

Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 22 March 2017
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 7 December 2016	3 - 6
4. EXTERNAL AUDIT PLAN 2016/17	
Report of the Interim Director of Resources	7 - 26
5. ANNUAL REPORT ON GRANTS AND CLAIMS 2015/16	
Report of the Interim Director of Resources	27 - 36



6.	INTERNAL AUDIT PROGRESS REPORT - FEBRUARY 2017	
	Report of the Senior Auditor	37 - 50
7.	2017/18 INTERNAL AUDIT ANNUAL PLAN	
	Report of the Senior Auditor	51 - 58
8.	TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO FEBRUARY 2017	
	Report of the Interim Director of Resources	59 - 66
9.	REGULATION OF INVESTIGATORY POWERS ACT (RIPA) POLICY UPDATE	
	Report of the Head of Legal and Support Services	67 - 86
10.	STANDARDS AND ETHICS - QUARTER 3 REPORT	
	Report of the Head of Legal and Support Services	87 - 96
11.	DRAFT MEMBER CONDUCT ANNUAL REPORT 2016/17	
	Report of the Head of Legal and Support Services	97 - 104
12.	COMMITTEE WORK PLAN	
	To note the Committee's work plan	105 - 106

Circulation:

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

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Board Room, Council Offices, Coalville on WEDNESDAY, 7 DECEMBER 2016

Present: Councillor J Clarke (Chairman)

Councillors R Adams, R Ashman, F Fenning, D Harrison, G Houlton, P Purver, A C Saffell and S Sheahan

Officers: Ms L Cotton, Mr D Gill, Mr A Hunkin, Mr P Padaniya and Mrs R Wallace

External Audit: Mr T Crawley

21. APOLOGIES FOR ABSENCE

There were no apologies for absence.

22. DECLARATION OF INTERESTS

There were no interests declared.

23. MINUTES

Consideration was given to the minutes of the meeting held on 21 September 2016.

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

RESOLVED THAT:

The minutes of the meeting held on 21 September 2016 be approved and signed by the Chairman as a correct record.

24. ANNUAL AUDIT LETTER 2015/16

The External Auditor presented the report to Members, drawing their attention to the headline messages summarised within section one.

In response to a question from Councillor S Sheahan, the External Auditor explained that the sums of money referred to in the financial statements audit were simply recorded in the incorrect place, the figures themselves were correct. Councillor S Sheahan went on to ask if there was a further breakdown of the audit fee available as he felt it was not detailed enough within the report. The External Auditor explained that the fee was set by the regulator by assessing the risk of each individual authority and used quite a complicated method. In response to a further question, the External Auditor reported that if an authority was unhappy with the fee once it had been set then discussions would need to be had with officers and then it would go to the regulator for an independent view.

Councillor D Harrison raised concerns that the audit fee as stated was not the same as the figure in the later report; it seemed that sums were being hidden. The External Auditor explained that they were legally required to provide a fee letter each year which was adhered to, any additional audit work that was required to be completed within the year entailed an additional fee. He added that all fees were transparent and were not hidden in any way.

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

RESOLVED THAT:

The 2015/16 Annual Audit Letter be noted.

25. INTERNAL AUDIT PROGRESS REPORT - NOVEMBER 2016

The Senior Auditor presented the report to Members and commented that she had no concerns to draw attention to.

In response to a question from Councillor D Harrison, the Senior Auditor explained that the Enterprising NWLDC Grants Audit recommendations have been satisfactorily implemented and therefore they were no longer included within the report.

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

RESOLVED THAT:

The report be noted.

26. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO OCTOBER 2016

The Financial Planning Manager presented the report to Members, drawing particular attention to the treasury position, the investment activity with the average rate of return and the forecasts for the future.

Councillor S Sheahan asked if the interest rates would affect the investment activity in 2017/18. The Financial Planning Manager stated that he had forecasted that activity would be lower in 2017/18 due to interest rates.

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

RESOLVED THAT:

The report be approved.

27. STANDARDS AND ETHICS - QUARTER 2 REPORT

The Deputy Monitoring Officer presented the report to Members. He added that as of 5 December the Freedom of Information function had moved from Legal Services to the Business Improvement Team. The Business Improvement Team may wish to review how information is reported in the future.

In response to a question from Councillor R Ashman, the Deputy Monitoring Officer explained that the figures for corporate complaints included any carried over from quarter one.

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

RESOLVED THAT:

The report be noted.

28. FUTURE EXTERNAL AUDIT ARRANGEMENTS

The Financial Planning Manager presented the report to Members. He highlighted the advantages of opting in to the scheme and the reassurances from the Public Sector Audit

Appointments Ltd (PSSA). He added that the final decision as to whether the authority 'opts in' was to be made by Council in February.

In response to a question from Councillor R Ashman, the Financial Planning Manager clarified that it should save the authority money procuring the external auditors through the PSSA.

In response to a question from Councillor D Harrison, the Financial Planning Manager stated that there was not an exact figure for the amount of money that would be saved but there was a perceived advantage of using the PSSA. The position would be clearer in December 2017. The External Auditor added that it was the cost of the procurement that would be saved; the figure was approximately £15,000 to £20,000.

The Chairman reminded Members that the report was for noting and would be discussed in more detail at the Council meeting in February.

By affirmation of the meeting it was

RESOVLED THAT:

- a) The report be noted.
- b) It be noted 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 this report would be considered at the next Council meeting on 23 February 2017.

29. COMMITTEE WORK PLAN

Councillor A C Saffell commented that he had raised concerns on the use of cloud technology and the security measures surrounding it. He believed that it was something the Audit and Governance Committee should be monitoring regularly. The Interim Director of Resources explained that an item was to be considered at the next Policy Development Group meeting and it would more appropriate for this group to regularly scrutinise it.

Councillor A C Saffell referred to recent external training he had received regarding the audit function for Members which he had found very useful. He commented that it was recommended that councils appoint an independent person to chair their Audit Committees.

The Legal Advisor stated that he was unsure of the advantage of appointing an independent chair person as the committee also consider member complaints. However, he was happy to look into the matter further with the Monitoring Officer along with the affect on the political balance of committees. It would be reported back to the next meeting.

The Chairman commented that he also attended the training and it was mentioned that an independent person would need an allowance for carrying out the role.

Councillor S Sheahan felt that the committee worked well in its current structure and would not support the change.

The External Auditor commented that most of the authorities he worked with did not have an independent chair person and he believed it was more important to have the right chair.

Councillor D Harrison raised concerns regarding Councillor A C Saffell's suggestion and he felt it would be difficult to appoint someone with no political persuasions at all.

Councillor F R D Fenning commented that the authority had an independent external auditor so he did not believe an independent chair person was necessary.

By affirmation of the meeting it was

RESOLVED THAT:

The Committee Work Plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.11 pm

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE – 22 MARCH 2017**

Title of report	EXTERNAL AUDIT PLAN 2016/17
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 approve the External Audit Plan for 2016/17
Council Priorities	Value for Money
Implications:	
Financial/Staff	As detailed in the attached report.
Link to relevant CAT	None
Risk Management	The External Audit is an essential part of the Council's arrangements for compliance with laws and regulations, as well as maintaining good Value for Money.
Equalities Impact Screening	Not applicable
Human Rights	No direct implications.
Transformational Government	No direct implications.
Consultees	None
Background papers	None
Recommendations	THE AUDIT & GOVERNANCE COMMITTEE IS ASKED TO APPROVE THE ATTACHED EXTERNAL AUDIT PLAN FOR 2016/17

1.0 BACKGROUND

- 1.1 The 2016/17 Financial Year is drawing to a close. Each year the External Auditor provides the Audit Plan for the forthcoming audit of the Council's accounts. The Audit Plan is attached and presented for approval by this Committee. Representatives of the Council's External Auditors, KPMG will attend the meeting to answer the Committee's questions.



External Audit Plan 2016/17

North West Leicestershire District Council

March 2017

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£900k**, which equates to 1.6% percent of gross expenditure. This is consistent with prior year.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this threshold has been set at **£45k**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Significant changes in the pension liability due to LGPS Triennial Valuation.
- Valuation and disclosure of Property, Plant and Equipment.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Restatement of Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement (MIRS) and Expenditure and Funding Analysis (EFA) to comply with Code of Practice on Local Authority Accounting in 2016/17.

See pages 3 to 6 for more details.

Value for Money Arrangements work



Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risk:

- **Medium Term Financial Plan:** The Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector such as the future of business rate distribution.

See pages 7 to 11 for more details.

Logistics



Our team is:

- Tony Crawley – Director
- Sundeep Gill – Audit Manager
- Samuel Hawkins – In-charge

More details are on **page 14**.

Our work will be completed in four phases from January to September 2017 and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 13**.

Our fee for the audit is £50,522 + VAT (2015/16: £50,522) see **page 12**.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement)*: Providing an opinion on your accounts; and
- *Use of resources*: Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

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

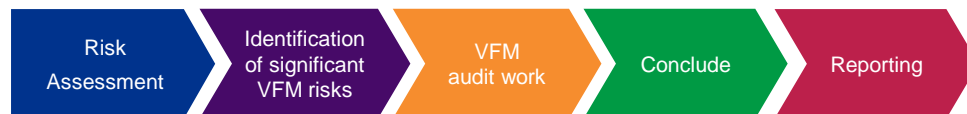
Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2016/17 and the findings of our VFM risk assessment.





Financial Statements Audit Planning

Our planning work takes place during January 2017. This involves the following key aspects:

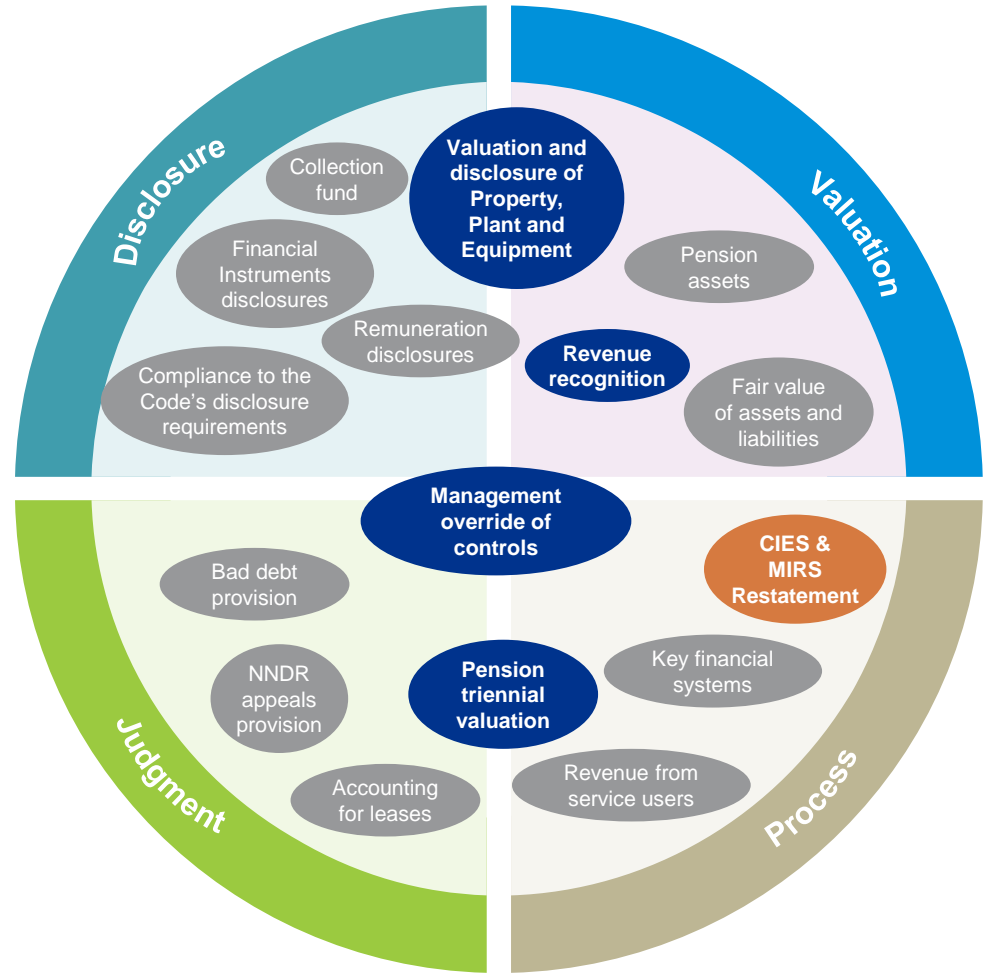
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Significant changes in the pension liability due to LGPS Triennial Valuation

During the year, the Local Government Pension Scheme for Leicestershire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Leicestershire County Council, who administer the Pension Fund.

