems to enable the completion of the audit plan	Behind from quarter 1 and quarter 2 therefore temporary resources focussed on catching up with the audit plan which is being achieved.
Provide the Audit and Governance Committee with quarterly reports on the work and performance of internal audit.	Progress report to December Audit and Governance Committee	On target
Achievement of the PSAIS	External assessment of compliance with PSIAS	On target
Annual Audit Opinion delivered by 30 th June 2015 deadline.	N/A	Completed in June 2015.
Produce and have approved the 2016/17 Internal Audit Plan by 31 st March 2016.	No action	Planning will start in January 2016.

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	3	2	6

				development programmes.			
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	4	3	12

				continually reassessing its objectives			
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

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 9 DECEMBER 2015

Title of Report	TREASURY MANAGEMENT ACTIVITY REPORT – APRIL TO OCTOBER 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 October 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 Link to relevant CAT Risk Management Equalities Impact Screening Human Rights Transformational Government	<p>Interest earned on balances and interest paid on external debt, impact on the resources available to the Authority.</p> <p>Could impact upon all Corporate Action Teams.</p> <p>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.</p> <p>Not Applicable</p> <p>Not Applicable</p> <p>Not Applicable</p>
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)</p> <p>Treasury Management Stewardship Report 2014/15 – Cabinet</p>

	<p>Meeting 16 June 2015</p> <p>Treasury Management Activity Report – April to August 2015 – Audit and Governance 23 September 2015</p> <p>Capital Programmes – General Fund, Coalville Special Expenses and Housing Revenue Account (H.R.A). Projected Outturn 2015/16 and Draft Programmes 2016/17 to 2020/21 - Cabinet 8 December 2015</p>
Recommendations	THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.

1.0 BACKGROUND

- 1.1 The Authority's Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the code"), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and Investment activity.
- 1.2 Treasury Management is defined as "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.3 The Authority's current Treasury Management Strategy Statement, including the Borrowing Strategy, Debt rescheduling Strategy, Annual Investment 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 second 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 October 2015;
 - d) Reports on breaches of or compliance with treasury limits and Prudential Indicators.

3.0 THE U.K. ECONOMY AND EVENTS.

- Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Annual CPI fell to 0.1% in October 2015. Wages are currently growing at 3% a year and the unemployment rate has dropped to 5.4%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence helping to underpin retail spending and GDP growth was 2.3% a year in the third quarter of 2015.
- There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375bn respectively.
- Uncertainty over the outcome of the EU Referendum could put downward pressure on UK GDP growth and interest rates.
- Growth in China has slowed and its economy is performing below expectations, reducing global demand for commodities and contributing to the emerging market weakness. US domestic growth has accelerated but the globally sensitive sectors of the US economy have slowed.
- Bail-in legislation has now been fully implemented in the UK, USA and Germany with the rest of the EU to follow in January 2016. Changes to the UK Financial Services Compensation Scheme mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. As a result, the credit risk associated with making unsecured bank deposits has increased relative to the risk of other investment options. Returns from cash deposits remain low.

4.0 THE AUTHORITY'S TREASURY POSITION.

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

	Balance at 01/4/2015 £m	%	Maturing loans £m	Premature redemptions £m	New Borrowing £m	Balance at 31/10/2015 £m	%
DEBT							
Long-term fixed rate	£85.514m		£0.513m	£0.000m	£0.000m	£85.001m	
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	£0.513m	£0.000m	£0.000m	£85.001m	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	£0.513m	£0.000m	£0.000m	£85.127m	100
	Balance at 01/4/2015 £m	%	Maturities £m	Sales £m	New Investments £m	Balance at 31/10/2015 £m	%
INVESTMENTS							
Internally Managed	£21.255m	100	£78.065m	£0.000m	£91.459m	£34.649m	100
Investments with maturities up to 1 year *	£16.255m*	76.5	£78.065m	£0.000m	£86.959m	£25.149m	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	£78.065m	£0.000m	£91.459m	£34.649m	100
NET DEBT	£64.385m					£50.478m	

* 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, and capital receipts, payments to other precepting authorities or central government and interest on treasury activity.

