

Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 7 December 2016
Location	Board Room, 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 21 September 2016	3 - 8
4. ANNUAL AUDIT LETTER 2015/16	
Report of the Interim Director of Resources	9 - 16
5. INTERNAL AUDIT PROGRESS REPORT - NOVEMBER 2016	
Report of the Senior Auditor	17 - 30



6.	TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO OCTOBER 2016	
	Report of the Interim Director of Resources	31 - 36
7.	STANDARDS AND ETHICS - QUARTER 2 REPORT	
	Report of the Head of Legal and Support Services	37 - 46
8.	FUTURE EXTERNAL AUDIT ARRANGEMENTS	
	Report of the Interim Director of Resources	47 - 50
9.	COMMITTEE WORK PLAN	
	To note the Committee's work plan	51 - 52

Circulation:

Councillor R Adams
 Councillor R Ashman
 Councillor J Clarke (Chairman)
 Councillor F Fenning
 Councillor D Harrison (Deputy Chairman)
 Councillor G Houlton
 Councillor G Jones
 Councillor P Purver
 Councillor A C Saffell
 Councillor S Sheahan

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 21 SEPTEMBER 2016

Present: Councillor J Clarke (Chairman)

Councillors R Ashman, F Fenning, D Harrison, G Houlst, G Jones, P Purver and S Sheahan

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

External Audit: Mr T Crawley and Mr S Gill

10. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor R Adams.

11. DECLARATION OF INTERESTS

There were no interests declared.

12. MINUTES

Consideration was given to the minutes of the meeting held on 13 July 2016.

It was moved by Councillor D Harrison, seconded by Councillor P Purver and

RESOLVED THAT:

The minutes of the meeting held on 13 July 2016 be approved and signed by the Chairman as a correct record.

13. ANNUAL GOVERNANCE STATEMENT 2015-16

The Financial Planning Manager presented the report to members, drawing their attention to the CIPFA and SOLACE six core principles for good governance outlined at section 1.3 of the report, and the statement from the Council's external auditors set out at Appendix 1.

Councillor S Sheahan sought clarification on how the Council had gone about developing its vision, and how that vision translated into the outcomes for the community.

The Interim Director of Resources advised that the Council's vision had been set through the corporate and strategic planning process and was as set out and agreed by the Council in the Council Delivery Plan. He explained that Annual Governance Statement did not seek to question the benefits of the vision, but to set out whether the Council was being run properly and to establish what had changed since the last Annual Governance Statement.

Councillor S Sheahan sought clarification on how the Council ensured that users received a high quality service.

The Head of Legal and Support Services advised that this was ensured via the strong performance management arrangements which were in place, including quarterly performance monitoring by Cabinet.

Councillor S Sheahan made reference to the section on member and officer relations and commented that this section seemed to be silent on how the Council would deal with the public.

The Head of Legal and Support Services advised that the Constitution contained the responsibilities of the organisation to the public and set out what the public could expect in terms of interacting with the Council on a governance level. She added that some wording could be added to refer to the Constitution.

Councillor S Sheahan questioned whether officers had the capacity to use their legal powers to the full benefit of citizens. He commented that he was aware the resources in the legal services team were stretched and asked whether capacity in legal services ought to be reviewed.

The Head of Legal and Support Services advised that a whole range of officers within the organisation operated under statutory powers, and as such she felt that this was a broader reference than solely to the legal services team.

Councillor S Sheahan asked what the Council was doing to encourage new talent in its membership.

The Interim Director of Resources made reference to the BEE programme and the coaching culture within the organisation which sought to ensure that managers were developed and could develop staff. He added that succession planning was currently under consideration to ensure that the skills within the organisation could be maintained in the future.

It was clarified that seeking to encourage individuals to come forward and stand as members was not the role of the Council. The Head of Legal and Support Services added that ensuring members were fully inducted and trained was the aspect which was referred to in the Annual Governance Statement.

Councillor F Fenning expressed concerns regarding the lack of opportunity to scrutinise and be involved in the development of policy. He pointed out that in order for scrutiny to be effective, it should take place before executive decisions were made.

Councillor S Sheahan supported Councillor F Fenning's comments and added that he felt scrutiny had been cut down to the bare minimum. He added that he would welcome a comparative analysis of the scrutiny function to assess whether it was a strength or a weakness.

The Interim Director of Resources explained that the scrutiny function was as defined in the Constitution. He added that he was working with the Policy Development Group to ensure it was carrying out its functions and listening to what changes needed to be made.

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

RESOLVED THAT:

The Annual Governance Statement be approved.

14. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO AUGUST 2016

The Financial Services Team Manager presented the report to members, drawing their attention to the key factors affecting the UK economy, including the vote to leave the European Union which had created an uncertain economic outlook, and the subsequent reduction in the base rate which would have an adverse impact on investment income.

Councillor D Harrison felt that to say that the economic outlook has immeasurably altered since the vote to leave the European Union was totally misleading given the comments made by the Office of National Statistics that there was no noticeable difference.

Councillor J Clarke pointed out that the current figures did not include the financial services results and that may substantially alter the forecast.

Councillor D Harrison felt that this statement was very strong and did not feel that the authority should be talking about the economy in those terms.

The Financial Services Team Manager explained that the report was compiled at the end of August taking into account professional advice received at that time. He added that some further information became available after the report was written.

Councillor D Harrison asked if the wording could be altered.

The Head of Legal and Support Services explained that the wording was provided by the advisors and suggested that this could be made clearer in the report.

It was moved by Councillor G Hoult, seconded by Councillor R Ashman and

RESOLVED THAT:

The report be noted.

15. ANNUAL STATEMENT OF ACCOUNTS 2015/16

The Financial Services Team Manager presented the report to members, highlighting the key elements of the Statement of Accounts and the changes made to the draft Statement of Accounts which was presented to the auditors in June. He added that these changes were mainly to the narrative statement, balance sheet and notes, and all changes were presentational issues having no bearing on the financial position of the authority.

