

Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 21 September 2016
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 13 July 2016.	3 - 6
4. ANNUAL GOVERNANCE STATEMENT 2015-16	
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5. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO AUGUST 2016	
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6.	ANNUAL STATEMENT OF ACCOUNTS 2015/16	
	Report of the Interim Director of Resources	23 – 26 Plus separate booklet
7.	INTERNAL AUDIT PROGRESS REPORT - AUGUST 2016	
	Report of the Senior Auditor	27 - 42
8.	INTERNAL AUDIT CHARTER AND RECOMMENDATIONS REVIEW	
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9.	REPORT TO THOSE CHARGED WITH GOVERNANCE 2015/16	
	Report of the Interim Director of Resources	61 - 98
10.	STANDARDS AND ETHICS - QUARTER 1 REPORT	
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11.	COMMITTEE WORK PLAN	
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Circulation:

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

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 13 JULY 2016

Present: Councillor J Clarke (Chairman)

Councillors F Fenning, D Harrison, G Hout, P Purver, A C Saffell and S Sheahan

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

External Audit: Mr S Gill

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor R Adams and G Jones.

2. DECLARATION OF INTERESTS

There were no declarations of interest.

3. MINUTES

Consideration was given to the minutes of the meeting held on 23 March 2016.

Councillor D Harrison referred to minute number 36, in particular the reference to his concerns regarding the leisure centre audit recommendations. He thanked the Senior Auditor for the additional information provided which had helped with his concerns.

Councillor S Sheahan referred to minute number 36, in particular reference to the fraud arrangements discussed, he asked if there would be a further report. The Senior Auditor explained that she kept a general file on the various fraud arrangements and undertook audits as required but if Councillor S Sheahan wanted a particular report on the arrangements, then it would be for the appropriate officer to provide it. With regards to undertaking an audit on the fraud arrangements, it was kept under review and it was most likely that an audit would be carried out in quarter three. If that was to happen then it would be reported to committee in due course. She added that if the request was for the fraud arrangements in general then this was something that could be covered within the upcoming training for the committee.

In response to a further question from Councillor S Sheahan, the Senior Auditor explained that an update of the HR and Payroll audit recommendations was included within the progress report at item five of the agenda. Also it was confirmed that the corporate risk register was circulated after the previous meeting as requested.

The Financial Planning Team Manager agreed to circulate to Members the list of non UK counter parties as stated at the previous meeting.

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

RESOLVED THAT:

The minutes of the meeting held 23 March 2016 be approved and signed by the Chairman as a correct record.

4. TECHNICAL UPDATE INCLUDING THE PROGRESS REPORT AND ANNUAL AUDIT FEE LETTER 2016/17

The Financial Planning Team Manager introduced the report to Members and invited the External Auditor to address the Committee.

The External Auditor updated Members on the external audit progress. He reported that the controls over the majority of the key financial systems were sound with the one weakness in respect of the cash system in which the monthly bank reconciliations were now up to date. He commented that the testing of ICT would be completed in July and the final accounts visit would be completed during August. He also highlighted the value for money risk assessment and the discussion of the approach of the Housing Benefits Grant's Audit during June.

Councillor D Harrison raised concerns regarding the councillor travel expenses as detailed within the technical developments and asked if it was now a liability for the Council. The Financial Planning Team Manager reassured Members that it was not a liability for the Council and that he was working with external audit on this issue.

In response from a question from Councillor P Purver regarding the annual audit fee letter, the External Auditor explained that in setting the fee it had been assumed that no additional work would be required to address questions or objections raised by local government electors; this related specifically to any objections to the published accounts and the work involved in further investigations. He confirmed that there had been no objections to the previous year's accounts.

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

RESOLVED THAT:

- a) The Technical Update and Progress Report be noted.
- b) The Annual Audit Fee Letter 2016/17 be noted.

5. INTERNAL AUDIT PROGRESS REPORT - MAY 2016

The Senior Auditor presented the report to Members and highlighted the executive summary at appendix B which detailed the final reports issued since the previous meeting. She reminded Members of the leisure centre audit recommendations that raised concerns at the previous meeting and reported that a further check had been undertaken, the outcome of which was satisfactory.

Councillor F Fenning referred to the ICT audit and asked which specialists would be undertaking it. The Senior Auditor explained that due to the size of the Internal Audit team, there was not the required expertise to undertake the ICT audit. In the past it was specialists from Leicestershire County Council that were used and it was the intention to use them again on this occasion. It was confirmed that the external auditors also undertook checks within ICT to gain assurances for the accounts. Councillor F Fenning felt that there could be a conflict of interest if the audit was being undertaken by Leicestershire County Council due to the close link to the District.