Approach: As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data. We will liaise with KPMG auditors of the Pension Fund where data was provided by the Pension Fund on the Authority's behalf, to check the completeness and accuracy such data.

We will also review assumptions made by the actuaries and the accounting entries made within the financial statements.

Valuation and disclosure of Property, Plant and Equipment

In 2015/16 the Authority reported a net book value of Property, Plant and Equipment of £187m. Due to the inherent risk associated with the estimation of assets, the omission of instructions to the external valuer in relation to a number of surplus assets the Authority held last year and the level of amendments required in this area of the financial statements in the previous three years, we consider this to be a significant risk.

Approach: As part of our audit, we will review the terms of engagement with the valuer to ensure compliance with the Authority's accounting policies and IFRS accounting standards. We review the completeness and accuracy of information provided to the external valuer. We will also review the revaluation basis and consider its appropriateness with CIPFA Code of Practice and the underlying IFRS accounting standards.



Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Disclosure associated with retrospective restatement of CIES, EFA and MiRS

CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The key objective of this project was to make Local Government accounts more understandable and transparent to the reader in terms of how authorities are funded and how they use the funding to serve the local population. The outcome of this project has resulted in two main changes in respect of the 2016-17 Local Government Accounting Code (the Code) as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MIRS) and replaces the current segmental reporting note.

As a result of these changes, retrospective restatement of the CIES (cost of services), EFA and MIRS is required from 1 April 2016 in the Statement of Accounts. The new disclosure requirements and the restatement of the accounts require compliance with relevant guidance and the correct application of applicable Accounting Standards. Though less likely to give rise to a material error in the financial statements, this is an important material disclosure change in this year's accounts, and we will need to review the restatement and presentation.

Approach: We will liaise with the Authority's finance team regarding the new requirements and agree the new disclosures, including the restatement of the prior year comparators.

Financial statements audit planning (cont.)



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £900k (PY: £900k) for the Authority which equates to 1.6% percent of prior year gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

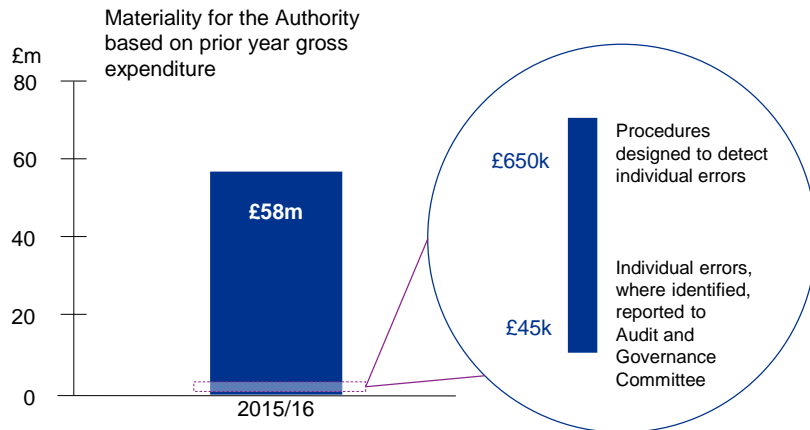
Reporting to the Audit and Governance Committee

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

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

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £45k.

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



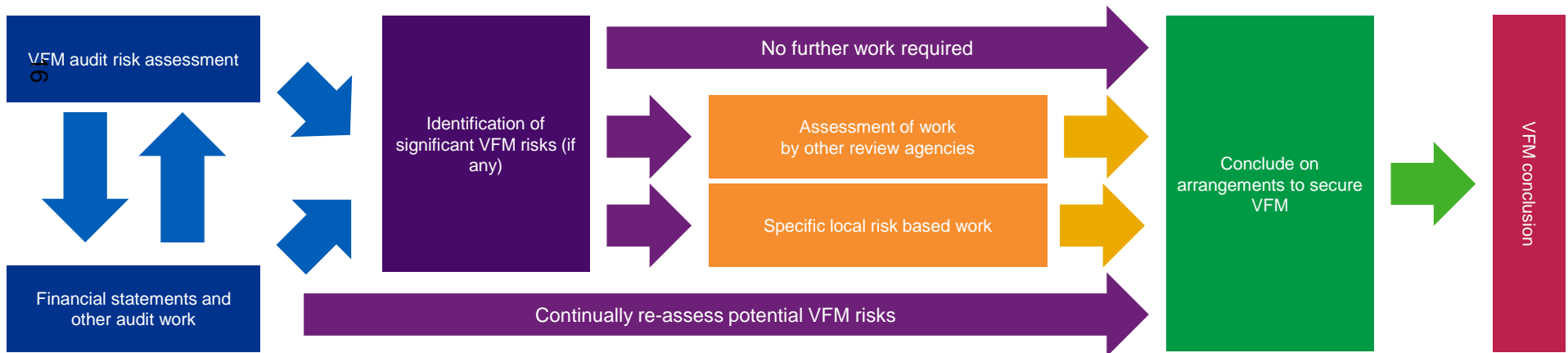


Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/16 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.



VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> — The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; — Information from the Public Sector Auditor Appointments Limited VFM profile tool; — Evidence gained from previous audit work, including the response to that work; and — The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> — Considering the results of work by the Authority, inspectorates and other review agencies; and — Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies and Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> — Meeting with senior managers across the Authority; — Review of minutes and internal reports; — Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p> <p>19</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>



Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Medium Term Financial Plan

— Risk

The Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector, such as the future of business rate distribution. For 2017/18, the Authority has a balanced budget, but the Medium Term Financial Strategy 2017-20 highlights savings of £372k are required in 2019/20. The Authority needs to have effective arrangements in place for managing its annual budget, generating income and identifying and implementing any savings required to balance its medium term financial plan.

We consider financial resilience to be a significant risk given the potential impact on the financial standing of the Authority. This is relevant to the sustainable resource deployment sub-criterion of the VFM conclusion.

20 Approach

We will assess the arrangements for ensuring that annual budget has been achieved as planned, including any actions taken by the Authority when services do not deliver as expected. We will review the assumptions underpinning the Medium Term Financial Strategy, and review the arrangements the Authority has in place for identifying further financial measures for future years.

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Tony Crawley with support from Sundeep Gill, providing continuity from our 2015/16 audit. Samuel Hawkins has joined the audit team for 2016/17. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit and Governance Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

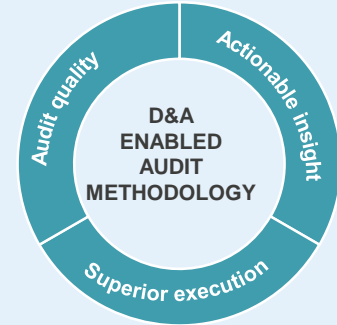
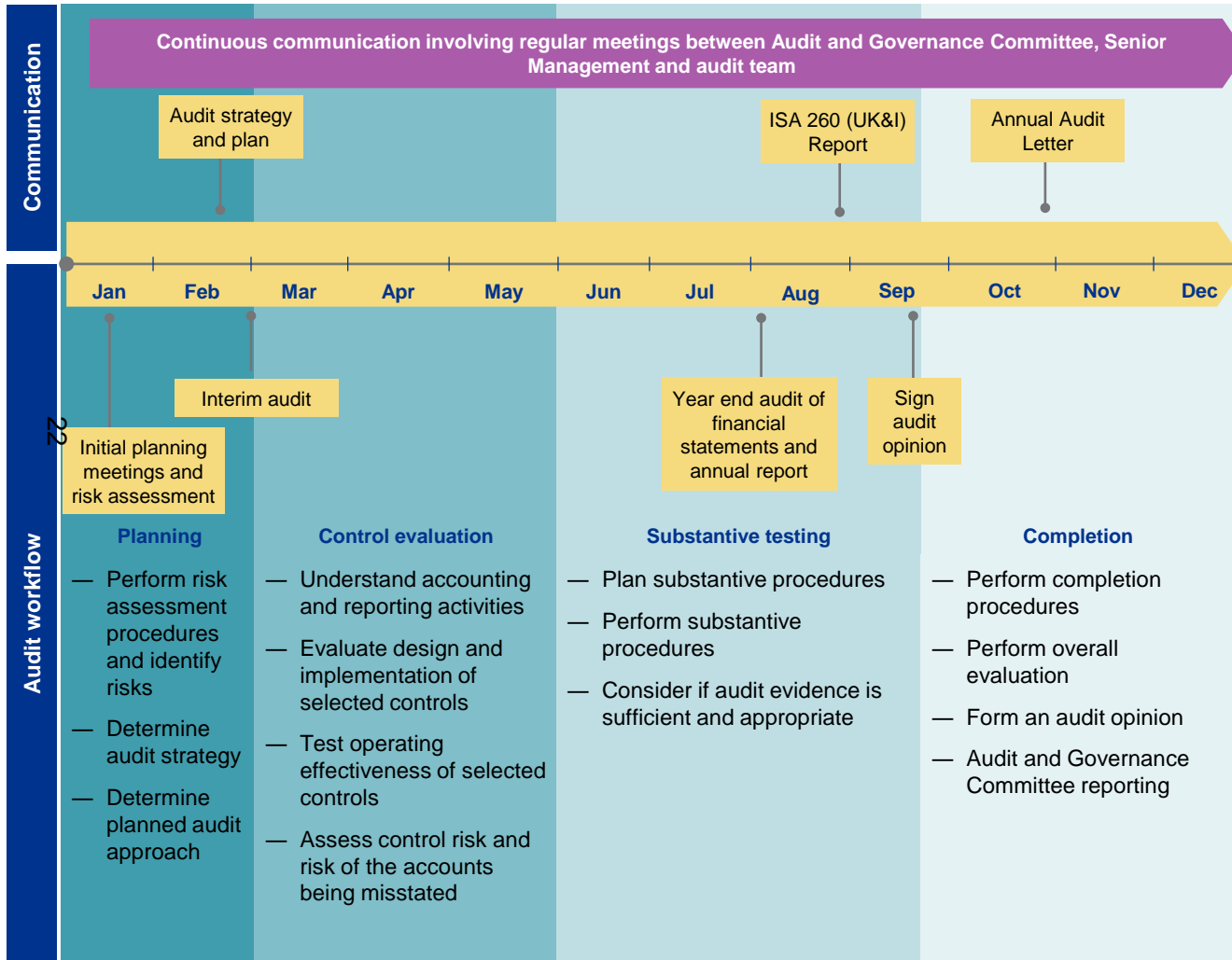
Audit fee

Our Audit Fee Letter 2016/17 presented to you in April 2016 first set out our fees for the 2016/17 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage. But our audit fee may be varied later, subject to agreement with PSAA, for our work on the valuation of property, plant and equipment, significant changes in the pension liability due to LGPS Triennial Valuation and changes in the Code, specifically this year the changes in relation to the disclosures associated with retrospective restatement of the CIES, EFA and MIRS.