- 4.3 In the period April 2015 to October 2015, the capacity for investment has currently increased by £13.4m. 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 £1.33m. In the two subsequent financial years this is estimated to be £1.388m in 2016/17 and £0.742m in 2017/18, as presented to Cabinet in the Draft Capital Programmes report on 8 December 2015.
- 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	Rate*	£m
Lloyds Bank (Current Account)	Overnight	0.40%	0.5
Bank of Scotland	Overnight	0.40%	0.8
Handelsbanken	Overnight	0.40%	1.5
Black Rock MMF	Overnight	0.38%	1.6
Goldman Sachs MMF	Overnight	0.44%	0.3
Aberdeen Asset Management– SWIP MMF	Overnight	0.40%	1.0
CCLA Investment Management Ltd MMF	Overnight	0.40%	1.0
Lloyds Bank Notice Account	32 days	0.57%	1.0
Barclays Treasury Direct	3 Months	0.53%	1.5
Cumberland Building Society	96 days	0.52%	1.0
National Counties Building Society	99 days	0.53%	1.0
Coventry Building Society	100 days	0.60%	1.5
Nationwide Building Society	182 days	0.66%	1.5
Lancashire County Council	364 days	0.50%	1.5
West Dunbartonshire Council	364 days	0.55%	2.5
London Borough of Enfield	364 days	0.55%	2.0
Barnsley Metropolitan Borough Council	364 days	0.68%	3.0
North Tyneside Council	364 days	0.70%	2.0
Lancashire County Council	18 months	0.70%	2.0
Blaenu Gwent County Borough Council	3 years	1.20%	2.5
Staffordshire Moorland	3 Years	1.50%	2.0
Greater London Authority	3 Years	1.50%	3.0
Total Invested			34.7

*The interest rate shown is based on the average for October 2015.

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 October 2015 was 0.36%. The average 7 day London Interbank Offered Rate (LIBOR) rate at the end of October 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 121 investments made during the period, totalling £91.7m. The average balance held for the period was £31.9m.

- 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. Fourteen fixed term investments were taken out during the period. These investments were for amounts ranging from £1m to £2.5m. Eight 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 October 2015 has achieved £124,158 in interest. The current forecast that is estimated to be achieved is £225,000.
- 7.9 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 £20,100 subject to the balances remaining at the end of the financial year. There is no budget applied to this element as S106 contributions are only achieved when specific conditions are met and are anticipated to be spent.
- 7.10 The estimated remaining balance of interest (£204,900) 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	£130,000
HRA	£53,000	£74,900
Sub-Total	£145,000	£204,900
External Balances	£ 0	£20,100
Total	£145,000	£225,000

- 7.11 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.
- 7.12 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.
- 7.13 The breaches in the following paragraphs (7.14 and 7.15) were reported in the Treasury Management Activity Report – April to August 2015 which was presented to Audit and Governance on 23 September 2015. No further breaches have occurred in the period to October 2015.
- 7.14 On 25th June, the counterparty limit was breached by £0.9m as a maturity was returned to the Authority by the investment counterparty one day earlier than requested. This is not something the Council could have taken action to avoid.

- 7.15 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.
- 7.16 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 October 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 October 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 October 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 AND GOVERNANCE COMMITTEE – 9 DECEMBER 2015

Title of report	CHANGES TO THE COUNCIL'S REGULATION OF INVESTIGATORY POWERS ACT (RIPA) POLICY
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Legal and Democratic Services 01530 454762 elizabeth.warhurst@nwleicestershire.gov.uk
Purpose of report	To inform the committee of updates to the Council's RIPA Policy.
Reason for Decision	To comply with guidance
Council Priorities	Covers all priorities.
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	To be considered as part of the judicial process.
Equalities Impact Screening	Not applicable to overall policy as undertaken on individual prosecutions
Human Rights	Not applicable to overall policy as undertaken on individual prosecutions
Transformational Government	Not Applicable
Consultees	None
Background papers	Regulation of Investigatory Powers Act 2000 http://www.legislation.gov.uk/ukpga/2000/23/contents Changes to Local Authorities Use of RIPA Guidance. https://www.gov.uk/government/publications/changes-to-local-authority-use-of-ripa Protection of Freedoms Act 2012 http://www.legislation.gov.uk/ukpga/2012/9/contents/enacted Regulation of Investigatory Powers (Directed Surveillance and

	Covert Human Intelligence Sources) Order 2010 http://www.legislation.gov.uk/ukdsi/2010/9780111490365/contents
Recommendations	THAT THE COMMITTEE NOTE THE REPORT AND THE CHANGES TO THE RIPA POLICY AND PROVIDES ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY CABINET WHEN IT MEETS ON 12 JANUARY 2016 TO CONSIDER THE POLICY.