Councillor S Sheahan sought clarification on the operational return rate of the leisure centres.

The Financial Services Team Manager advised that the current subsidy provided to the leisure centres was forecast to be approximately £400,000. He agreed to confirm whether this figure included only the two main leisure centres.

In response to a question from Councillor S Sheahan, the Financial Services Team Manager confirmed that the action plan in respect of long term voids was being scrutinised by Policy Development Group and considered by Cabinet.

Councillor J Clarke highlighted some typographical errors on page 7 of the report.

Councillor F Fenning thanked the accountants for their work and acknowledged that the previous year had been challenging in terms of resources.

At this point in the meeting, consideration was given to the report entitled 'Report to those charged with Governance 2015/16'. Following this report it was moved by Councillor D Harrison, seconded by Councillor G Jones and

RESOLVED THAT:

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

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

16. INTERNAL AUDIT PROGRESS REPORT - AUGUST 2016

The Senior Auditor presented the report to members, drawing their attention to some minor changes to the audit plan and the executive summaries on page 36. She advised that as discussed at the previous meeting, an update had been provided in respect of ICT and a report was being considered by Policy Development Group. She highlighted the overdue and outstanding recommendations detailed on page 40 and advised that there were no concerns to bring to members' attention.

It was moved by Councillor G Jones, seconded by Councillor R Ashman and

RESOLVED THAT:

The report be noted.

17. INTERNAL AUDIT CHARTER AND RECOMMENDATIONS REVIEW

The Senior Auditor presented the report to members, drawing their attention to the changes made to ensure that the charter remained compliant with standards. She advised that a mission statement and core principles had been introduced. She added that it was proposed to introduce a new category of recommendation to audit reports to enable senior management to identify critical issues. She explained that the charter and proposal had been considered and approved by the Corporate Leadership Team.

Councillor D Harrison welcomed the flexibility provided by the proposals and felt this was more appropriate

Councillor F Fenning questioned whether the Audit and Governance Committee should be informed if a critical issue arose.

The Head of Legal and Support Services advised that any issues categorised as critical would require immediate attention by officers and would be subsequently reported to the Audit and Governance Committee.

Councillor F Fenning felt that the Chairman of the Committee should be notified in such a situation.

The Interim Director of Resources took on board this comment and advised that senior management would consider who should be notified.

In response to a question from Councillor P Purver, the Senior Auditor advised that it was not envisaged that the critical category would be utilised often, however there had been a recent incident which came under the current 'high risk' category, and it was considered that this did not highlight the issue sufficiently. This had led to a review of the current categories to establish a better way of reporting these issues.

Councillor R Ashman supported the view that the Chairman of the Committee should be informed of any critical incidents. He also expressed concerns with removing the term 'immediate' and requested that this be replaced by 'urgent'.

It was moved by Councillor R Ashman, seconded by Councillor P Purver and

RESOLVED THAT:

- a) The updated Internal Audit Charter be approved.
- b) The proposed changes to the categories of Internal Audit recommendations be noted.

18. REPORT TO THOSE CHARGED WITH GOVERNANCE 2015/16

The External Auditor resented 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. He highlighted the adjustments which were to be made to the accounts, which were presentational in nature.

The External Auditor stated that adequate support arrangements were in place in respect of the accounts. He added that officers had acted upon one of the previous recommendations made.

Councillor F Fenning made reference to page 73 of the agenda and asked whether fair value had resulted in an increase or decrease in the value of assets.

The External Auditor explained that fair value was effectively market value, and for any valuation a RICS qualified expert would be sought. He acknowledged that in respect of council houses, tenants had a right of tenure which was why a significant discount was given.

In response to a question from Councillor D Harrison, the Financial Services Team Manager assured members that the monthly bank reconciliations were completed in a timely manner. He explained that this issue had arisen in the previous year due to a vacant post which had subsequently been recruited to. He added that the reconciliation was normally completed within two weeks of the month end.

In response to a comment from Councillor D Harrison, the Financial Services Team Manager acknowledged that the pension liability was large. He advised that the pension reserve was sufficient to meet the liability, however this fluctuated on an annual basis. He added that if the actuaries advised that there was a shortfall, the amount paid into the reserve would be increased.

Councillor F Fenning thanked the external auditors for their support.

It was moved by Councillor S Sheahan, seconded by Councillor D Harrison 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.

19. STANDARDS AND ETHICS - QUARTER 1 REPORT

The Head of Legal and Support Services presented the report to members.

It was moved by Councillor D Harrison, seconded by Councillor G Hoult and

RESOLVED THAT:

The report be noted.

20. COMMITTEE WORK PLAN

RESOLVED THAT:

The Committee Work Plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.43 pm

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE - 7 DECEMBER 2016

Title of report	ANNUAL AUDIT LETTER 2015/16
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Director of Resources 01530 454833 andrew.hunkin@nwleicestershire.gov.uk</p> <p>Financial Planning Manager/Deputy S151 Officer 01530 454707 pritesh.padaniya@nwleicestershire.gov.uk</p>
Purpose of report	To report the receipt of the Annual Audit Letter.
Council Priorities	Value for Money.
Implications:	
Financial/Staff	None.
Link to relevant CAT	None.
Risk Management	Not required.
Equalities Impact Screening	Not required.
Human Rights	None identified.
Transformational Government	Not applicable.
Consultees	None
Background papers	None.
Recommendations	THAT THE 2015/16 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 2015/16. 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 2015/16 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 2015/16 audit.
- 1.3 A copy of the Annual letter is attached at Appendix 1.