Councillor F Fenning asked Members how they felt about the audit recommendation for the Committee to receive training. The majority of Members welcomed training and felt that they needed it.

Councillor D Harrison raised a number of concerns regarding the not yet implemented recommendation regarding rent accounting as it had a high priority rating. He also had concerns regarding the safeguarding recommendations as it also had a high priority rating

along with a number of others in appendix D. Regarding the rent accounting recommendation, the Senior Auditor explained that one of the recommendations raised had been implemented and the outstanding one related to the reconciliations being reviewed and signed off, which was good practice. Regarding the safeguarding audit, the Senior Auditor explained that the time needed to fully implement the recommendations needed to be taken into account, the fact that it stated July 2016 showed that there was a lot to implement and she would be reviewing it this month.

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

RESOLVED THAT:

The report be noted.

6. INTERNAL AUDIT ANNUAL REPORT 2015/16

The Senior Auditor presented the report to Members and highlighted her opinion of the Council's overall internal control arrangements which was a Grade 2. This meant that she believed improvements were required in some areas.

In response to a question regarding the number of high priority recommendations and timescales, the Senior Auditor explained that they reflected the timing required to implement the recommendations and the timescales were for the internal audit team to follow up. It all depended on the type of recommendations as some could be implemented immediately and others required longer timescales.

Councillor D Harrison raised concerns that hand written notes taken by the Internal Audit Team were not being kept along with other documents. The Senior Auditor reassured Members that all notes were written up in full and written notes were not destroyed until the audit was complete. She believed there would be no value added by keeping the notes.

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

RESOLVED THAT:

The report be noted.

7. TREASURY MANAGEMENT STEWARDSHIP REPORT 2015/16

The Financial Planning Manager presented the report to Members.

In response to a question from Councillor S Sheahan, the Financial Planning Team Manager stated that he believed the result of the EU Referendum would feature more in these reports.

The Financial Planning Team Manager confirmed to Councillor F Fenning that the debt position was mainly as a result of taking over the housing provision from national government. Councillor F Fenning suggested that this be entered into the report in future to make it clear.

Councillor F Fenning congratulated officers on the investments made as the return rate was good and it put the Council in a good position.

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

RESOLVED THAT:

The report be approved.

8. STANDARDS AND ETHICS - QUARTER 4 REPORT

The Head of Legal and Support Services presented the report to Members. She referred to the one complaint received in quarter four and the ethical indicators set out in part two of the report.

Councillor D Harrison questioned the number of corporate complaints received as it seemed very high which was concerning. The Head of Legal and Support Services confirmed that there had been an increase in corporate complaints. She agreed to find out the trend of the complaints and report back to Members. Councillor S Sheahan commented that it seemed that it was mainly planned works within the housing department that were receiving complaints which indicated there was a problem. The Head of Legal and Support Services commented that she could not give an explanation as to why these kind of complaints were being received or the implications to the service but she stated that as half of the Council staff were made up of the housing department with a large customer base, it was not unusual that complaints were mainly in that area. The Interim Director of Resources reported that a review of the housing repairs service had been carried out by the Housing Quality Network and that an improvement plan was being implemented. This included the scheduling of repairs. He added that the District's Tenants' Forum had also seen this information. The Chairman was aware that some improvements had already been made in the last few months but he would get some further information and report back to the Committee.

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

RESOLVED THAT:

The report be noted.

9. COMMITTEE WORK PLAN

Councillor T Saffell asked for some more detailed information on the current position of ICT migrating to the cloud technology. He specifically asked for independent advice, not from Leicestershire County Council due to a conflict of interest, on the security aspect as he had concerns.

The Interim Director of Resources explained that officers were currently putting in place a road map for the migration process and independent advice had been received from Leicestershire County Council ICT Auditors. The Senior Auditor stated that she did not share Councillor T Saffell's concerns as the Leicestershire County Council's Audit Team was independent and carried out work across the county. She explained that the ICT Auditor was brought in as she did not have the required expertise to challenge the ICT Manager and she was very satisfied with the final feedback. After further concerns were raised by Councillor T Saffell, the Senior Auditor commented that topics such as this had been discussed by the Policy Development Group in the past and suggested this might be the appropriate way of addressing these concerns. Members agreed.