1.0 INTRODUCTION

1.1 On 24 September 2013 Audit and Governance Committee approved amendments to the RIPA policy resulting from a change in legislation.

1.2 A local authority's use of RIPA is subject to judicial authorisation and scrutiny by the Office of the Surveillance Commissioner.

1.3 In his latest Annual Report for 2014-15 published in June 2015 the Chief Surveillance Commissioner stated:

"Perhaps more than ever, public authorities now make use of the wide availability of details about individuals, groups or locations that are provided on social networking sites and a myriad of other means of open communication between people using the Internet and their mobile communication devices. I repeat my view that just because this material is out in the open, does not render it fair game. The Surveillance Commissioners have provided guidance that certain activities will require authorisation under RIPA or RIP(S)A and this includes repetitive viewing of what are deemed to be "open source" sites for the purpose of intelligence gathering and data collation."

1.4 The District Council's RIPA policy is currently silent on the use of social media in the investigation process.

1.5 In light of the comments of the Chief Surveillance Commissioner it is considered prudent to insert a specific section within the policy relating to the use of social media networks in the investigatory process.

1.6 The Policy appended to this report has been amended at section 19 to reflect the changes resulting from the comments of the Chief Surveillance Commissioner at paragraph 1.3 above.

1.7 Members are asked to note the changes to the policy.

CORPORATE POLICY AND PROCEDURE ON THE REGULATION OF INVESTIGATORY POWERS ACT 2000

Introduction

1. The Regulation of Investigatory Powers Act 2000 (**RIPA**) is concerned with the regulation of surveillance and other intelligence gathering by public authorities in the conduct of their legitimate business. These activities are an unavoidable part of modern public life, but only in recent years have they been made the subject of formal statutory control.
2. Section 6 of the Human Rights Act 1998 provides that it is unlawful for a public authority to act in a way which is incompatible with a European Convention right. Article 8 of the European Convention of Human Rights says that everyone has the right to respect for their private and family life, their home and their correspondence.
3. The use of surveillance and other intelligence gathering techniques may amount to an interference with rights protected by Article 8 of the European Convention and could amount to a violation of those rights unless the interference is in accordance with the law.
4. RIPA was enacted to ensure these activities do not infringe the Human Rights Act by establishing a statutory framework which is consistent with the European Convention and by introducing national standards which are applicable to all public authorities.
5. The Council has approved a policy for tackling fraud and corruption. In limited circumstances the Council may wish to use surveillance techniques for the purpose of enforcing this policy or other of its statutory functions. The requirements of RIPA are most likely to apply to those Sections of the Council with enforcement/investigatory functions.
6. RIPA provides a statutory mechanism for authorising covert surveillance and the use of a “covert human intelligence source” (CHIS) e.g. undercover agents. It also permits access to communications data in specific circumstances.

Types of Surveillance

7. Surveillance may be overt or covert.
8. Most of the surveillance carried out by the Council is done overtly – there is nothing secretive, clandestine or hidden about it. In many cases, officers will be behaving in the same way as a normal member of the public, and/or will be going about Council business openly. Similarly, surveillance will be overt if the subject has been told it will happen (e.g. where a noisy householder is warned that noise will be recorded if it continues).
9. Surveillance is covert only if it is calculated to ensure that persons who are subject to the surveillance are unaware that it is taking place. RIPA regulates two types of covert surveillance.

10. “Directed surveillance” means covert surveillance that is undertaken:
- in connection with a specific investigation or operation
 - which is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation)

‘Private information’ means information relating to a person’s private and family life, their home and their correspondence.

11. Directed surveillance does not include information gathered by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation to be sought for the carrying out of the surveillance. Directed surveillance may, in the case of a local Authority, only be carried out for the purposes of “preventing or detecting crime’
12. The fact that covert surveillance occurs in a public place or on business premises does not mean that it cannot result in the obtaining of private information about a person. Prolonged surveillance targeted on a single person will usually result in the obtaining of private information about that person as well as others that he or she comes into contact or associates with.
13. An example of directed surveillance would be when officers follow a person over a period to find out whether they are working at the same time as claiming benefit. Similarly, although town centre CCTV cameras will not normally require authorisation, if a camera is directed in such a way as to observe a particular individual, authorisation may be required.
14. “Intrusive surveillance” means covert surveillance conducted by means of a person or device located inside residential premises or a private vehicle. A local authority cannot carry out intrusive surveillance.