Annual Audit Letter 2015/16

North West Leicestershire District
Council
October 2016

Contents

The contacts at KPMG
in connection with this
report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments 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.psaa.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 Tony Crawley, 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, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

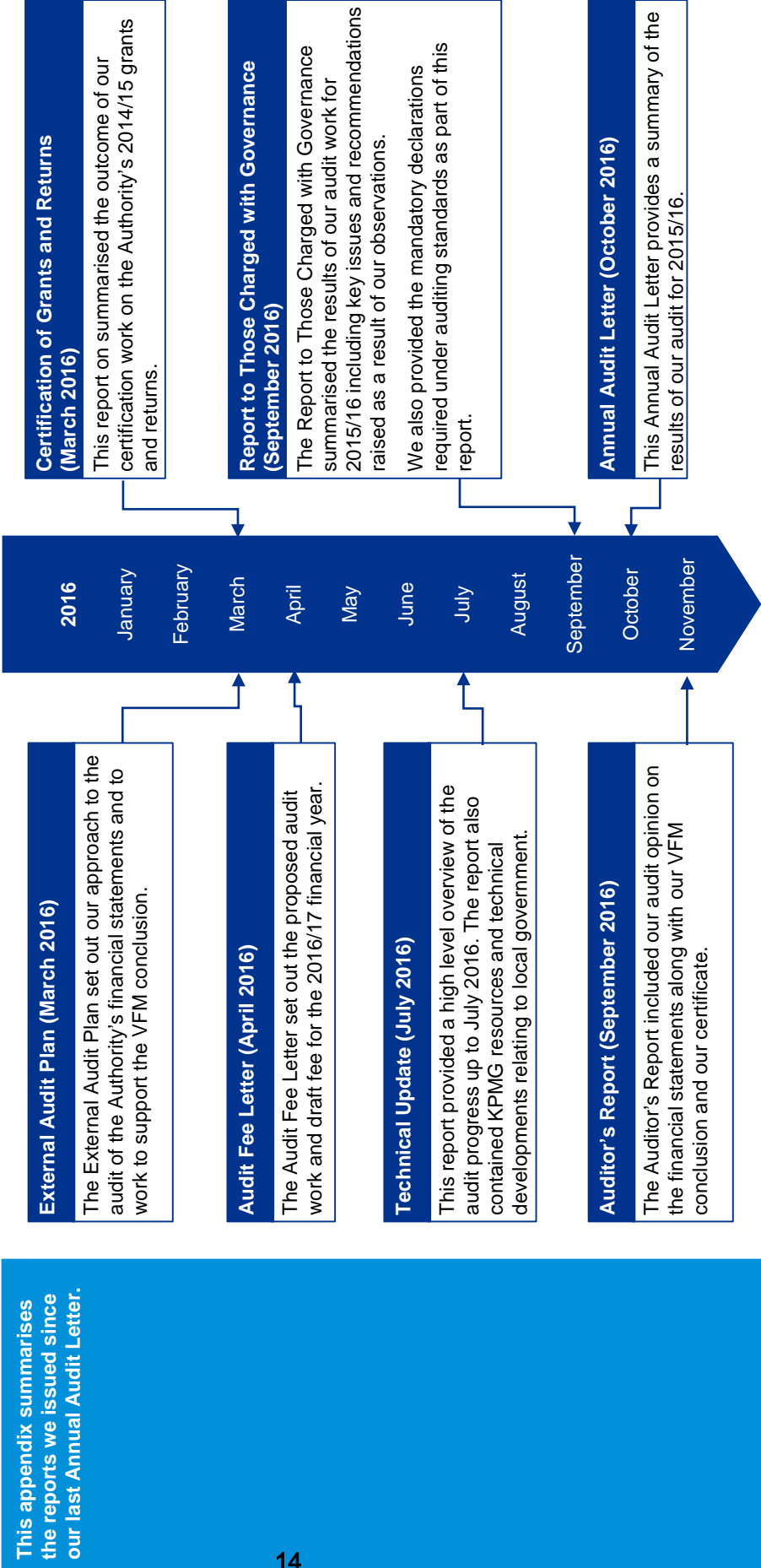
Headlines

This Annual Audit Letter summarises the outcome from our audit work at North West Leicester District Council in relation to their 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 30 September 2016. This means we are satisfied that during the year that the Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.</p> <p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements in place to mitigate these risks.</p> <p>We have considered the Authority's arrangements for securing financial resilience. We reviewed the outturn report for 2015/16, and noted that an underspend of £2.3m was recorded against the 2015/16 budget. Significant contributions to this included additional planning income of £0.7m and business rates income of £1.3m. We have reviewed the major variances in the outturn report, which does not suggest significant overspends relating to pressures on services. At the time of the audit the Authority was in the process of refreshing its Medium Term Financial Strategy to reflect the changes in income and expenditure levels. We considered whether the assumptions around income and expenditure were appropriate. The Authority was expecting a reduction in the original savings required of £1.9m going forward, but will monitor the situation especially with regard to Government announcements in the Autumn Statement and as a result of changes to the New Homes Bonus and the arrangements for business rates distribution, and will update its forecasts as appropriate.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 30 September 2016. This means that we believe the financial statements give a true and fair view of its financial position and of its expenditure and income for the year.</p>
Financial statements audit	<p>We identified following material misclassification errors in our audit of the financial statements:</p> <p>An Investment of £1.5m was misclassified as cash rather than short term investments.</p> <p>Investments of £4m were misclassified as long term investments rather than short term investments.</p> <p>Both of these were corrected.</p> <p>The Authority has adequate processes in place for the production of the accounts and adequate quality working papers, although there is scope for improvement. Officers dealt with audit queries in a reasonable time.</p>
Annual Governance Statement	<p>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</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 you fall 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 30 September 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.</p>
Audit fee	<p>Our fee for 2015/16 was £50,522, excluding VAT. This fee was in line with that highlighted within our audit plan agreed by the Audit and Governance Committee in March 2016. Further detail is contained in Appendix 2.</p>

Appendix 1: Summary of reports issued



Appendix 2: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

External audit

Our final fee for the 2015/16 audit of North West Leicestershire District Council was £50,522 excluding VAT, which is in line with the planned fee.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments 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, which we will present to the Audit and Governance Committee in March 2017.