The planned audit fee for 2016/17 is £50,522 + VAT (2015/16: £50,522).

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

Appendix 1: Key elements of our financial statements audit approach



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as journals.

Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department. Tony and Sundeep were part of the North West Leicestershire District Council audit team last year. Samuel has joined the audit team this year as the In-charge.



Name	Tony Crawley
Position	Director
Role	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Audit and Governance Committee and Chief Executive.'</p>
Contact Details	<p>Tel: 0116 256 6067</p> <p>Email: tony.crawley@kpmg.co.uk</p>

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Name	Sundeep Gill
Position	Audit Manager
Role	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will liaise with the Acting Section 151 Officer and other senior officers.'</p>
Contact Details	<p>Tel: 07798 572337</p> <p>Email: sundeep.gill@kpmg.co.uk</p>



Name	Samuel Hawkins
Position	In-charge
Role	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>
Contact Details	<p>Tel: 07468 768781</p> <p>Email: samuel.hawkins@kpmg.co.uk</p>

Appendix 3: Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit and Governance Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of March 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointments’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 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, by email to 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.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE – 22 MARCH 2017**

Title of report	ANNUAL REPORT ON GRANTS AND CLAIMS 2015/16
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 note the Annual Report on grants and claims 2015/16
Council Priorities	Value for Money
Implications:	
Financial/Staff	As per the attached report.
Link to relevant CAT	None
Risk Management	The External Audit is an essential part of the Council's arrangements for compliance with laws and regulations, as well as maintaining good Value for Money.
Equalities Impact Screening	Not applicable
Human Rights	No direct implications.
Transformational Government	No direct implications.
Consultees	None
Background papers	None
Recommendations	THE AUDIT & GOVERNANCE COMMITTEE IS ASKED TO NOTE THE ANNUAL REPORT ON GRANTS AND CLAIMS 2015/16

1.0 BACKGROUND

- 1.1 The Councils grants and claims are audited on annual basis. External Auditors completed the Audit by 30 Nov 2016. The Annual report attached summarises the findings and recommendations of this Audit.



Annual Report on grants and returns 2015/16

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North West Leicestershire District Council

February 2017

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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.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 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, in relation to the certification of the Housing Benefit Subsidy grant claim, 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

Introduction and background

This report summarises the results of work we have carried out on the Authority's 2015/16 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment (PSAA) certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2015/16 is:

- Under the PSAA arrangements we certified one claim – the Authority's 2015/16 Housing Benefit Subsidy claim. This had a value of £19.5 million.
- Under separate assurance engagements we certified the Pooling of Housing Capital Receipts return with the value of £1.7m.

Certification and assurance results (Pages 4-5)

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Our certification work on Housing Subsidy Benefit claim resulted in a small amendment of £46 and was subject to a qualification letter.

The claim was amended to correct errors relating to the following:

- Rent Rebates Modified Scheme – Incorrect classification of expenditure under modified scheme case; and
- Rent Allowance – Misclassification of expenditure relating to hostel.

Following 100% testing of these cases, undertaken by your officers, an amendment to the claim of £46 was made.

A qualification letter was required, due to a number of issues, as set out below:

- Rent Allowance - inclusion of incorrect earnings and self employed earnings in the benefit entitlement calculations;
- Rent Rebates Modified Scheme – Misclassification of expenditure; and
- Rent Rebates Modified Scheme – Inclusion of incorrect occupational pension in the benefit entitlement.

Our work on the other grant assurance engagement resulted in the Pooling of Housing Capital Receipts Assurance Report.

Two adjustments for total sum of £535 were necessary to this return as a result of our certification work this year:

- Our testing identified a valuation and an archetype (classification of housing type) error.

As a result a qualified conclusion on the Pooling of Housing Capital Receipts return was required due to the uncertainty over the untested population.

Recommendations (Page 7)

We have made two recommendations to the Authority to improve its claims completion process and review its underlying property data.

In addition there were one recommendation outstanding from previous years' work on grants and returns, which remains outstanding as at January 2017 and has been included in 2015/16 recommendation.

Fees (Page 6)

Our fee for certifying the Authority's 2015/16 Housing Benefit Subsidy grant was £9,128, which is in line with the indicative fee set by PSAA.

Our fee for the other 'assurance' engagement was subject to agreement directly with the Authority and was £3,000.

Summary of reporting outcomes

Overall, we carried out work on two grants and returns:

- Both required a qualification to our audit certificate and some minor amendment to the final figures.

Detailed comments are provided overleaf.

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Detailed below is a summary of the reporting outcomes from our work on the Authority’s 2015/16 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Authority’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1	●		●	
Other assurance engagements					
— Pooling of Housing Capital Receipts	2	●		●	
		2	0	2	0

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

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Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy</p> <ul style="list-style-type: none"> — A qualification letter was required, due to a number of issues, as set out below: <ul style="list-style-type: none"> — Rent Allowance - Inclusion of incorrect earnings and self-employed earnings in the benefit entitlement calculations; — Rent Rebates Modified Scheme – Misclassification of expenditure; and — Rent Rebates Modified Scheme – Inclusion of incorrect occupational pension in the benefit entitlement. — This qualification letter may trigger the Department for Work and Pensions to recover overpaid subsidy to the Authority. This result is in line with those of 2014/15 where the Authority’s Housing Benefit Subsidy claim was qualified. — Our certification work on Housing Subsidy Benefit claim resulted in a small amendment of £46 due to the correction of errors relating to: <ul style="list-style-type: none"> — Rent Rebates Modified Scheme – Incorrect classification of expenditure under modified scheme case; and — Rent Allowance – Misclassification of expenditure relating to hostel. — This compares to adjustment of £29 in 2014/15. 	<p>+£46</p>
2	<p>Pooling of Housing Capital Receipts</p> <ul style="list-style-type: none"> — A qualified conclusion on the Pooling of Housing Capital Receipts return was required due to the uncertainty over the untested population relating to the following issues: <ul style="list-style-type: none"> — One sample had an incorrect 1999 valuation and a further sample had an incorrect archetype, which resulted in adjustment to the return of £535. — This qualified conclusion may result in the Department for Communities and Local Government following these issues with the Authority. — This compared to two minor amendments that were made to the 2014/15 return with nil impact. 	<p>+£535</p>

Fees

Our fees for the Housing Benefit Subsidy claim are set by PSAA.

Our fee for other assurance engagement on return is agreed directly with the Authority.

The overall fees we charged for carrying out all our work on grants/returns in 2015/16 was £12,128.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our certification work on the Authority's Housing Benefit Subsidy claim in 2015/16 of £9,128. Our actual fee was the same as the indicative fee, and this compares to the 2014/15 fee for this claim of £20,245. Our 2015/16 fee is lower due to the Authority completing the initial testing, whereas we had done so previously.

Grants subject to other assurance engagements

The fee for our assurance work on Pooling of Housing Capital Receipts return is agreed directly with the Authority. Our fee for 2015/16 was £3,000, which is in line with the 2014/15 fee. The HCA Decent Homes Backlog grant was completed in 2014/15 and therefore no assurance work was completed in 2015/16.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2015/16 (£)	2014/15 (£)
Housing Benefit Subsidy claim	9,128	20,245
Pooling of Housing Capital Receipts	3,000	3,000
HCA Decent Homes Backlog grant	0	4,600
Total fee	12,128	27,845

Recommendations

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

Priority rating for recommendations		
<p>1 Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p>2 Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

Issue	Implication	Recommendation	Priority	Authority's Comment	Responsible officer and target date
Housing Benefit Subsidy					
<p>Incorrect claimant data The inclusion of incorrect claimant data included in the benefit entitlement calculations. This is a recurring issue from 2014/15.</p>	<p>This leads to errors in the Housing Benefit Subsidy that is claimed by the Authority, which can be clawed back by Department for Work and Pensions.</p>	<p>Review and improve the process for the inclusion of claimant data in the benefit entitlement calculations to reduce the level of errors being repeated in subsequent years.</p>	2	<p>All assessors have been asked to be more vigilant and to double check the information entered into the system, this is particularly relevant where it is discovered that the error was simply a case of transposing the data.</p> <p>Ensure system notes are entered to identify the method of calculation.</p> <p>Further staff training (to include refresher and in-depth).</p>	<p>Responsible Officer: Benefits Control Team Leader</p> <p>Target Date: June 2017</p>
Pooling of Housing Capital Receipts					
<p>Inaccurate underlying property data The inclusion of incorrect underlying property data included in the return</p>	<p>This leads to errors in the return, which can be clawed back by Department for Communities and Local Government</p>	<p>Review underlying data to ensure it is accurate and valid to reduce the level of errors being repeated in subsequent years.</p>	2	<p>Staff have taken appropriate actions and are putting in more checks to make sure the underlying data is accurate.</p>	<p>Responsible Officer: Acting Section 151 Officer</p> <p>Target Date: June 2017</p>



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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE – 22 MARCH 2017**

Title of report	INTERNAL AUDIT PROGRESS REPORT – FEBRUARY 2017
Contacts	<p>Councillor Nicholas 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 progress against the Internal Audit plan for 2016/17 and to highlight any incidences of significant control failings or weaknesses that have been identified.
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

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 16 November 2016 to 28 February 2017 is attached at Appendix 1.



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report February 2017

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 2016/17 Internal Audit Plan up to 28 February 2017.

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 play 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 provide a combination of assurance and consulting/advisory 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, set 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 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 plan approved in March 2016 and details are documented in the 'comments' column in Appendix A.
- 6.2 Four final reports have been issued since the last update report, two are at the draft reporting stage and three audits are in progress. The executive summaries for the final reports issued are included in Appendix B. Our work has not identified any significant control weaknesses to draw attention to at this point in time.
- 6.3 Three audits have been moved to the 2017/18 plan. This is due to the impact that an ongoing investigation is having on Internal Audit resources and the need to carry out audits that were not originally on the plan. The Senior Auditor has considered risks, with input from the appropriate Heads of Service, and has prioritised work accordingly.
- 6.4 The field work has been completed for the ICT Key Controls audit and the results will be reported to the Audit and Governance Committee once the final report is issued.