Conduct and Use of Covert Human Intelligence Resource (CHIS)

15. A person is a **CHIS** if he or she establishes a relationship with another person in order to covertly obtain or disclose information. RIPA does not apply in circumstances where members of the public volunteer information to the Council as part of their normal civic responsibilities or where contact numbers are set up to receive information. Similarly, people who complain about anti-social behaviour, and are asked to keep a diary, will not normally be a CHIS because they are not being required to establish or maintain a relationship for a covert purpose.
16. The conduct or use of a CHIS requires prior authorisation. Again, a CHIS may only be used for the purposes of “preventing or detecting crime or of preventing disorder.”

Communications Data

17. This is data held by telecommunications companies and internet service providers. Examples of communications data that may be acquired with authorisation for a specified operation include:
- names

- addresses
 - telephone numbers
 - IP addresses – when a session online started and ended and when an email server was accessed but not the website addresses viewed
 - geographical location of the calling or the called parties.
18. Communications data does not monitor content. The sole grounds for taking action under these provisions is for the purposes of ‘preventing or detecting crime’

Online Covert Activity

19. The use of the internet may be required to gather information during an operation, which may amount to directed surveillance. The Home Office advises that where there is an intention to use the internet as part of an investigation and private information is likely to be obtained, consideration should be given for the need of an authorisation and that:

- Officers must not create a false identity in order to ‘befriend’ individuals on social networks without an authorisation under RIPA.
- officers viewing an individual’s public profile on a social network should do so only to the minimum degree necessary and proportionate in order to obtain evidence to support or refute the suspicions or allegations under investigation
- repeated viewing of open profiles on social networks to gather evidence or to monitor an individual’s status, must only take place once RIPA authorisation has been granted and approved by a Magistrate
- Officers should be aware that it may not be possible to verify the accuracy of information on social networks and, if such information is to be used as evidence, take reasonable steps to ensure its validity.

Further, where an investigator may need to communicate covertly online, for example, contacting individuals using social media websites, a CHIS authorisation should be considered.

Authorisation Process

20. From 1 November 2012 a local authority who wishes to authorise the use of directed surveillance, the collection of communications data or the use of a CHIS will need to obtain an order approving the required action from the Magistrates Court before that action can take effect.
20. The new judicial approval is in addition to the Council’s own internal authorisation conducted under the RIPA Codes of Practice.
21. Also from the 1 November 2012 local authorities will only be able to obtain RIPA authorisation when investigating particular types of criminal offences.
- Those which attract a maximum custodial sentence of six months or more
 - Those offences relating to the underage sale of alcohol or tobacco

Internal Process

21. Requests to undertake directed surveillance, or to use a CHIS or to collect communications data can only be lawfully carried out if properly authorised and in strict accordance with the terms of the authorisation.
22. The Secretary of State specifies by statutory instrument the level of officer who may act as Authorising Officers. In this Council, the Chief Executive and the Director, under the Constitution (Part 3, Sec 7 (3) (iii)) are designated to act as Authorising Officers. The Chief Executive or Monitoring Officer may designate other officers to act as Authorising Officers. Authorisations must not be allowed to lapse. They must be reviewed regularly or cancelled.
23. The steps to be followed for each procedure are shown in the flow charts in Appendix 1.
24. For Directed Surveillance or the use of a CHIS or Communications data, only the approved RIPA forms, available on the Home Office website: (<http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-forms/>) may be used. Any other form will be rejected by the Authorising Officer. An applicant officer, or an Authorising Officer, if in doubt about the process to be followed, should always seek the advice of the Head of Legal and Support Services or the Senior Auditor before applying for, or issuing, an authorisation under RIPA.
25. The officer requesting the authorisation will be responsible for ensuring that copies of all forms are forwarded to the Senior Auditor within seven days of issue. As a control measure the Senior Auditor will supply the applicant officer with a referenced copy of the authorisation which they should keep in their department in secure storage. Officers should ensure that material passing between them is sent in such a way that it cannot be read or intercepted by other people.
26. A copy of the form should also be forwarded to the Council's Legal Services Team who will commence proceedings for appearance at the Magistrates Court to seek final judicial approval.