Other services

We charged £3,000 and £4,600 excluding VAT for additional audit-related services for the certification of the Pooling of Housing Receipts Return and HCA Decent Homes Backlog Grant, which are outside of Public Sector Audit Appointment's certification regime.



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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 7 DECEMBER 2016

Title of report	INTERNAL AUDIT PROGRESS REPORT – NOVEMBER 2016
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Interim Director of Resources 01530 454833 andrew.hunkin@nwleicestershire.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 2016/17 and to highlight any incidences of 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 using a risk assessment based methodology.
Equalities Impact Assessment	Not Applicable.
Human Rights	None.
Transformational Government	Not Applicable
Consultees	None.
Background papers	Public Sector Internal Audit Standards 2016/17 Internal Audit Annual Audit Plan

Recommendations	MEMBERS NOTE THE CONTENTS OF THE REPORT
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1. INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards require the authority's Audit Committee to approve the audit plan and monitor progress against it. They should receive periodic reports on the work of internal audit.
- 1.2 The Audit and Governance Committee approved the 2016/17 Audit Plan on 23 March 2016. They receive progress reports quarterly.

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.'
- 2.2 Particular statements in the Terms of Reference that refer to Internal Audit include:
'd) Approve (but not direct) Internal Audit's strategy and plans and monitor performance
e) Review summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary
f) Receive the annual report of Internal Audit'.

3. PROGRESS REPORT

- 3.1 The Internal Audit Progress Report for the period 01 September to 15 November 2016 is attached at Appendix 1.



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report 2016/17
(to 15th November 2016)

1. Introduction

- 1.1 The assurances received through the Internal Audit programme are 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 15 November 2016.

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 of the control environment, and therefore contribute to the achievement of the organisation's objectives.
- 2.2 Internal Audit provides 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.

6 Internal Audit Plan Update

- 6.1 A progress report against the 2016/17 Internal Audit plan is documented in Appendix A. The Internal Audit plan needs to be flexible in order to respond to current risks and resource requirements. There have been a small number of changes to the Internal Audit plan approved in March 2016 and details are documented in the 'comments' column in Appendix A.
- 6.2 One final report has been issued since the last update report, two are at the draft reporting stage and two audits are in progress. The executive summary for the final report issued is included in Appendix B. There are no significant control weaknesses to draw attention to at this point in time.

7 Internal Audit Recommendations

- 7.1 Internal Audit monitors and follows up all critical, high and medium priority recommendations. Appendix C lists overdue recommendations along with a status update. There is only one overdue recommendation and Internal Audit is satisfied that reasonable progress has been made so far.
- 7.2 All outstanding high and medium priority recommendations i.e. those not yet due, are included in Appendix D for information.

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.

2016/17 AUDIT PLAN PROGRESS TO 15th NOVEMBER 2016

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C**	H	M	L	A	
Cash and Bank	Key Financial System	6	-	Schedule for Q4							
Creditors	Key Financial System	6	-	Engagement Planning							
Sundry Debtors	Key Financial System	6	-	Scheduled for Q4							
HR and Payroll	Key Financial System	10	-	Scheduled for Q4							Validation testing between old and new system in place of formal audit.
Main Accounting (7)	Key Financial System	5	2.5	Final Report Issued	Grade 1	-	-	-	-	-	
Rent Accounting	Key Financial System	6	2.5	In progress							
Treasury Management (4)	Key Financial System	4	5	Final Report Issued	Grade 1	N/A	-	-	-	-	
ICT Key Controls	Key Financial System	-	-	Scheduled for Q3							This audit will be undertaken by ICT audit specialists and will take place in Q4.
Car parking and enforcement	Risk Based	7	3	In progress							
Enterprising NWLDC Grants (1)	Risk Based	4	7	Final Report	Grade 2	N/A	3	3	-	2	Actual days greater than planned due to broader scope.
Solid Fuel Servicing and Maintenance Contract and Gas Servicing and Maintenance Contract	Risk Based	10	-	Scheduled for Q3/Q4							
Housing Management - Mobile Working	Risk Based	7	11	Draft Report Issued							Actual days greater than planned due to broader scope.
Housing – In House Repairs Service	Risk Based	10	-	Scheduled for Q4							
Planning Enforcement	Risk Based	7	-	Move to 2017/18 plan							IA resources required for additional audits.
Section 106	Risk Based	10	-	Scheduled for Q3/Q4							
Trade Refuse and Recycling (2)	Risk Based	10	7	Final Report Issued	Grade 1	N/A	-	1	1	-	

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C**	H	M	L	A	
Leicestershire Welfare Provision (3)	Risk Based	3	4	Final Report Issued	Grade 1	N/A	-	1	-	-	
Anti Fraud and Corruption Arrangements	Additional Risk Based	6*	-	Engagement Planning							This will take the form of a review against the CIPFA Code on Managing the Risk of Fraud and Corruption.
Asset Management System	Additional Risk Based	5*	6	Draft Report Issued							Required to get assurance that system work has been effective in rectifying prior issues.
Disabled Facilities Grant Determination	Additional Risk Based	3*	6	Grant report issued to senior management							Work required to enable Senior Auditor to sign off DCLG determination. Findings reported to senior management.
Disabled Facilities Grants	Additional Risk Based	5*	-	Scheduled for Q4							Audit added by Senior Auditor in light of findings during work undertaken to sign off DCLG Determination.
Asset Performance Calculator – NPV	Advisory	4	1	As required							
CCTV	Advisory	4	-	Scheduled for Q4							
Coalville Project	Advisory	5	0.5	As required							
New financial systems	Advisory	5	2	As required							

*Planned days not included in original audit plan approved in March 2016 as they are additional audits.