7 Internal Audit Recommendations

- 7.1 Internal Audit monitors and follows up all critical, high and medium priority recommendations. There are no overdue recommendations at this time.
- 7.2 All outstanding high and medium priority recommendations i.e. those not yet due, are included in Appendix C for information. Recommendations that have been made and implemented in the reporting period are also included 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 D.

9 Information Management Update

- 9.1 Internal Audit have continued to monitor progress from afar and is pleased with the progress that has been made to date in improving internal controls. The Information Management Team has now been established (they sit within the Business Improvement Team) and they have developed a project plan to continue to support improvements across the organisation. A Corporate Action Team has been set up specifically to "Provide leadership and strategic governance across the Council on Information Governance, Information Management and Information Security". It will be called iCAT and although it has no delegated decision making powers, it is there to act as an advisory group to decision makers. Internal Audit will sit on this group which meets for the first time in March 2017.

- 9.2 The Information Management team are in the process of establishing Governance Champions for each service team across the Council to assist with keeping their teams compliant and act as a central point of contact to make sure that FOI requests and complaints are being processed efficiently. Training is due to be given in March to nominated officers.

2016/17 AUDIT PLAN PROGRESS TO 28th FEBRUARY 2017

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	5	In progress							
Creditors	Key Financial System	6	7	In progress							Extended scope has increased days.
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 (9)	Key Financial System	6	7.5	Final Report Issued	Grade 2	-	1	3	-	-	
Treasury Management (4)	Key Financial System	4	5	Final Report Issued	Grade 1	N/A	-	-	-	-	
ICT Key Controls 43	Key Financial System	-	-	Report Drafting							Audit performed by ICT Audit specialists. The results will be reported once report finalised.
Car parking and enforcement (8)	Risk Based	7	6	Final Report Issued	Grade 1	-	-	-	1	1	
Enterprising NWLDC Grants (1)	Risk Based	4	7	Final Report Issued	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	-	Move to 2017/18 plan							Moved to 2017/18 plan due to service and audit resources.
Housing Management - Mobile Working (5)	Risk Based	7	11	Final Report Issued	Grade 2	-	2	3	-	-	Actual days greater than planned due to broader scope.
Housing – In House Repairs Service	Risk Based	10	-	Move to 2017/18 plan							Moved to 2017/18 plan due to service and audit

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C**	H	M	L	A	
											resources.
Planning Enforcement	Risk Based	7	-	Move to 2017/18 plan							IA resources required for additional audits.
Section 106	Risk Based	10	1	In progress							
Trade Refuse and Recycling (2)	Risk Based	10	7	Final Report Issued	Grade 1	N/A	-	1	1	-	
Leicestershire Welfare Provision (3)	Risk Based	3	4	Final Report Issued	Grade 1	N/A	-	1	-	-	
Anti Fraud and Corruption Arrangements (11)	Additional Risk Based	6*	9	Report Drafting							This will take the form of a review against the CIPFA Code on Managing the Risk of Fraud and Corruption.
Asset Management System (6)	Additional Risk Based	5*	6	Final Report Issued	Grade 2	-	2	1	-	-	Required to get assurance that system work has been effective in rectifying prior issues.
44											
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*	5	Report Drafting							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							

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C**	H	M	L	A	
Coalville Project	Advisory	5	0.5	As required							
New financial systems	Advisory	5	3	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 16 NOVEMBER 2016 – 28 FEBRUARY 2017

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C*	H	M	L	A
2016/17 Audits									
05 – Housing Management	Housing Portfolio Holder	Head of Housing Management Team Manager	Grade 2	<p>A consistent approach across the team to completing allocations forms and verifiable authorisations.</p> <p>Risk assessments for new sites at which officers work remotely.</p>	-	2	3	-	-
06 – Asset Management System	Housing Portfolio Holder	Head of Housing Planned Investment Team Manager	Grade 2	<p>The process for identifying and updating the asset management system for works that are not part of the Decent Homes Improvement Programme.</p> <p>Investigating and resolving previous erroneous postings to the asset management system.</p>	-	2	1	-	-
08 – Car Parking and Enforcement	Community Services Portfolio Holder	Head of Community Services Environmental Protection Team Manager	Grade 1	<p>Two minor areas have been identified as an opportunity to improve:</p> <ul style="list-style-type: none"> • Updating of Season Ticket Application Forms to show all methods of payment. • The Car Park Trading Account and how information is presented. 	-	-	-	1	1
09 – Rent Accounting	Housing Portfolio Holder	Head of Housing HRA Business Support Team	Grade 2	Updating of procedure notes for Former Tenant Arrears and Bereavement Allowances.	-	1	3	-	-

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C*	H	M	L	A
		Manager & Housing Management Team Manager		Arrangements for posting of arrears write-offs to Open Housing. Delays in completion of reconciliations.					

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

See Appendix A for Key.

RECOMMENDATIONS TRACKER – OUTSTANDING RECOMMENDATIONS

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
2016/17 Reports							
05	Housing Management	1	The authorisation process should be revised so that the completed electronic document includes evidence to confirm authorisation by a senior officer. The expected process should be documented and communicated to all housing officers to ensure that it is consistently applied.	High	Housing Management Team Manager and Principal Housing Management Team Leader	30.11.16	Recommendation satisfactorily implemented
48		2	Consideration should be given to redesigning the allocation forms to reflect the current digital format and exclude any sections which are no longer relevant.	Medium	Housing Management Team Manager and Principal Housing Management Team Leader	30.11.16	Recommendation satisfactorily implemented
		3	The Capita Open Housing system parameters and / or the Former Tenant Arrears Recovery Procedure should be reviewed and revised in order to ensure that the automated letters are issued in accordance with the documented procedure.	Medium	Principal Housing Management Team Leader	30.11.16	Recommendation satisfactorily implemented
		4	Risk assessments should be completed for the existing hubs and for new remote working sites as they are developed.	High	Housing Management Team Manager	30.11.16 and ongoing	Recommendation satisfactorily implemented
		5	Officer awareness and understanding of lone worker and emergency procedures should be checked periodically.	Medium	Housing Management Team Manager	30.11.16 and ongoing	Recommendation satisfactorily implemented
06	Asset Management System	1	The process for ensuring that PIMSS is updated for all relevant non DHIP works should be reviewed to ensure it is robust	High	Planned Investment Team Manager and Asset Management	31.12.16	Audit follow up will take place in March 2017

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
			and will capture all data. It should then be implemented and brought up to date to address the gap.		Office Manager		
		2	The error affecting properties 005230190 and 002100330 should be investigated and the cause established so that any other properties that may have been affected can be identified and corrected.	High	Planned Investment Team Manger	31.12.16	Audit follow up will take place in March 2017
		3	The final account reconciliation process will be reviewed and amended to ensure any incorrect adjustments made by a contractor are always identified.	Medium	Planned Investment Team Manager and Senior Quantity Surveyor.	31.03.17	Audit follow up May 2017
09	Rent Accounting	1	The Former Tenant Arrears Recovery procedure should be updated to reflect the role that the Rent Accounting Team now has in managing former tenant and lifeline arrears. This should include the updating of the procedure for processing of former tenant arrears for write-off and the processing of bereavement allowances. Once complete the procedures should be approved by the Housing Management Team Manager and HRA Business Support Manager.	Medium	Housing Management Team Manager and HRA Business Support Manager.	31.03.17	Audit follow up April 2017
49		2	The responsibility for posting of Former Tenant Arrears write-offs should be reviewed.	Medium	HRA Business Support Manager.	31.03.17	Audit follow up April 2017
		3	The write-off in question should be reviewed and, if agreed, authorisation should be obtained retrospectively.	Medium	Housing Management Team Manager	31.03.17	Audit follow up April 2017
		4	To ensure reconciliations are completed in a timely manner a deadline should be agreed as to when reconciliations should be completed. Where there are delays in the completion of reconciliations reasons for the delay should be documented, and the Finance Systems Team Leader should also be informed.	High	HRA Business Support Manager.	31.03.17	Audit follow up April 2017

Internal Audit Performance

Performance Measures:

Performance Measure	2016/17 Quarter 4 Target	Position as at 28.02.17	Comments
Delivery of 2016/17 Audit Plan	90%	76%	Three audits in progress with plans to start those remaining in March 2017.
Percentage of time spent on audit work	80%	91%	
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%	94%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 4 Milestone	Position as at 28.02.17
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 90% 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 February Audit and Governance Committee	On track.
Achievement of the PSAIS	Internal review of effectiveness of Internal Audit reported to June 2016 A&GC.	Achieved.
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.	2017/18 audit plan has been prepared and will be presented to 22 nd March 2017 Audit and Governance Committee.	On track.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE - 22 MARCH 2017**

Title of report	2017/18 INTERNAL AUDIT ANNUAL PLAN
Contacts	<p>Councillor Nicholas 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 proposed Internal Audit Annual Plan for 2017/18
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	Not Applicable
Equalities Impact Assessment	Not Applicable
Human Rights	None
Transformational Government	Not Applicable
Consultees	Corporate Management Team
Background papers	<p>Public Sector Internal Audit Standards</p> <p>NWLDC Internal Audit Charter</p>

Recommendations	THAT THE COMMITTEE 1. NOTES THIS REPORT AND COMMENTS AS APPROPRIATE. 2. APPROVES THE 2017/18 INTERNAL AUDIT ANNUAL PLAN.
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INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

2017/18 Internal Audit Annual Plan

1. INTRODUCTION

1.1 The Public Sector Internal Audit Standards require the Chief Audit Executive to develop a risk based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. This document sets out the background and the approach to producing the annual plan; the 2017/18 annual plan attached at Appendix A.

2. BACKGROUND

2.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit play 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 provide a combination of assurance and consulting/advisory activities. Assurance work involves assessing how well the systems are designed and working, with consulting or advisory activities available to help to improve those systems and processes where necessary. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

2.3 The Internal Audit Charter sets out the purpose, authority and responsibilities of Internal Audit. The Charter:

- establishes Internal Audit's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the Audit and Governance Committee (at North West Leicestershire DC the Chief Audit Executive is the Senior Auditor);
- authorises access to records, personnel and physical properties relevant to the performance of engagements; and
- defines the scope of Internal Audit activities.

2.4 The Three Lines of Defence Model (below) is a valuable framework that explains Internal Audit's role in providing assurance that the management arrangements over governance, risk and internal control are adequate and effective.



Source: Chartered Institute of Internal Auditors (IIA) - UK

3. INTERNAL AUDIT PLAN

3.1 Overall Strategy

3.1.1 The key aim of the service is to provide an independent, objective assurance and advisory function which is designed to add value and improve the Council's operations. This supports North West Leicestershire DC in the achievement of its priorities, in particular in helping services to provide good value for money, as it brings a systematic disciplined approach to evaluating and improving the effectiveness of risk management and control and governance processes.