By affirmation of the meeting it was

RESOLVED THAT:

- a) The Committee Work Plan be noted.
- b) The issue of data security with emphasis on cloud technology be referred to the Policy Development Group and a report be sent to the committee in due course.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.17 pm

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 21 SEPTEMBER 2016

Title of report	ANNUAL GOVERNANCE STATEMENT 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 01530 454707 pritesh.padaniya@nwleicestershire.gov.uk</p>
Purpose of report	To present the Annual Governance Statement 2015-16 for consideration and approval.
Reason for Decision	To ensure that members of the Committee have considered the Council's governance during 2015-16 and agreed the report.
Council Priorities	Value For Money
Implications:	
Financial/Staff	Not Applicable
Link to relevant CAT	Could impact on all CATs.
Risk Management	Failure to produce an accurate and comprehensive AGS could result in adverse comment from the External Auditor and failure to comply with current guidance.
Equalities Impact Screening	Not Applicable
Human Rights	Not Applicable
Transformational Government	Not Applicable
Consultees	None
Background papers	None
Recommendations	THAT THIS COMMITTEE APPROVES THE ANNUAL GOVERNANCE STATEMENT (AS ATTACHED TO THIS REPORT AT APPENDIX 1)

1.0 BACKGROUND

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

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

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

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

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

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

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

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

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

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

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

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

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

2.0 THE ANNUAL GOVERNANCE STATEMENT

- 2.1 The Annual Governance Statement which has been prepared in accordance with the appropriate guidance is no longer included in the statement of accounts but is still subject to audit and requires final approval from this Committee.
- 2.2 The Council's governance framework is summarised in Section 3 of the AGS, and was in place throughout 2015-16. This committee plays a key role in overseeing the operation of the framework, including:
- approving the annual Internal Audit plan,
 - receiving quarterly updates on the work of Internal Audit,
 - receiving the annual Internal Audit report,
 - receiving reports from the external auditors.
- 2.3 This ongoing work of the committee culminates in the consideration of the Annual Governance Statement.
- 2.4 Section 4 of the AGS summarises the review process that has been undertaken to review the effectiveness of the Council's Governance Statement, and the sources of evidence that have been considered as part of the review. The committee's role is to determine whether they consider that the review has been rigorous and thorough.
- 2.5 Section 5 of the AGS sets out any significant issues which have arisen from the review of effectiveness, and proposals for addressing them. The committee should ensure that any issues arising include any matters they have become aware of from their ongoing work during the year, and that they are satisfied that appropriate corrective actions are proposed.
- 2.6 If required, Section 6 of the AGS has to include a section on any relevant significant post balance sheet events which may occur up until the signing of the final statement of accounts. For 2015/16 we have included a reference to the EU Referendum held on 23

June 2016 in which the citizens of the UK voted to leave the EU. This is a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

- 2.7 The Council's external auditors, KPMG, have reviewed the AGS and confirmed that it complies with the CIPFA/SOLACE framework and that it is not misleading or inconsistent with any other information they are aware of from their audit of the financial statements.
- 2.8 After this Committee gives its approval to the AGS it will be signed by the Leader of the Council and the Chief Executive.

ANNUAL GOVERNANCE STATEMENT 2015/16

1. Background and Scope of Responsibility

1.1 North West Leicestershire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

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

or can be obtained from the Council Offices, Coalville.

1.4 This Statement explains how the Council has complied with the code and also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2011.

2. The Purpose of the Governance Framework

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

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

2.3 The governance framework has been in place for the year ended 31 March 2016, and up to the date of the approval of the annual report and accounts.

3. The Governance Framework

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

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

- At the heart of the Council's strategic planning process is the Council Delivery Plan (CDP) and annual Team Business Plans and Medium Term Financial Strategy (MTFS). The Council's CDP has been developed in line with the Council's strategic aims and was updated and adopted by Council on 24 March 2015 for the 2015/16 year. The MTFS 2016/17 to 2019/20 was approved by Cabinet on 22 September 2015.
- A Vision has been developed as follows: 'North West Leicestershire will be a place where people and businesses feel they belong and are proud to call home'
- The Council's performance management arrangements are strong and include the Business Planning process which integrates service and financial planning across all of the Council's aims and objectives to better align activities, improvements and resources. A set of clear and consistent Team Business Plans was developed for 2015/16 and monitored throughout the year by management on a monthly basis and reported to Cabinet quarterly using a traffic light system to facilitate robust member challenge. Profiled financial monitoring reports which also project the outturn are reviewed by all budget holders soon after the month end, enabling managers to respond to issues in a timely way.
- This model enables any service failure to be identified early and addressed through a project plan and corrective action approved where necessary.