** New category of recommendation 'critical' added from 21st September 2016.

KEY

Audit Opinion

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

Recommendation Priority

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made,
Low	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
Advisory	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B

EXECUTIVE SUMMARY OF IN HOUSE INTERNAL AUDIT FINAL REPORTS ISSUED 01 SEPTEMBER 2016 – 15 NOVEMBER 2016

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations				
					C*	H	M	L	A
2016/17 Audits									
07 – Main Accounting System	Corporate Portfolio Holder	Interim Head of Transformation Financial Planning Manager	Grade 1	None.	-	-	-	-	-

* New category of recommendation 'critical' added from 21st September 2016.

 See Appendix A for Key.

RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
2015/16 Reports								
11	Safeguarding	5	Review and update the DBS policy in order to meet the Code of Practice requirements.	Medium	Senior HR Adviser	Feb 2016	In progress	The policy has been drafted and will be considered by CLT in December 2016.

RECOMMENDATIONS TRACKER – OUTSTANDING RECOMMENDATIONS

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
2015/16 Reports							
11	Safeguarding	2	Attendance at training events and completion of mandatory training modules should be monitored. Non attendance or non completion should be followed up so that alternative arrangements can be made as necessary.	Medium	Senior HR Adviser (L1) Designated Safeguarding Officers (DSO) Group (L2-9)	September 2016	Audit follow up will take place in November 2016
15	Sundry Debtors	1	Invoices that have been at the investigation stage for some time (including those relating to previous years) should be reviewed and prioritised so that appropriate action taken.	Medium	Senior Exchequer Services Officer	September 2016	Audit follow up will take place in November 2016
2016/17 Reports							
28	3 Leicestershire Welfare Provision	1	All processed applications are reconciled against the spreadsheet to ensure all information is correct prior to submission to LCC.	Medium	Housing Choices Team Leader	Immediate	Audit follow up will take place in November 2016

Internal Audit Performance: 15th November 2016

Performance Measures:

Performance Measure	2016/17 Quarter 3 Target	Position as at 15.11.16	Comments
Delivery of 2016/17 Audit Plan	65%	42%	Currently only half way through quarter 3 and on track to achieve plan therefore no cause for concern at this point.
Percentage of time spent on audit work	80%	86%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	
Compliance with the Internal Audit Standards	Full	No significant gaps in compliance	
Compliance testing of completed recommendations	90%	90%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 3 Milestone	Position as at 15.11.16
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	Review carried out in May 2016. No actions necessary.
Undertake audits as per agreed Audit Plan.	Complete 65% of audit plan.	On track.
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 track.
Achievement of the PSAIS	Internal review of effectiveness of Internal Audit reported to June A&GC.	On track. Action plan produced as part of review against April 2016 PSIAS and is being progressed by Senior Auditor and Director of Resources.
Annual Audit Opinion delivered by 30 th June 2016 deadline.	Not applicable.	Achieved.
Risk based annual audit plan for 2017/18 approved by 31 March 2017.	No action.	On track. Senior Auditor updates risk assessment throughout the year as new risks emerge and will carry out a full assessment in early 2017.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 7 DECEMBER 2016

Title of Report	TREASURY MANAGEMENT ACTIVITY REPORT – APRIL TO OCTOBER 2016
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Interim Director of Resources 01530 454833 andrew.hunkin@nwleicestershire.gov.uk</p> <p>Financial Planning Manager / Deputy S151 Officer 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 2016.
Reason for Decision	To ensure that Members are informed of the Authority's Treasury Management activity during the financial year and have the opportunity to scrutinise that activity.
Council Priorities	Value for Money
Implications:	
Financial/Staff	Interest earned on balances and interest paid on external debt, impact on the resources available to the Authority.
Link to relevant CAT	Could impact upon all Corporate Action Teams.
Risk Management	Borrowing and investment both carry an element of risk. This risk is mitigated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA code of Treasury Management and the retention of Treasury Management Advisors (Arlingclose) to proffer expert advice.
Equalities Impact Screening	Not Applicable
Human Rights	Not Applicable
Transformational Government	Not Applicable
Consultees	None
Background Papers	<p><u>Treasury Management Strategy Statement 2016/17 – Council Meeting 23 February 2016</u></p> <p><u>Treasury Management Activity report – April to August 2016</u></p>

Recommendations	THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.
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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 23 February 2016.
- 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 2016/17, to inform Members of the Authority's treasury activity and enable scrutiny of activity and performance. The first report was presented to Audit and Governance Committee on 21 September 2016. 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 2016;
 - d) Reports on breaches of or compliance with treasury limits and Prudential Indicators.

3.0 THE U.K. ECONOMY AND OTHER FACTORS.

- The UK Consumer Prices Index (CPI) rose by 1.0% in the year to September 2016, compared with a 0.6% increase in the year to July 2016. The main contributors to the increase in the rate were rising prices for clothing, overnight hotel stays and motor fuel. These upward pressures were partially offset by falls in air fares and food prices.
- At its meeting in November 2016, the Monetary Policy Committee voted unanimously to maintain Bank Rate at 0.25%.
- The significant fall in the pound since August is likely to push inflation up. This, along with past depreciation in the pound, means that inflation is projected to rise above the 2% target over the next twelve months.

- Global developments: The MPC's August policy package helped to lower interest rates and support asset prices. Since the start of October, however, UK gilt yields have risen sharply and by more than yields in other advanced economies, alongside a further depreciation in sterling. Global activity growth slowed during the first half of the year, but this weakness is expected to be temporary and growth will be supported by policy measures and financial conditions.