Considering an Application for Authorisation

27. Before signing a form, the Authorising Officer must have regard to this Policy and Procedure, to any relevant Code of Practice, to any advice from the Head of Legal and Support Services or Senior Auditor and to any other relevant guidance.
28. The Authorising Officer must also satisfy himself/herself that the RIPA authorisation is:
 - **in accordance with the law;**
 - **necessary** in the circumstances of the particular case on the ground of preventing or detecting crime or preventing disorder; and
 - **proportionate** to what it seeks to achieve.
29. In considering whether or not the proposed surveillance is proportionate, the Authorising Officer will need to consider whether there are other more non-

intrusive ways of achieving the desired outcome. If there are none, the Authorising Officer will need to consider whether the proposed surveillance is no more than necessary to achieve the objective as the least intrusive method will be considered proportionate by the courts.

30. The Authorising Officer will also need to take into account the risk of intrusion into the privacy of persons other than the specified subject of the surveillance. This is known as collateral intrusion. Measures must be taken whenever practicable to avoid or minimise, so far as practicable, collateral intrusion.
31. When authorising the conduct or use of a CHIS the Authorising Officer must also be satisfied that appropriate arrangements are in place for the management and oversight of the CHIS. This must address health and safety issues through a risk assessment. He or she must also have regard to any adverse impact on community confidence that may result from the use or conduct of the information obtained.

Judicial Approval

32. Once the Authorising Officer is satisfied that the RIPA is necessary they will instruct Legal Services to seek approval from the Magistrates Court.
33. Legal Services will request a hearing date from the Courts and which will need to be taken into account when considering any scheduled timetable connected to the matter being investigated.
34. At the hearing the Council will provide the Court with a copy of the authorisation signed by the Authorising Officer together with any supporting documents relevant to the matter showing the necessity of the authorisation and which contains all the information relied upon. Also included will be a summary of the circumstances of the case.
35. The hearing will be in private heard by a single Magistrate/District Judge who will read and consider the application. They may ask questions of the authority in order to satisfy themselves of the necessity and reasonableness of the request.
36. On reviewing the papers and hearing the application the Court will determine whether they are satisfied that there are reasonable grounds for believing that the authorisation is necessary and proportionate. In addition they must be satisfied that the Authorising Officer had the relevant authority to authorise the Council's own internal authorisation prior to it passing to the Court.
37. In considering the application the Court may decide to
 - **Approve the Grant or renewal of an authorisation or notice**
The grant or renewal of the RIPA authorisation or notice will then take effect and the local authority may proceed to use surveillance in that particular case.

In relation to Communications Data, the Council will be responsible for providing a copy of the order to the SPoC.

- **Refuse to approve the grant or renewal of an authorisation or notice**

The RIPA authorisation or notice will not take effect and the Council may **not** use surveillance in that case.

Where an application has been refused the Council may wish to consider the reasons for that refusal. For example, a technical error in the form may be remedied without the need to go through the internal authorisation process again. The local authority may then wish to reapply for judicial approval once those steps have been taken.

- **Refuse to approve the grant or renewal and quash the authorisation or notice**

This applies where a magistrates' court refuses to approve the grant, giving or renewal of an authorisation or notice and decides to quash the original authorisation or notice.

The court must not exercise its power to quash that authorisation or notice unless the applicant has had at least 2 business days from the date of the refusal in which to make representations.

Urgent Judicial Approval of Applications

38. Urgent approvals should not be necessary.

If the approval is urgent and cannot be handled the next working day then you should:

- i) Phone the Court's out of hours legal staff contact. You will be asked about the basic facts and urgency of the authorisation. If the police are involved in the investigation you will need to address why they cannot make a RIPA authorisation
- ii) If urgency is agreed, then arrangements will be made for a suitable Magistrate to consider the application. You will be told where to attend and give evidence.
- iii) Attend the hearing as directed with two copies of both the counter-signed RIPA authorisation form or notice and the accompanying judicial application/order form.

Central Co-ordination

39. The Chief Executive will be the Senior Responsible Officer for the overall implementation of RIPA. The Head of Legal and Support Services will be responsible for:

- giving advice and assistance to all staff concerned with the operation of the Act;
- arranging training for all staff concerned with the operation of the Act;
- maintaining and keeping up to date this corporate policy and procedure.
- The Senior Auditor will be responsible for:
 - maintaining a central and up to date record of all authorisations;
 - along with the Head of Legal and Support Services, giving advice and assistance to all staff concerned with the operation of the Act;
 - allocating reference numbers to authorisations;