3.1.2 Each year the Senior Auditor produces a risk-based annual audit plan. This is informed by a risk assessment which is based on a combination of:

- consulting with key stakeholders including senior management;
- reviewing risk registers and committee minutes;
- reviewing reports from external agencies (for example external audit) and legislative updates;
- factors such as changes in staffing, systems and processes; and
- the Senior Auditor's professional judgement.

3.1.3 This approach enables the finite resources of the team to be focussed on areas where it can add value and conforms to the Public Sector Internal Audit Standards.

3.1.4 The outcomes from each audit engagement undertaken as part of the annual audit plan underpin the Senior Auditor's annual opinion on the Council's internal control environment. This opinion feeds in to the Council's Annual Governance Statement.

3.2 Resources Available

3.2.1 The Audit Team who deliver the audit plan at North West Leicestershire District Council consists of a Senior Auditor (0.6 FTE) and an Internal Auditor (0.49 FTE). Table 1 shows a calculation of the available audit days for 2017/18.

Table 1: Resources Available

Total Days	284
Less leave/bank holidays/elections etc	51
Less training and development	8
Available Days	225
Team and Service Management / Annual Opinion/ Annual Plan/Audit Committees/Progress Reports	35
Corporate Meetings/Audit Admin/ Minutes Review	20
Available Audit Days	170

3.3 Internal Audit Annual Plan 2017/18

3.3.1 The proposed 2017/18 Annual Audit Plan is shown in Table 2 below and the detailed plan is shown in Appendix A. The Plan will be subject to ongoing review to ensure that it remains aligned with the Council's objectives and the risks identified by management in the risk registers. Any changes will be reported to the Corporate Leadership Team and the Audit and Governance Committee.

Table 2: 2017/18 Annual Audit Plan

Risk Based Audits	108
Grants	3
Advisory – Specific	24
Subtotal Days (Appendix A)	135
Internal Audit for Town Council	5
Follow up reviews	10
Advisory – Adhoc	5
Contingency	8
National Fraud Initiative and RIPA	7
Total Audit Days	170

3.3.2 Three of the Council's key financial systems (Benefits, Council Tax and NNDR) are provided by the Leicestershire Revenues and Benefits Partnership, and therefore the audits will be undertaken by the internal auditors at Hinckley and Bosworth Borough Council (PwC).

3.3.3 The timings shown within the Internal Audit Annual Plan are estimates based on time taken on previous similar audits and a high level consideration of the scope and existing arrangements. As part of the set up process for each audit engagement the scope of the audit will be agreed in detail and a more accurate budget for audit days will be set. A contingency has been included in the plan to allow for variances in planned audit days against actual and for ad-hoc or fraud investigations that may arise during the year. Due to the limited resources available, only 8 days contingency have been included at this time. The quarterly progress reports to Audit and Governance Committee include a comparison of planned to actual days for each audit undertaken.

3.4 Limitations

3.4.1 The matters raised in the audit reports will only be those which come to our attention during internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or all the improvements that may be required. Whilst every care will be taken to ensure that the information contained in audit reports is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained therein. Our work does not provide absolute assurance that material errors, losses or fraud do not exist.

2017/18 INTERNAL AUDIT ANNUAL PLAN

AUDIT AREA	TYPE	TIMING	COUNCIL PRIORITY AREA	PLANNED AUDIT DAYS
HOUSING				
Choice Based Letting	Risk Based	Q1/Q2	3	5
Gas/solid fuel servicing and maintenance	Risk Based	Q1/Q2	2,3	10
Housing Management Support Service	Risk Based	Q2	3	4
Housing Repairs	Risk Based	Q3/Q4	2,3	10
New Council Houses	Risk Based	Q3	2,3	5
Rent Accounting	Risk Based	Q3	2,3	6
Right to Buy	Risk Based	Q1/Q2	2,3	5
Housing ICT review	Advisory	All	2	5
Housing Repairs	Advisory	All	2,3	10
			Subtotal	60
COMMUNITY SERVICES				
Grounds Maintenance	Risk Based	Q3/Q4	2,3,4	6
Leisure Centres	Risk Based	Q2	3	6
Planning Enforcement	Risk Based	Q3/Q4	2,3	6
New car parking machines	Advisory	All	2,3	2
Disabled Facilities Grant Determination	Grant	Q2	3	3
			Subtotal	23
PLANNING				
Development Control	Risk Based	Q1	2,3	6
			Subtotal	6
ECONOMIC DEVELOPMENT				
Cultural Services	Risk Based	Q1	1,2,3	4
Coalville Project	Advisory	All	1	2
Business Focus Database	Advisory	Q1/Q2	1,5	1
			Subtotal	7

FINANCE				
ICT assets	Risk Based	Q1	2	5
Key financial systems	Risk Based	Q2 - Q4	2	30
Finance service/systems reviews	Advisory	All	2	4
			Subtotal	39
			Total	135

Key - Council Priority Areas

- 1 – Building Confidence in Coalville
- 2 – Value for Money
- 3 – Homes and Communities
- 4 – Green Footprint
- 5 – Business and Jobs

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 22 MARCH 2017

Title of Report	TREASURY MANAGEMENT ACTIVITY REPORT – APRIL TO FEBRUARY 2017
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 February 2017.
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> <p><u>Treasury Management Activity Report – April to October 2016</u></p> <p><u>Treasury Management Strategy Statement 2017/18 – Council Meeting 23 February 2017</u></p>
Recommendations	<p>THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.</p>

1.0 BACKGROUND

- 1.1 The Authority's Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the code"), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and Investment activity.
- 1.2 Treasury Management is defined as "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.3 The Authority's current Treasury Management Strategy Statement, including the Borrowing Strategy, Debt Rescheduling Strategy, Annual Investment Policy and Strategy, Interest Apportionment Policy, Prudential Indicators and Annual Minimum Revenue Position Statement were approved by Council on 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 third of three in-year reports presented in 2016/17, to inform Members of the Authority's treasury activity and enable scrutiny of activity and performance. The previous reports were presented to Audit and Governance Committee on 21 September 2016 and 7 December 2016. The activity 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 February 2017;
 - 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 1.8% in the year to January 2017, compared with a 1.6% increase in the year to December 2016. The main contributor to the increase in the rate came from motor fuel which rose by 3.4% between December 2016 and January 2017. This upward pressure was partially offset by falls in clothing and footwear. Inflation is projected to rise above the 2% target over the next twelve months.
- 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.
- At its meeting on 1st February 2017, the Monetary Policy Committee voted unanimously to maintain Bank Rate at 0.25%.
- The second estimate of Q4 GDP confirmed that the UK economy expanded by 0.7% over the quarter and by 2.0% year on year. The current industry group weights are: Services 78.8%; production 14.6%; construction 5.9%; and agriculture 0.7%. Overall, all four groupings in Q4 had increased output: Services 0.6% and production 0.3%. Construction and agriculture made a marginal contribution to GDP in Q4.
- Global developments: Economic recovery in Europe appears to be gaining a degree of traction with inflation now at 2% (in line with the ECB's target measure). Germany's inflation with strong unemployment grew at 2.2% whilst in France and Italy, unemployment remains at around 10% and inflation remains at 1.4% and 1.3% respectively.

4.0 THE AUTHORITY'S TREASURY POSITION.

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

DEBT	Balance at 01/4/2016 £m	%	Maturing loans £m	Premature redemptions £m	New Borrowing £m	Balance at 05/03/2017 £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		£41.983	£0.000	£48.374	£36.992	
• Investments with maturities up to 1 year	£18.601	58.3	£39.983	£0.000	£46.374	£24.992	54.5
• Investments with maturities in excess of 1 year	£12.000	37.6	£2.000	£0.000	£2.000	£12.000	26.1
Externally Managed Investments*	£1.300	4.1	£82.150	£0.000	£89.750	£8.900	19.4
TOTAL INVESTMENTS	£31.901	100	£124.133	£0.000	£138.124	£45.892	100
NET DEBT	£52.700					£38.184	

*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 February 2017, the capacity for investment has increased by £14m. 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 capacity for investment fluctuates throughout the year and is now decreasing towards financial year end. This is in line with the Authority's experience and expectations.

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 forecast borrowing requirement for the current financial year is £1.143m. In subsequent financial years this is estimated to be: £1.425m in 2017/18, £1.014m in 2018/19 and £0.396m in 2019/20, as presented to Council in the "Treasury Management Strategy Statement 2017/18 and Prudential Indicators 2017/18 to 2019/20" on 23 February 2017.

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	0.17%	0.2
Bank of Scotland	Overnight	0.15%	1.5
Svenska Handelsbanken	Overnight	0.05%	0.0
Black Rock MMF	Overnight	0.18%	1.9
Goldman Sachs MMF	Overnight	0.22%	2.9
Aberdeen Asset Management MMF	Overnight	0.19%	3.1
CCLA Investment Management Ltd MMF	Overnight	0.22%	1.0
Lloyds Bank Notice Account	32 days	0.32%	0.8
Santander 95 Day Notice Account	95 days	0.65%	1.5
Birmingham City Council	123 days	0.35%	1.0
Birmingham City Council	143 days	0.30%	2.5
The Highland Council	180 days	0.26%	1.0
Leeds City Council	181 days	0.30%	2.0
Nationwide Building Society	182 days	0.42%	1.5
Eastleigh Borough Council	182 days	0.35%	2.0
Fife Council	182 days	0.35%	2.0
Lancashire County Council	364 days	0.60%	1.5
Fife Council	364 days	0.60%	1.0
Salford City Council	364 days	0.40%	1.0
Salford City Council	364 days	0.44%	1.0
Salford City Council	364 days	0.44%	1.0
Leeds City Council	364 days	0.38%	2.5
Lloyds Bank Fixed Term Deposit	1 year	1.05%	1.0
Lancashire County Council	2 years	0.55%	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			45.9

*The interest rate shown is based on the average for February 2017.

- 7.5 The average rate of return on the Authority's investment balances during the period was 0.56%. For comparison purposes, the benchmark return (cumulative average 7-day London Interbank Bid Rate or LIBID rate) from April to the end of February 2017 was 0.21%. The cumulative average 7 day London Interbank Offered Rate (LIBOR) rate from April to the end of February 2017 was 0.33%. 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 114 investments made during the period, totalling £138.1m and 96 maturities totalling £124.1m. The average balance held for the period was £40.9m.
- 7.8 Twenty fixed term investments were taken out during the period. These investments were for amounts ranging from £1m to £3m. Fifteen fixed term investments have matured within the period for amounts ranging from £1m to £3m. 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 February 2017 has achieved £280,806 in interest for the financial year. The current forecast that is estimated to be achieved is £283,800.
- 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 £24,402 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 (£259,398) received on investment income is 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	£164,590
HRA	£66,520	£94,808
Sub-Total	£182,000	£259,398
External Balances	£0	£24,402
Total	£182,000	£283,800

- 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 February 2017, 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 February 2017. 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 February 2017, it has complied with its Treasury Management Practices.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 22 MARCH 2017

Title of report	REGULATION OF INVESTIGATORY POWERS ACT (RIPA) POLICY UPDATE
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Legal and Support Services 01530 454762 elizabeth.warhurst@nwleicestershire.gov.uk</p> <p>Legal Services Team Manager 01530 454772 dave.gill@nwleicestershire.gov.uk</p>
Purpose of report	To present the RIPA Inspection report and Policy update to members.
Reason for Decision	To comply with the requirements of the Surveillance Commissioners Guidance and good practice
Council Priorities	Value for Money
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	To comply with the current legislation
Equalities Impact Assessment	N/A
Human Rights	N/A
Transformational Government	No direct implications
Consultees	None
Background papers	Protection of Freedoms Act 2012
Recommendations	THAT THE COMMITTEE NOTES THE SURVEILLANCE COMMISSIONERS INSPECTION REPORT AND THE AMENDMENTS TO THE RIPA POLICY.