4.0 THE AUTHORITY'S TREASURY POSITION.

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

DEBT	Balance at 01/4/2016 £m	%	Maturing loans £m	Premature redemptions £m	New Borrowing £m	Balance at 06/11/2016 £m	%
Long-term fixed rate :	£84.482		£0.525	£0.000	£0.000	£83.957	
• HRA	£76.127	90.0	£0.525	£0.000	£0.000	£75.602	90.0
• General Fund	£8.355	9.9	£0.000	£0.000	£0.000	£8.355	9.9
Long-term variable rate	£0.000		£0.000	£0.000	£0.000	£0.000	
Temporary Borrowing	£0.000		£0.000	£0.000	£0.000	£0.000	
Total borrowing	£84.482	99.9	£0.525	£0.000	£0.000	£83.957	99.9
Other long-term liabilities	£0.119	0.1	£0.000	£0.000	£0.000	£0.119	0.1
TOTAL EXTERNAL DEBT	£84.601	100	£0.525	£0.000	£0.000	£84.076	100
INVESTMENTS		%	Maturities £m	Sales £m	New Investments £m		%
Internally Managed	£30.601		£22.442	£0.000	£28.058	£36.217	
• Investments with maturities up to 1 year	£18.601	58.3	£22.442	£0.000	£28.058	£24.217	51.6
• Investments with maturities in excess of 1 year	£12.000	37.6	£0.000	£0.000	£0.000	£12.000	25.6
Externally Managed Investments*	£1.300	4.1	£50.850	£0.000	£60.250	£10.700	22.8
TOTAL INVESTMENTS	£31.901	100	£73.292	£0.000	£88.308	£46.917	100
NET DEBT	£52.700					£37.159	

*Represents investments held in Money Market Funds

- 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 2016 to October 2016, the capacity for investment has currently increased by £15m. The volatility of balances is normal throughout the year and a number of factors contribute to this:
- The Authority traditionally benefits from the receipt of Council Tax and Business Rates during the first ten months of the financial year;
 - Revenue expenditure is more evenly weighted throughout the financial year;
 - Capital expenditure is more heavily weighted towards the latter part of the financial year due to the time required to schedule programmes of work or award contracts.
 - The patterns of income and expenditure are 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 drop 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 2016/17, approved by Council on 23 February 2016, 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 £1.682m. In the two subsequent financial years this is estimated to be £0.742m in 2017/18 and £1.368m in 2018/19, as presented to Council in the "Treasury Management Strategy Statement 2016/17 and Prudential Indicators 2016/17 to 2018/19" on 23 February 2016.
- 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 2016/17 is £1.055m.
- 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 2016/17, which was approved by Council on 23 February 2016, 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 2016/17, which was approved by Council on 23 February 2016, 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 2016/17 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	0.20%	0.0
Bank of Scotland	Overnight	0.15%	1.4
Handelsbanken	Overnight	0.05%	0.0
Black Rock MMF	Overnight	0.23%	1.9
Goldman Sachs MMF	Overnight	0.27%	4.1
Aberdeen Asset Management MMF	Overnight	0.26%	3.7
CCLA Investment Management Ltd MMF	Overnight	0.29%	1.0
Lloyds Bank Notice Account	32 days	0.32%	0.8
Barclays Treasury Direct	91 days	0.28%	1.5
Santander 95 Day Notice Account	95 days	0.65%	1.5
Leeds City Council	122 days	0.22%	2.5
Birmingham City Council	143 days	0.30%	2.5
The Highland Council	180 days	0.26%	1.0
National Counties Building Society	183 days	0.75%	1.0
Nationwide Building Society	182 days	0.42%	1.5
Hinckley & Rugby Building Society	186 days	0.50%	1.0
London Borough of Newham	308 days	0.56%	3.0
Salford City Council	364 days	0.60%	1.0
North Tyneside Council	364 days	0.60%	2.0
Fife Council	364 days	0.60%	1.0
Lancashire County Council	364 days	0.60%	1.5
Lloyds Bank Fixed Term Deposit	1 Year	1.05%	1.0
Lancashire County Council	18 months	0.70%	2.0
Blaenau Gwent County Borough Council	3 years	1.20%	2.5
Staffordshire Moorland District Council	3 Years	1.50%	2.0
Greater London Authority	3 Years	1.50%	3.0
Newcastle City Council	3 Years	1.13%	2.5
Total Invested			46.9

*The interest rate shown is based on the average for October 2016.

- 7.5 The average rate of return on the Authority's investment balances during the period was 0.59%. For comparison purposes, the benchmark return (cumulative average 7-day London Interbank Bid Rate or LIBID rate) from April to the end of October 2016 was 0.26%. The cumulative average 7 day London Interbank Offered Rate (LIBOR) rate from April to the end of October 2016 was 0.39%. 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 2016/17.
- 7.6 Short and long term interest rates have fallen since the reduction of the base rate by the Bank of England in August 2016. They are predicted to fall further if the Bank of England implements further reductions in the base rate. Whereas previously, a lengthening of investment periods enabled the authority to lock into higher rates of return, this is no longer the case. Borrowing rates are currently so low that longer term rates have dropped due to the potential of further base rate cuts. This has limited the opportunity for longer term investments, which will result in the gradual fall in the authority's rate of return as the current longer term investments mature and are

replaced with shorter term investments at a greatly reduced interest rate. This will however, increase the liquidity of the authority.