Working with other Agencies

40. When some other agency has been instructed on behalf of the Council to undertake any action under RIPA, this Policy and Procedure must be used and the agency given explicit instructions on what it may do and how it may do it.
41. When some other agency (e.g. Police, Customs & Revenue etc.):
- wish to use the Council's resources (e.g. CCTV surveillance systems) for RIPA purposes, that agency must use its own RIPA procedures and, before any officer agrees to allow the Council's resources to be used for the other agency's purposes he or she must obtain a copy of that agency's RIPA form for the record (a copy of which must be passed to the Senior Auditor for inclusion on the central register);
 - wish to use the Council's premises for their own RIPA action, and is expressly seeking assistance from the Council, the officer should normally grant the request unless there are security or other good operational or managerial reasons as to why the Council's premises should not be used for the agency's activities. Suitable insurance or other appropriate indemnities may need to be sought. In such cases, the Council's own RIPA forms should not be used as the Council is only assisting and not involved in the RIPA activity of the external agency.

Other Sources of Information

42. The Home Office has issued Codes of Practice on surveillance, CHIS and the collection of communications data. These Codes of Practice supplement this policy and procedure document and should be used as a binding source of reference by all those officers whose task it is to apply the provisions of RIPA and its subordinate legislation.

ASG Revised Dec 2006

ASG Reviewed May 2009

AW Reviewed and updated June 2010

ASG Revised March 2012

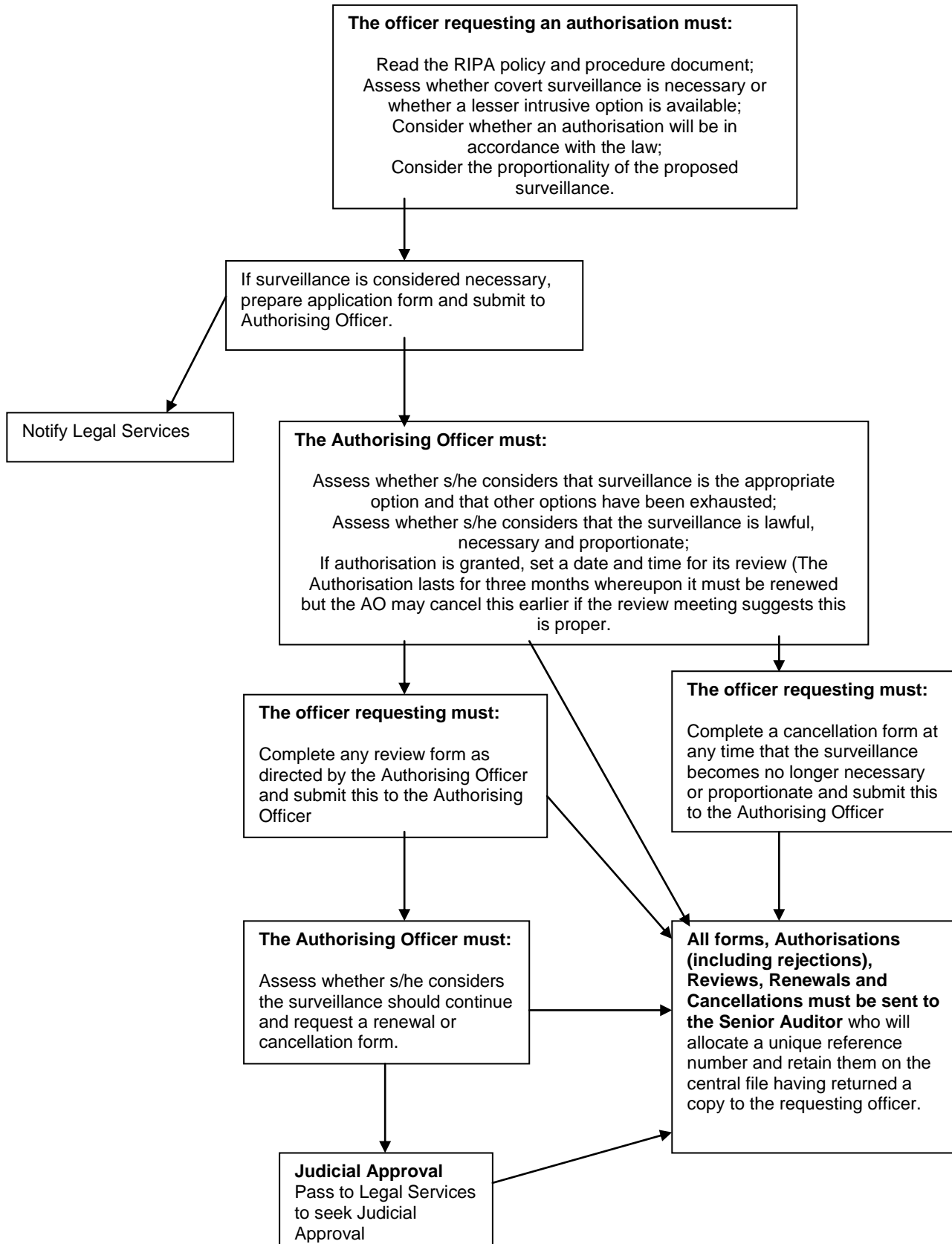
HO Guidance issued October 2012

RH Reviewed and updated September 2013

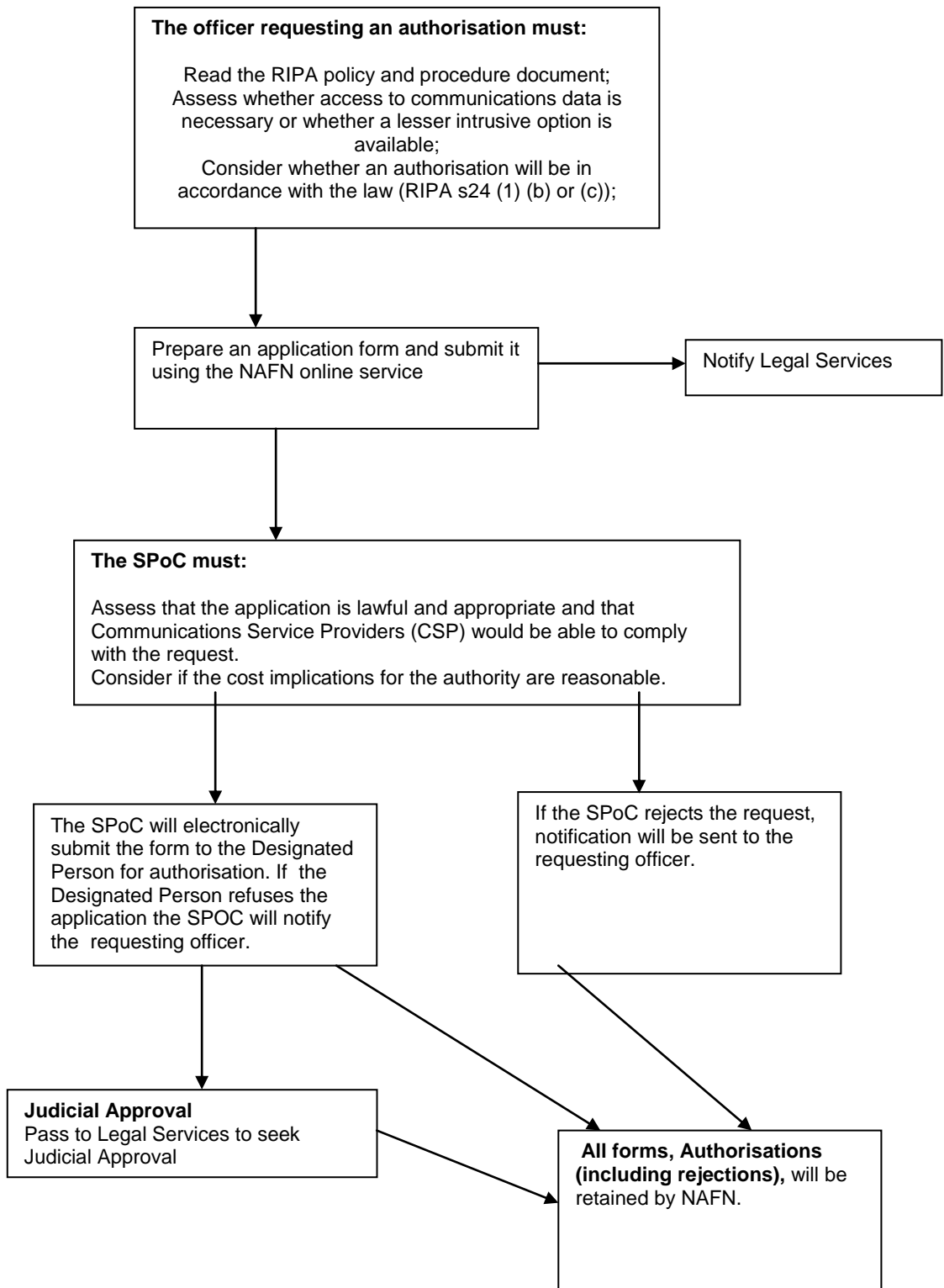
DMG Reviewed and updated October 2015

RIPA – DIRECTED SURVEILLANCE / USE OF CHIS PROCEDURE

(Note: Only the Chief Executive may authorise the use of a juvenile or vulnerable individual as a CHIS)