1. BACKGROUND

- 1.1 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a legislative framework within which authorised bodies (including Local Authorities) may conduct covert surveillance.
- 1.2 Local Authorities are subject to tri-annual inspections by the Office of the Surveillance Commissioner.
- 1.3 On 16 January 2017 the District Council received a report prepared by Sir David Clarke Assistant Surveillance Commissioner who had examined the arrangements that the District Council has in place to secure compliance with the legislative provisions that govern the use of covert surveillance.
- 1.4 A copy of the report and the covering letter from the Chief Surveillance Commissioner are attached at Appendix 1 for information.

2. POLICY CHANGES

- 2.1 The Commissioners report at Paragraph 10 identified two improvements to the District Council's RIPA policy, namely:
 - 1) The definition of *private information* contained in Paragraph 10 of the policy is unduly restrictive: and
 - 2) At Paragraph 19 of the Policy the statement that RIPA does not apply where members of the public volunteer information as part of their normal civic responsibilities is too baldly stated and requires some clarification.
- 2.2 Officers, having considered the suggested improvements, have amended the Policy to reflect the concerns of the Surveillance Commissioner and an amended policy is attached at Appendix 2 for Members information.
- 2.3 The Head of Legal and Support Services has made the amendments to the Policy in accordance with a delegation granted to her by Cabinet on 9 February 2016



Chief
Surveillance
Commissioner

Official -Sensitive

16 January 2017

Dear *Chief Executive,*

I enclose a copy of the report dated 9 January 2017 prepared by Sir David Clarke, Assistant Surveillance Commissioner, following his examination of the arrangements made by the Council to secure compliance with the legislative provisions which govern the use of covert surveillance. For the purposes of the inspection Sir David did not visit the Council. He was provided with the relevant material, which he examined, and discussed with Mr David Gill, Legal Services Team Manager. Neither he, nor I, believe that a personal visit is needed, but if after consideration of the report or this letter you believe that such a visit would be appropriate, the necessary arrangements will be made.

I have studied the report and endorse it.

It is clear that the Council makes very limited use indeed of its statutory powers. There have been no relevant authorisations during the last four years, and no change of policy is anticipated. Nevertheless it is positive that the four formal recommendations made following the last inspection in August 2013 have been addressed and are discharged. In particular sensible refresher training has been organised.

The single specific recommendation made this year relates to the Policy document. Useful improvements are suggested at paragraph 10 of the report, which will no doubt be assimilated into the document, and then drawn to the attention of officials.

I am particularly pleased to notice is that the Policy document already includes appropriate guidance on the use of Internet and social media sites for investigation processes. Given the wide-ranging responsibilities of the Council, particularly in relation to children and vulnerable adults, I have little doubt that over the next three years considerable use will be made of the facilities for the purpose of discharging these responsibilities. The imperative is that officials should be aware that if they conduct investigations using the technological advances, they may fall within the protective ambit of the legislation. Without training and awareness they are unlikely to do so, and although acting in good faith, may inadvertently act unlawfully. The training arrangements must address the impact of the legislation on investigations of this kind. Provided the arrangements for training described in the report will continue, and the issue is treated as an ongoing one, the vulnerability of the Council will be minimal.

Yours sincerely,

A handwritten signature in black ink that reads "Lyn Judge". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Christine Fisher
Chief Executive
Northwest Leicestershire District Council
Council Offices,
Whitwick Road
Coalville
Leics LE67 3FJ

OFFICAL- SENSITIVE

DISCLAIMER

This report contains the observations and recommendations identified by an individual surveillance inspector, or team of surveillance inspectors, during an inspection of the specified public authority conducted on behalf of the Chief Surveillance Commissioner.

The inspection was limited by time and could only sample a small proportion of covert activity in order to make a subjective assessment of compliance. Failure to raise issues in this report should not automatically be construed as endorsement of the unreported practices.

The advice and guidance provided by the inspector(s) during the inspection could only reflect the inspectors' subjective opinion and does not constitute an endorsed judicial interpretation of the legislation. Fundamental changes to practices or procedures should not be implemented unless and until the recommendations in this report are endorsed by the Chief Surveillance Commissioner.

The report is sent only to the recipient of the Chief Surveillance Commissioner's letter (normally the Chief Officer of the authority inspected). Copies of the report, or extracts of it, may be distributed at the recipient's discretion but the version received under the covering letter should remain intact as the master version.

The Office of Surveillance Commissioners is not a public body listed under the Freedom of Information Act 2000, however, requests for the disclosure of the report, or any part of it, or any distribution of the report beyond the recipients own authority is permissible at the discretion of the Chief Officer of the relevant public authority without the permission of the Chief Surveillance Commissioner. Any references to the report, or extracts from it, must be placed in the correct context.

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Office of Surveillance
Commissioners

Chief Surveillance Commissioner
Office of Surveillance Commissioners
PO Box 29105
London
SW1V 1ZU

9th January 2017

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

REPORT

Inspector Sir David Clarke
 Assistant Surveillance Commissioner

Introduction

1. The Council (NWL) is a second-tier local authority serving Ashby-de-la-Zouch, Coalville, Kegworth and the surrounding area, including East Midlands Airport.
2. NWL's management structure is headed by the Chief Executive, supported by Directors and Heads of Service. The long-serving Chief Executive is Christine Fisher, whose address is Council Offices, Whitwick Road, Coalville, Leicestershire LE67 3FJ.
3. The last OSC inspection of NWL was carried out by His Honour David Hodson, Assistant Surveillance Commissioner, on 20th August 2013. He identified a number of errors and made four formal recommendations.
4. Since that inspection there have been no RIPA authorisations of directed surveillance or covert human intelligence sources (CHIS). Indeed, there has been none since the legislative changes of November 2012.
5. NWL's RIPA Senior Responsible Officer (SRO) is the Chief Executive herself, and it is encouraging that she personally participated in the 2013 inspection. The Central Record of authorisations is kept by Lisa Cotton, Senior Internal Auditor, but primary RIPA oversight is in the hands of Dave Gill, Legal Services Team Manager and Deputy Monitoring Officer to the Council. He has completed the questionnaire provided by the OSC and has supplied NWL's current RIPA Policy document and details of RIPA training for my perusal. I have had a useful telephone discussion with him, and I am grateful for his ready cooperation. I apologise for the delay in completing my report since the initial information was provided.
6. I am preparing this report without visiting NWL. Having considered the material in detail, I have concluded that I can properly report to you without a physical inspection. This is in accordance with your direction that not every second-tier district or borough council needs to be visited every three years as a matter of course.

Progress against recommendations

7. HH David Hodson made four formal recommendations

- I. *Ms Fisher should cease to be an authorising officer if she remains SRO. If she remains SRO then Mr David Hughes should be an authorising officer in her stead.*

This recommendation was promptly heeded. Ms Fisher remains as SRO and is no longer an authorising officer (AO). The present authorising officers are all at Director or Assistant Director level. Discharged.

- II. *Amend Corporate Policy and Procedure document as follows . . .*
These minor amendments were promptly made. Discharged.

- III. *Ensure that the training suggested by Mr Kevin Davis relating to the provision of specific guidance relating to the content and duration of authorisations for directed surveillance be reinforced. Additionally there should be further training relating to the setting of review dates and the importance of immediate cancellation of authorisations . .*

- IV. *Begin forward planning for further refresher training to take place no later than March 2014*

These two recommendations relating to RIPA training were heeded. Training courses were held on 28th February 2014 and again on 15th June 2016. Discharged

RIPA Structure and Policy

8. There are three designated AOs, namely the Directors of Services and Housing and the Assistant Director of Resources. NWL are aware that although the Chief Executive (as SRO) is not listed as an AO, only she (being Head of Paid Service) can authorise in the unlikely event of an application falling within Annex A of the Codes of Practice.¹

9. NWL's *Policy and Guidance* document is simple, clear and essentially accurate. In particular, I was pleased to see that it includes guidance on the relevance of RIPA to the use of the internet and social network sites in investigation work. Paragraph 19 accurately reflects the Commissioners' Guidance² on this increasingly important topic.

10. I have, however, two improvements to suggest.

- Paragraph 10 contains an unduly restrictive definition of *private information*. It should make clear that the concept has been broadly

¹ An application in which confidential information is likely to be acquired, and an application to authorise a vulnerable or juvenile CHIS. Such an application is highly unlikely to arise in a local authority context.

² OSC Procedures & Guidance, July 2016 revision, paragraph 289.

defined to include those professional and business activities for which there is a reasonable expectation of privacy.³

- At paragraph 19 it is stated that RIPA does not apply in circumstances where members of the public volunteer information to the Council as part of their normal civic responsibilities. This is too baldly stated; it depends on how the information has been obtained. If the informant has obtained it as an “insider”, i.e. in the course of a personal or other relationship or *as a result of the existence of such a relationship*⁴, then he is likely to be a CHIS even if the relationship was not one formed or maintained for that purpose. If he has obtained it as an outside observer, he is not. This is an important principle to be recognised by all those with investigative or enforcement responsibilities, because of the duty of care owed to an informant in deciding how to handle and use the information which he has provided.

See recommendation

11. If the standard Home Office forms are used, they will include the standard cancellation form, which does not reflect OSC guidance on the information and directions which should be recorded by the AO at the time of cancellation. This is contained in paragraph 110 of the latest version of OSC Procedures & Guidance, published in July 2016. I am supplying the OSC-preferred cancellation form to Mr Gill, to be used in cancelling any future directed surveillance authorisations.

Reports to Members

12. Quarterly reports are submitted. The relevant committee is kept informed of any RIPA usage and approves any policy or procedure amendments.

Applications to magistrates’ court for approval of authorisations

13. Arrangements are in place with Leicester Magistrates Court. I draw NWL’s attention to OSC Procedures & Guidance, paragraph 292, which suggests that ideally it is the AO, rather than (or in addition to) the investigator, who should attend court, since it is the AO’s decision which the court is required to consider for approval or otherwise. However, I recognise that this may well be impractical where the AO is a senior Corporate Director and there is no magistrate’s court on the council’s doorstep. In these circumstances OSC paragraph 293 should be carefully observed.