- 7.7 There were 72 investments made during the period, totalling £88.4m and 61 maturities totalling £73.3m. The average balance held for the period was £40.4m.
- 7.8 Eleven fixed term investments were taken out during the period. These investments were for amounts ranging from £1m to £3m. Six fixed term investments have matured within the period for amounts ranging from £1m to £2.5m. The Authority and its advisors remain on a state of alert for signs of credit or market distress that may adversely affect the Authority.
- 7.9 The Authority has budgeted to achieve £182,000 of income from its investment activity in 2016/17. Investment activity from April to October 2016 has achieved £252,331 in interest for the financial year. The current forecast that is estimated to be achieved is £270,873.
- 7.10 Of this total, an element is applied to balances held on external income. This external income largely represents balances from S106 contributions that have not yet been spent. The estimated amount forecast to be applied is approximately £23,291 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.
- 7.11 The estimated remaining balance of interest (£247,582) 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 2016/17, the budgeted investment income is apportioned as follows: £115,480 General Fund and £66,520 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	£115,480	£157,092
HRA	£66,520	£90,490
Sub-Total	£182,000	£247,582
External Balances	£0	£23,291
Total	£182,000	£270,873

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

8.0 SUMMARY

- 8.1 For the period April to October 2016, the Authority can confirm that it has complied with its Prudential Indicators, which were approved on 23 February 2016 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 2016. 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 2016, it has complied with its Treasury Management Practices.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 7 DECEMBER 2016

Title of report	STANDARDS AND ETHICS – QUARTER 2 REPORT
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Legal and Support Services and Monitoring Officer 01530 454762 elizabeth.warhurst@nwleicestershire.gov.uk</p>
Purpose of report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 2 of 2016/17.
Council Priorities	Value for Money
Implications:	
Financial/Staff	N/A
Link to relevant CAT	N/A
Risk Management	By receiving this information members will be able to manage risks.
Equalities Impact Screening	N/A
Human Rights	N/A
Transformational Government	N/A
Consultees	N/A
Background papers	None.
Recommendations	THAT THE REPORT BE RECEIVED AND NOTED.

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STANDARDS AND ETHICS

QUARTER 2 REPORT 2016-2017

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 2016/17.

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

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

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

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

2. Part 1 – Local Determination of Complaints

The Monitoring Officer received 3 complaints in Quarter 2 of 2016/17. The complaints related to District Councillors.

2.1 Source of Complaint

All of the complaints were received by District Councillors.

2.2 Assessment Sub-committee Decisions

There has been 0 Assessment Sub-committee meetings in this quarter.

As members will be aware, the Monitoring Officer now pursues an informal dispute resolution process prior to initialling formal proceedings via the Sub-committee route.

Two complaints received in this quarter are currently in that process. The third complaint has been resolved informally.

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 in Quarter 2. 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 and 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 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17
SE1	Objections to the Councils Accounts	Financial Planning Team Manager	0	0	0	0	0		0	
SE3	Follow up action relating to breaches of the Member/Officer Protocol (Members)	Head of Legal and Support Services	0	0	0	0	0		0	
SE3a	Disciplinary action relating to breaches of the Member/Officer Protocol (staff)	Human Resources Team Manager	0	0	0	0	0		0	
SE4	District Audit Public Interest Reports	Senior Auditor	0	0	0	0	0		0	
SE5	Number of Whistle blowing Incidents reported		0	0	0	0	0		0	
SE6	No. of recommendations made to improve governance procedures / policies		2	11	0	3	23		8	
SE6a	No. of recommendations implemented		1	8	7	18	3		20	

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17
SE7	No. of Ombudsman complaints received	Corporate Complaints Officer	0	2	1	6	3			
SE7a	No. of Ombudsman complaints resolved		0	1	0	4	2			
SE7b	No. of Ombudsman complaints where compensation paid		0	0	0	0	0			
SE8	No. of Corporate Complaints received		83	86	116	92	79			
SE8a	No. of Corporate Complaints resolved		79	99	93	74	52			
SE8b	No. of Corporate Complaints where compensation paid		0	2	0	4	2		1	

- The 6 complaints received from the Ombudsman in Q2 were as follows-: 2 cases unhappy with the outcome of their Stage 2 response, a review of a previous compensation case, complaint against a priority move for a nuisance neighbour, 2 housing related complaints.
- A total of 92 corporate complaints were received during Q2, which shows a decrease of 21% against the same period for Q1 -15/16.
- A total of 74 corporate complaints were resolved during Q2, which shows a decrease of 20% against the same period for Q1-15/16.
- 38 of the complaints received (35%) were for the Housing Service.
- There were 4 corporate complaints received in Q2 that resulted in compensation payments, the total amount paid was £2367.80

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17
Freedom of Information Act Indicators										
SE9	Total no. of requests received	Head of Legal and Support Services	117	143	150	170	98		199	
SE9a	No. of requests compliant		73	134	110	157	85		135	
SE9b	No. of Non compliant requests		30	9	40	13	13		64	
SE9c	No of requests still open and within the 20 working days		1	0	0	0	0		0	
SE9d	Number withheld due to exemptions/fees applied		10	10	17	13	0		10	

- There has been a 20% increase in FOI requests during Q2 this year compared to the same period of 2015/16 which can be in part attributed to the increase in the housing market and property searches.
- The sustained stability in exemptions during quarter 2 reflects the fact that more information is being made available via the council's web pages, which are now easier to access following the redesign of our website. Moving forward the amount of information made available via the web pages will continue to increase. There has been an increase in the number of requests we have received that we have transferred to a different authority, and we are hoping that we can reduce this amount by constantly updating the information on our website.