RIPA – COMMUNICATIONS DATA PROCEDURE



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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 9 DECEMBER 2015

Title of report	STANDARDS AND ETHICS – QUARTER 2 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 2 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 Assessment	N/A
Human Rights	N/A
Transformational Government	N/A
Consultees	N/A
Background papers	None.
Recommendations	THAT THE REPORT BE RECEIVED AND NOTED.



STANDARDS AND ETHICS

QUARTER 2 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 4 complaints in Quarter 2 of 2015/2016. 3 of the complaints related to one District Councillor and 1 to a Parish Council.

2.1 Source of Complaint

The complaint against the Parish Council was received from a District Councillor. This complaint was resolved informally.

The complaints against the District Councillor were received from 2 members of the public and a member of staff.

These complaints are currently at the informal resolution stage.

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		0	
SE3	Follow up action relating to breaches of the Member/Officer Protocol (Members)	Head of Legal and Support Services	0	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		0	
SE4	District Audit Public Interest Reports	Senior Auditor	0	0	0	0	0		0	
SE5	Number of Whistle blowing Incidents reported		0	0	0	0	0		0	
SE6	No. of recommendations made to improve governance procedures / policies		5	2	1	0	2		0	
SE6a	No. of recommendations implemented		5	1	7	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	1	2		2	
SE7a	No. of Ombudsman complaints resolved		0	0	1	0	2		2	
SE7b	No. of Ombudsman complaints where compensation paid		0	0	0	0	0		0	
SE8	No. of Corporate Complaints received		75	83	104	116	70		94	
SE8a	No. of Corporate Complaints resolved		69	79	113	93	91		74	
SE8b	No. of Corporate Complaints where compensation paid		1	0	4	0	4		17	

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- A total of 116 corporate complaints were received during Q2 which is an increase of 12% when with the same period for Q2 14/15. To the end of Q2, the Council received 199 complaints, which is an increase of 11% when compared to the 179 received for the same period on 14/15.
- 57 of the complaints (49%) were for the Housing Service. The most common reason for a tenant making a complaint against the Housing Service was logged against "The delay in undertaking work" (20 complaints received, which equates to 88% 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	150	109		138	
SE9a	No. of requests compliant		125	73	83	110	82		85	
SE9b	No. of Non compliant requests		45	30	47	40	19		45	
SE9c	No of requests still open and within the 20 working days		0	1	3	0	0		0	
SE9d	Number withheld due to exemptions/fees applied		10	10	29	17	27		18	

- There has been a 2 % increase in FOI requests received during Q2 of this year compared to the same period of 2014/2015 following a 34% reduction in requests during Q1.
- There has been a 17% increase in the number of requests that are compliant during Q2 of this year compared to the same period of 2014/2015. It is hoped that this increase reflects the effectiveness of improvements in the FOI procedure implemented recently.

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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		0	
SE10a	No. in force at the end of the quarter		0	0	0	0	0		0	
SE10b	No. of CHIS recruited during the quarter		0	0	0	0	0		0	
SE10c	No. ceased to be used during the quarter		0	0	0	0	0		0	
SE10d	No. active at the end of the quarter		0	0	0	0	0		0	
SE10e	No. of breaches (particularly unauthorised surveillance)		0	0	0	0	0		0	
SE10f	No. of applications submitted to obtain communications data which were rejected		0	0	0	0	0		0	
SE10g	No of notices requiring disclosure of communications data		0	0	0	0	0		0	
SE10h	No of authorisations for conduct to acquire communications data		0	0	0	0	0		0	
SE10i	No of recordable errors		0	0	0	0	0		0	

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

Issue	Details	Report Author	Meeting at which will be reported
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
Internal Audit Plan 2016/17	To consider the audit plan	Senior Auditor	23 March 2016
External Audit Plan 2015/16	To receive the audit plan	External Audit	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

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