Training

14. Internal RIPA training was provided by Mr Gill in February 2014, repeated and updated in June 2016, for Investigators, AOs and the Chief Executive (SRO). Attendance lists were provided to me. Mr Gill has long experience in RIPA

³ Covert Surveillance etc Code of Practice, paragraph 2.4; OSC Procedures & Guidance, paragraph 127.3

⁴ RIPA, Section 26(8)(c)

matters, and was able to provide training also to some officers of the neighbouring Oadby and Wigston District Council.

CCTV

15. NWL operates a public space CCTV system with fully trained operators. It has supplied its action plan to the Surveillance Camera Commissioner, and is aware of the need for RIPA authorisation for any covert (targeted) use of the overt CCTV system.

Conclusions

16. NWL's arrangements for RIPA compliance are good. In particular, after some criticisms in earlier inspections, the attention which is given to continuing RIPA training is commendable. Lack of usage of these powers does not diminish the need for awareness to be maintained; if anything, it enhances that need. The updating of the *Policy and Guidance* to cover the important topic of social network sites is particularly noted with approval.

17. I make but one formal

Recommendation

That NWL's RIPA Policy and Guidance document be revised to incorporate the points made in paragraph 10 of this report.

David Clarke
Assistant Surveillance Commissioner

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’ is defined in the Act as -means information relating to a person’s private and family life, their home and their correspondence. However the concept of private information is more broadly defined in the ‘Covert Surveillance etc Code of Practice’ and the Office of Surveillance Commissioner ‘Procedures and Guidance’ to include those professional and business activities for which there is a reasonable expectation of privacy.

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. There are special rules relating to the management and use of information supplied by a CHIS and a duty of care is owed to the informant in how the information is used.
- 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.”
16. RIPA ~~does~~ may not apply in circumstances where members of the public volunteer information to the Council as part of their normal civic ~~responsibilities~~ responsibilities; however this will depend on how the information has been obtained. If the informant has obtained it as an ‘insider’ i.e. in the course of a personal or other relationship or ‘as a result of the existence of such a relationship’ then the informant is likely to be a CHIS even if the relationship was not formed or maintained for that purpose.

If the informant has obtained the information as an outside observer then he is not a CHIS.

~~or where contact numbers are set up to receive information then it is unlikely that the informant will be a CHIS and. 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. 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 Directors, 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

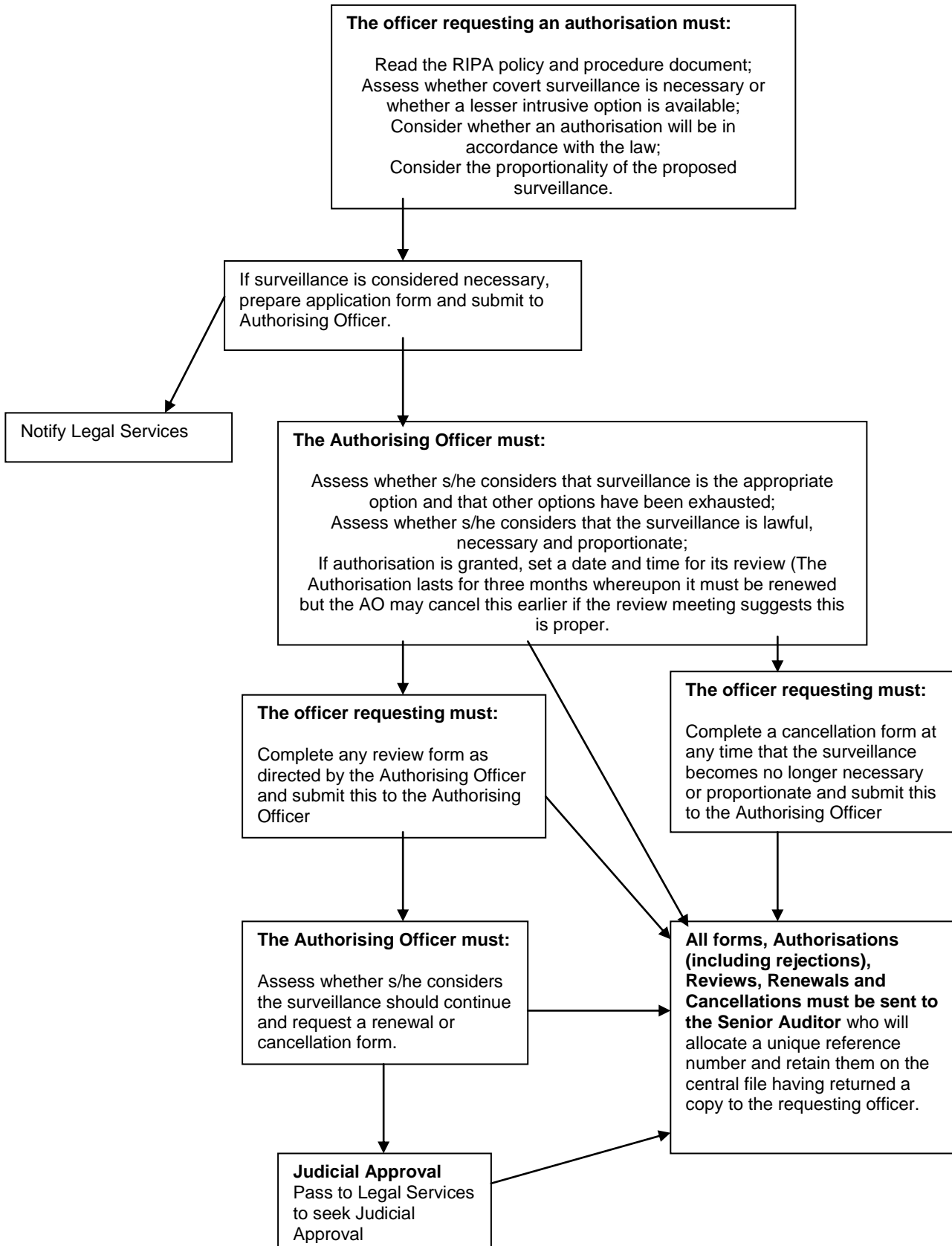
DMG Reviewed and updated October 2015

Approved by Audit and Governance Committee 9 December 2015

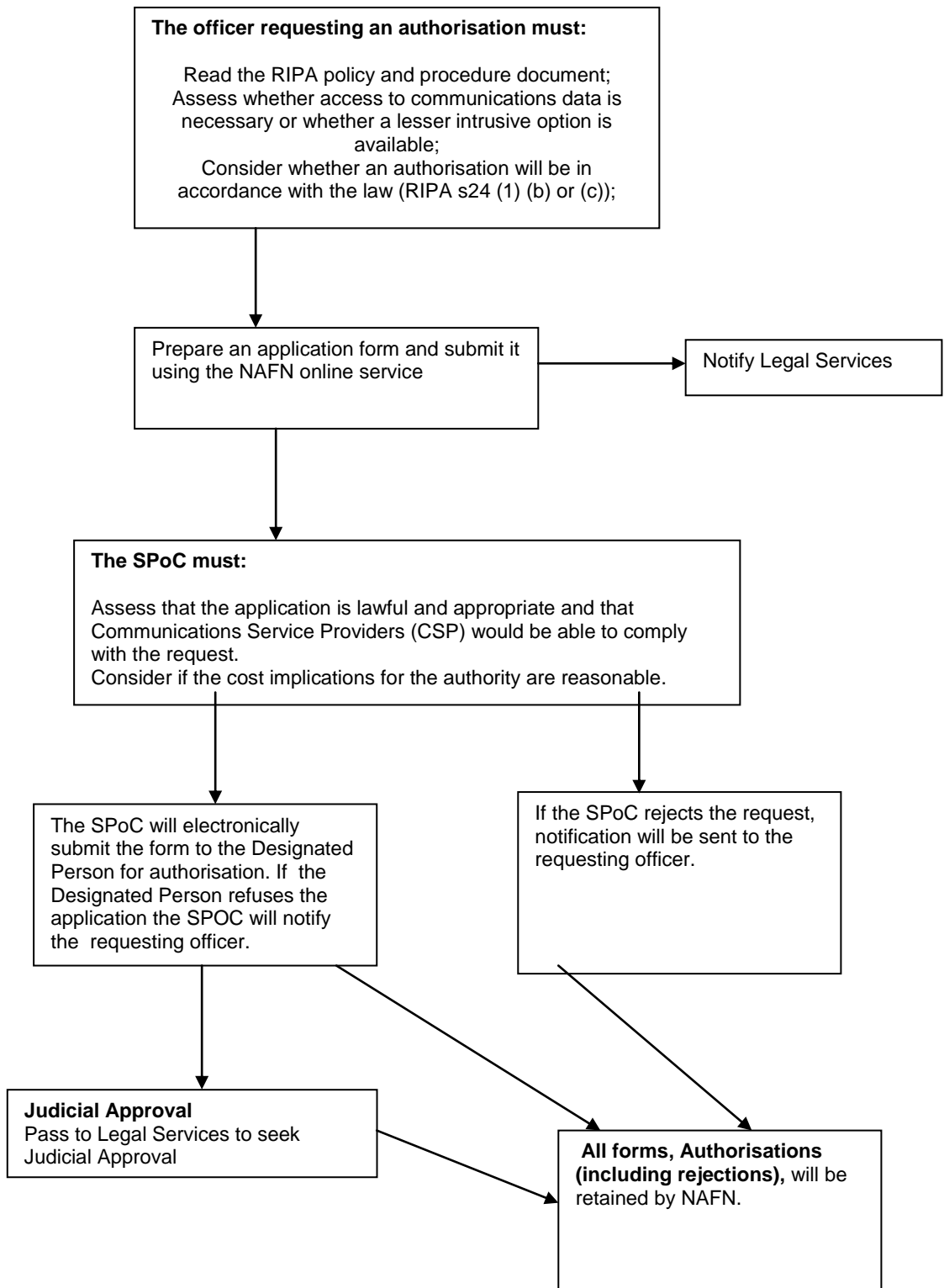
Approved by Council 12 January 2016

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



AUDIT AND GOVERNANCE COMMITTEE – 22 March 2017

Title of report	STANDARDS AND ETHICS – QUARTER 3 REPORT
Contacts	Councillor N Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Legal and Support Services and Monitoring Officer 01530 454701 elizabeth.warhurst@nwleicestershire.gov.uk
Purpose of report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 3 of 2016/17.
Strategic aims	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.

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STANDARDS AND ETHICS

QUARTER 3 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 0 complaints in Quarter 3 of 2016/17.

2.1 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 Quarter 2 have been resolved informally in Quarter 3.

2.2 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.

2.3 Review Requests

There have been no review requests in Quarter 3. 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.

2.4 Subsequent Referrals

None to report – see above.

2.5 Outcome of Investigations

There were no investigations concluded in this period.