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17
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	

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 7 DECEMBER 2016

Title of Report	FUTURE EXTERNAL AUDIT ARRANGEMENTS
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Purpose of Report	To inform Members of potential changes to external audit arrangements.
Reason for Decision	To opt in the PSAA offering to appoint new External Auditors.
Council Priorities	Value for Money
Implications:	
Financial/Staff	As detailed in the report.
Link to relevant CAT	Could impact upon all Corporate Action Teams.
Risk Management	As detailed in the report
Equalities Impact Screening	Not Applicable
Human Rights	Not Applicable
Transformational Government	Not Applicable
Consultees	None
Background Papers	None

Recommendations	<p>THAT MEMBERS:</p> <p>A) CONSIDER THE CONTENTS OF THE REPORT.</p> <p>B) NOTE THAT IN ACCORDANCE WITH REGULATION 19 OF THE LOCAL AUDIT (APPOINTING PERSON) REGULATIONS 2015, A DECISION TO OPT IN MUST BE MADE AT A FULL COUNCIL MEETING. THEREFORE A REPORT MIRRORING THE CONTENTS OF THIS ONE (SUBJECT TO ANY INTERVENING AMENDMENTS) WILL BE SUBMITTED TO THE NEXT COUNCIL MEETING ON 23 FEBRUARY 2017.</p>
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1.0 BACKGROUND

- 1.1 The Audit Commission, which used to appoint auditors to a range of public bodies ceased to exist in April 2015 via the Local Audit and Accountability Act 2014. Its functions were disseminated amongst a number of organisations including the Public Sector Audit Appointments Ltd (PSAA). Under the transitional arrangements the PSAA was responsible for appointing external auditors to public bodies including local authorities, NHS bodies and police forces. In July 2016, the PSAA was specified as an Appointing Person by the DCLG under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. This gave the PSAA the authority to appoint auditors to audit the accounts of authorities that chose to opt in to such arrangements.
- 1.2 The PSAA is a not for profit company owned by Local Government Improvement and Development, which in turn is owned by the Local Government Agency (LGA).
- 1.3 All local authorities have a statutory obligation to appoint independent auditors to audit their accounts and any authority that does not opt in to a sector-led appointing body would have to make their own arrangements including establishing a politically balanced and sufficiently skilled auditor panel.

2.0 PSAA OFFERING

- 2.1 The PSAA were appointed by the DCLG and is running a national scheme. It is free to opt in and North West Leicestershire District Council (NWLDC) was invited to do so by the PSAA on 27 October 2016. Councils and other public bodies (NHS bodies, Fire Services, Police Services etc.) who choose to opt in must do so by 9 March 2017. This allows it to appoint the auditors by 31 December 2017 so that the auditors can ensure they are in a position to undertake their obligations by 1 April 2018. In accordance with legislation, all local authorities that wish to opt in must make the decision at a full council meeting. For NWLDC this meeting is scheduled to take place on 23 February 2017.
- 2.2 The PSAA propose to undertake the procurement process on behalf of the opted in authorities, which includes inviting tenders from audit firms by April 2017, evaluating the bids and awarding the contracts by June 2017 allowing 6 months for consultation with authorities and subsequent confirmation of appointments. The contract duration between the PSAA and the audit firms will be 5 years.

2.3 PSAA Provided Reassurances:

- a) The PSAA will only contract with firms that have a proven track record of successfully undertaking public audit work.

- b) It will closely monitor the rigour and effectiveness of appointed firms' internal quality assurance arrangements and will liaise with the National Audit Office to ensure all guidance to auditors is updated when necessary.
- c) It aims to ensure that each successful firm has a sufficient quantum of work to encourage sector specific training and a better understanding of the local political, economic and social environment.
- d) It intends to ensure auditor appointments take account of existing joint working and shared services arrangements.
- e) The PSAA will manage the contract, proactively seeking feedback on its auditors from authorities, and will continue to have a clear complaints process in place.
- f) It will consult authorities on individual auditor appointments albeit within the bounds of ensuring such appointments are wholly independent.

3.0 KEY IMPLICATIONS

a) Advantages:

- i. A sector-led body can achieve economies of scale and standards of quality in the procurement process and throughout the duration of the contract that would be much more difficult to consistently achieve as a single authority.
- ii. It will bring a level of expertise to the procurement and management of the contract that would be impossible to replicate within an individual authority.
- iii. We can be assured of speedily receiving the very latest updates on industry developments.
- iv. Any conflicts with an appointed auditor can be independently mediated and if necessary a replacement can be appointed quickly.
- v. Quality assurance will be actively monitored and managed by the PSAA.

b) Disadvantages:

- i. There might be concerns in some quarters that there would be less opportunity to have a fully bespoke contract. However, in reality, given the legislative requirements governing auditor appointments, the scope for a truly bespoke contract is fairly narrow.

4.0 FINANCIAL IMPLICATIONS

- 4.1 It is free to opt in. The costs of procurement will be covered in the price of the contracts, which will not be known at this stage. As stated earlier, due to economies of scale the price is expected to be considerably lower than going to the market as a single authority (or even as a joint exercise with another authority).
- 4.2 There will be a scale of charges and the price for each public body will, inter alia, be dependent on size. NWLDC's current auditor is KPMG and the cost of the contract is £50.5k. There are other fees payable in relation to certification of grants claims and assurance work; this amounted to £17k last year.

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**AUDIT AND GOVERNANCE COMMITTEE
WORK PLAN 2016 - 17**

Issue	Details	Report Author	Meeting at which will be reported
Standards and Ethics – Quarter 3 Report	To receive the quarterly report.	Head of Legal & Support Services	22 March 2017
Draft Member Conduct Annual Report 2016/17	To receive and make comment on the draft report prior to Council.	Head of Legal & Support Services	22 March 2017
External Audit Plan 2016-17	To receive the report.	Director of Resources	22 March 2017
Internal Audit Progress Report	To receive the progress report.	Senior Auditor	22 March 2017
2017/18 Internal Audit Annual Audit Plan	To receive the report.	Senior Auditor	22 March 2017
Standards and Ethics – Quarter 4 Report	To receive the quarterly report.	Head of Legal and Support Services	21 June 2017
Internal Audit Progress Report	To receive the progress report.	Senior Auditor	21 June 2017
Internal Audit Annual Report	To receive the progress report.	Senior Auditor	21 June 2017
Treasury Management Activity Report	To consider the Treasury Stewardship report.	Director of Resources	21 June 2017

Updated: 25/11/16

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