2.6 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	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	0	
SE3a	Disciplinary action relating to breaches of the Member/Officer Protocol (staff)	Human Resources Team Manager	0	0	0	0	0	0	0	
SE4	District Audit Public Interest Reports	Senior Auditor	0	0	0	0	0	0	0	
SE5	Number of Whistle blowing Incidents reported		0	0	0	0	0	0	0	
SE6	No. of recommendations made to improve governance procedures / policies		2	11	0	3	23	9	8	
SE6a	No. of recommendations implemented		1	8	7	18	3	12	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	4		
SE7a	No. of Ombudsman complaints resolved		0	1	0	4	2	1		
SE7b	No. of Ombudsman complaints where compensation paid		0	0	0	0	0	1		
SE8	No. of Corporate Complaints received		83	86	116	92	79	46		
SE8a	No. of Corporate Complaints resolved		79	99	93	74	52	38		
SE8b	No. of Corporate Complaints where compensation paid		0	2	0	4	2	0	1	

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- The 4 complaints received from the Ombudsman in Q3 were as follows:- 2 cases unhappy with the outcome of their Stage 2 response, 1 case was unhappy with the priority they were given for a move as a result of a neighbour nuisance, 1 related to outstanding housing repairs.
- A total of 46 corporate complaints were received during Q3, which shows a decrease of 42% against the same period for Q3 -15/16.
- A total of 38 corporate complaints were resolved during Q3, which shows a decrease of 27% against the same period for Q3 -15/16.
- 24 of the complaints received (63%) were for the Housing Service.
- During Quarter 3 2016/17 (September 2016 to December 2016), Housing has paid a total of £1736.82 in compensation to tenants as a result of a corporate complaint. This was in relation 2 cases, an Ombudsman case where the tenant was awarded £1436.82 and a Stage 1 complaint which we issued compensation for £300.00.

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	172	199	
SE9a	No. of requests compliant		73	134	110	157	85	141	135	
SE9b	No. of Non compliant requests		30	9	40	13	13	31	64	
SE9c	No of requests still open and within the 20 working days		1	0	0	0	0	0	0	
SE9d	Number withheld due to exemptions/fees applied		10	10	17	13	0	1	10	

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- There has been a 56% increase in FOI requests during Q3 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, journalistic campaigns relating to refugees and rating enquiries.
- The number of non-compliant requests has increased mainly due to the number of requests we have received that relate to information not held by this authority.
- The Business Improvement Team took ownership of the FOI process from Monday 5 December 2016. As the transitional period of the process was the lead up to Christmas, this would account for a reduction in FOI requests received. In addition to FOI requests, 4 requests were transferred to LCC, 5 additional requests were treated as business as usual and one Land Charges request. These categories, which are currently not captured, will form part of the table going forward.
- A Disclosure Log is currently under development, and all FOI requests and responses will hopefully be published on the council website by the end of March 2016/17.

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

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 22 March 2015

Title of report	DRAFT MEMBER CONDUCT ANNUAL REPORT 2016/17
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Chief Executive 01530 454500 christine.fisher@nwleicestershire.gov.uk</p> <p>Head of Legal & Support Services and Monitoring Officer 01530 454762 elizabeth.warhurst@nwleicestershire.gov.uk</p>
Purpose of report	To receive and note the draft Annual Report and authorise the Head of Legal & Support Services and Monitoring Officer to make any minor amendments before being recommended to Council.
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 of misconduct.
Equalities Impact Assessment	N/A
Human Rights	N/A
Transformational Government	N/A
Consultees	N/A
Background papers	<p>Localism Act 2011 http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted</p> <p>Current NWL Code of Conduct Available on the Council's website and in the Constitution www.nwleics.gov.uk.</p>

Recommendations	<ul style="list-style-type: none">(1) THAT THE DRAFT MEMBER CONDUCT ANNUAL REPORT 2016/17 BE RECEIVED AND NOTED;(2) THAT AUTHORITY BE DELEGATED TO THE HEAD OF LEGAL & SUPPORT SERVICES AND MONITORING OFFICER TO MAKE ANY MINOR AMENDMENTS TO THE REPORT FOLLOWING COMMENTS FROM THE AUDIT AND GOVERNANCE COMMITTEE;(3) THAT COUNCIL BE RECOMMENDED TO ENDORSE THE MEMBER CONDUCT ANNUAL REPORT 2016/17.
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1. INTRODUCTION

- 1.1 It is important that the work of the Audit and Governance Committee should be visible to the Authority and wider public. It is felt that the annual report acts as a helpful tool in communicating the work undertaken by the Audit and Governance Committee to the public and to Members.

- 1.2 The Committee is recommended to receive and note the draft Member Conduct Annual Report and authorise the Head of Legal and Support Services and Monitoring Officer to make any necessary amendments following comments from this Committee before being recommended to Council for endorsement.



MEMBER CONDUCT ANNUAL REPORT 2016-17

1. Introduction

This is the Member Conduct Annual Report of North West Leicestershire District Council's Audit and Governance Committee and covers the period from 1st April 2016 to 31st March 2017.

In addition to the responsibilities detailed in the Terms of Reference below, the Audit and Governance Committee promotes high standards of conduct by District Council Members and Members of Town/ Parish Councils in North West Leicestershire. The Audit and Governance Committee complies with the requirements of the Localism Act 2011, the regulations and the guidance provided under that legislation, together with Council's adopted Arrangements.

On 27 June 2012 Council adopted the North West Leicestershire Code of Conduct for Members which had been drafted by Members for Members. The Code incorporates all the legislative requirements under the Localism Act 2011 in relation to Disclosable Pecuniary Interests together with retaining the personal obligations in existence under the previous regime.

2. Terms of Reference

Membership: Ten councillors

Quorum: Three District councillors

Terms of Reference:

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. In particular:

- Consider the effectiveness of the Authority's risk management arrangements, the control environment, and anti fraud and corruption arrangements
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors
- Be satisfied that the Authority's assurance statements properly reflect the risk environment and any actions required to improve it
- Approve (but not direct) Internal Audit's strategy and plans and monitor performance
- Review summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary
- Receive the annual report of Internal Audit
- Consider plans of External Audit and inspection agencies
- Monitoring of relevant reports and action plans
- Ensure there are effective relationships between Internal and External Audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted
- Approve the Council's statement of accounts, income and expenditure and balance sheet and receive the External Auditor's opinion and reports to members, and monitor management action in response to the issues raised by External Audit
- To deal with the Annual Audit and Inspection letter and in particular to:
 - consider matters raised in the annual governance report
 - agree, if necessary, to adjust the financial statements
 - approve the representation letter on behalf of the Council
 - consider and agree, if considered appropriate, any actions proposed in the annual governance report and statement

- To have delegated authority to deal with all matters relating to the Council's final accounts

Sub-committees of the Audit and Governance Committee

All Audit and Governance Committee members will form a pool from which members will be drawn based on their availability and the requirements of the particular Sub-committee as and when required.

Assessment Sub-committee

Assessment of complaints in accordance with the Council's Guidance and to either:

- Determine that there should be no further action
- refer the matter for full investigation
- refer the matter for other action

Review Sub-committee

Consideration of requests for a review in accordance with the Council's Guidance.

Determinations Sub-committee

To receive reports from the investigating officer and to decide either:

- to determine finding of no failure to comply with the Code of Conduct
- to determine finding of failure to comply with the Code of Conduct and impose relevant sanctions
- refer the matter for other action

3. Composition

District Councillors

All appointed by Council on 26 May 2015

Chairman: Councillor J Clarke

Deputy Chairman: Councillor D Harrison

Councillor R Adams (May 2016 –February 2017)

Councillor R Ashman

Councillor F Fenning

Councillor G Jones

Councillor Gill Hout

Councillor P Purver

Councillor S Sheahan

Councillor A C Saffell

Cllr S McKendrick (February 2017)

Parish Representatives

The following parish councillors be appointed as Parish Representatives with effect from 7 May 2016 for the remainder of the Administration (May 2019):

Mr Peter Moulton – Whitwick Parish Council

Mr David Gothard – Appleby Magna Parish Council

Mr Ray Woodward – Whitwick Parish Council

Ms Pat Thomas – Ashby Woulds Town Council

Independent Persons

The legislation requires the Council to appoint at least one Independent person who potentially advises all those involved in a Standards complaint, including the Monitoring Officer, and who must be consulted prior to the determination of a complaint.

Through an open advertising process conducted with partner authorities the Council appointed the following pool of independent persons from whom one can be drawn as and when required:

Michael Pearson
Mark Shaw
Christine Howell
Gordon Grime
Richard Gough
Rob Wade

The main officer support for the Committee is provided by the Monitoring Officer (Elizabeth Warhurst), the Deputy Monitoring Officer (Dave Gill) and the Democratic Support Officer (Rachel Wallace).

4. Meetings and Work Programme

The Audit and Governance Committee meets a minimum of four times per annum. In addition to its scheduled meetings, sub committees still meet on an ad hoc basis in order to consider and determine allegations of Member conduct. The Committee has its main work planned in advance through a Work Programme which enables it to be more proactive, strategic and focused in its approach to key issues.

5. Reporting Arrangements

The Audit and Governance Committee receives quarterly reports which have enabled Members to be reminded of the issues it has dealt with during each quarter and address any issues which this has highlighted.

6. Procedures and Workloads

(a) Dispensations

During 2016/17, there were no applications received for a dispensation from either District or Parish members.

(b) Complaints made to the Monitoring Officer under the New Code of Conduct 2016/17

<u>Complaints made:</u>	5
by Members of the Public	0
by Parish Councillors	2
by District Councillors	3
by Parish Clerk	0
by Council Officer	1

Complaints against:

a Parish Councillor	0
a District Councillor	5

From the above mentioned complaints:

3 complaints were resolved informally:

All of these complaints related to unprofessional conduct of councillors.

2 complaints were withdrawn:

These complaints also related to unprofessional conduct of councillors.

0 complaints are at informal resolution stage:

During the investigation of one of the complaints referred to above Michael Pearson, an Independent Person appointed by the council assisted the Monitoring Officer during the informal resolution process in a complaint involving district councillors. Mr Pearson provided an independent view on the issues to be resolved and the Monitoring Officer found the input and assistance from Mr Pearson very useful and his input facilitated the complaint being resolved.

There were no complaints received involving parish members and therefore there was no need to engage the parish representatives on the committee.

(c) Complaints referred to the Standards Assessment Sub Committee

From the above-mentioned complaints: - None

From complaints received in 2015/16:- 2

(d) Members' Register of Interests

The Local Member Support Officers undertake regular checks of the Register of Members' Interests and provide advice and assistance to Parish Councils on the completion of the Registers.

(e) Advice and Training

The Monitoring Officer and Deputy Monitoring Officer continue to provide both parish and district members with advice, both proactively and on request, on member's interests and all aspects of corporate governance.

Training is also currently being provided to members on all aspects of data protection and freedom of information.

7. Policies & Procedures

The Audit and Governance Committee oversees the ethical framework of the Council including oversight of:

- the Whistle Blowing Policy
- complaints handling

- Ombudsman investigations.
- Freedom of Information and Data Protection

**Elizabeth Warhurst
Monitoring Officer**

**Councillor J Clarke
Chairman**

OUR VISION

North West Leicestershire will be a place where people and businesses feel they belong and are proud to call home

**Legal and Support Services
North West Leicestershire District Council
Council Offices, Whitwick Road, Coalville, Leicestershire, LE67 3FJ**

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

Issue	Details	Report Author	Meeting at which will be reported
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

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