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

- The Council's Constitution clearly sets out the functions and roles of Members and Officers. The Constitution is regularly reviewed by the Monitoring Officer and reported to members at regular intervals, following appropriate Scrutiny.
- The Constitution sets out the responsibility for all the Council's functions, including Council, Executive and Non-executive roles and a scheme of delegation to staff and Proper Officer designations. These provisions make the specific responsibilities of the Leader, Chief Executive, Section 151 Officer and Monitoring Officer (MO) clear.
- There are robust codes and protocols, including codes of conduct for both Members and Officers, a protocol on Member/Officer relations, outline roles and responsibilities for Councillors. A Local Code of Conduct was adopted in June 2012 as required by the Localism Act 2011 which also included the council's arrangements for dealing with complaints about elected members. The MO is planning to review these arrangements in 2016/17.

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

- Arrangements have been put in place to ensure probity when dealing with different stakeholders and these are frequently updated. Accordingly, the Council has a Planning Code of Conduct, Licensing Code of Conduct and Citizens' Rights are set out in the Constitution. These are regularly reviewed to take account of the latest legislation and guidance, the last review being completed in March 2016 as part of the annual update of the Council's Constitution.
- The Constitution contains a section on the "Principles of Decision Making", and non-compliance is a ground for "call-in" by the Policy Development Group.
- During 2015/16 the Audit & Governance Committee had a pro-active work programme and each meeting of the Committee received a report from the

Monitoring Officer on current issues. A quarterly performance monitoring report including ethical indicators was also produced.

- The Council has robust arrangements for monitoring compliance with the Member Code of Conduct (including gifts and hospitality). The Officer Register of Gifts and Hospitality received its six monthly checks by the Monitoring Officer at the same time she checked the Member Register.
- The Head of Paid Service, Section 151 Officer and Monitoring Officer meet regularly at the Statutory Officers' Group. Their work includes monitoring compliance with standards of conduct across the Council, including both Officers and Members. There is an in-house, LEXCEL accredited, legal team.
- Parish liaison meetings are held at least twice a year. The MO also provided a comprehensive training programme to a number of parish councils on the 2012 Local Code of Conduct.
- The Council's Whistle Blowing Policy includes Members, contractors, suppliers and service providers and people working in partnership with the Council (e.g. volunteers). All reports received under the policy are investigated thoroughly.

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

- The Policy Development Group acts as the Council's Scrutiny function.
- The Council maintains an Executive Decision Notice of key decisions to maximise transparency and consultation. The writing of formal reports follows a prescribed procedure which requires the completion of a number of procedural requirements for content including Statutory Officer checks for legality, budgetary compliance, rationale, etc. Reasons for all decisions must be given and these are recorded in the minutes.
- The Member and Officer Codes of Conduct and associated procedures act as a safeguard against conflicts of interest or bias.
- The Audit & Governance Committee undertook the functions of an audit committee as identified by CIPFA Guidance. It received reports and presentations from the External Auditor and is independent of Cabinet.
- The Council has a customer feedback complaints system and this information is used to improve service delivery and customer satisfaction.
- The Council has a Risk Management Strategy and maintains and reviews its strategic risk register on a quarterly basis. The risks identified have been linked to Council priorities/strategic aims and lead officers have been identified to manage each risk.
- As part of the Council's Corporate Project Management Framework, all major projects have their own risk log and all reports going to Members include the risk implications associated with the decision Members are being asked to make.
- Risk Management also forms a key element of the Council's Delivery Plan and the Service Planning process and Risk Management is an integral part of the Council's performance management arrangements.
- The Council is committed to the effective use of IT and has an ICT strategy and IT Security Policy which were reviewed during 2015/16.
- The Council's 2015/16 Treasury Management Strategy was approved by Council in February 2015, and risks are fully evaluated as part of this strategy.

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

- The Council's "BEE Valued" programme includes rigorous recruitment & selection, performance management and staff development processes. Workforce succession

planning is undertaken to ensure capacity and continuity issues are identified and addressed.

- A comprehensive induction programme exists for both Members and Officers which has been developed to deal with all relevant core issues.
- The Council is committed to creating an environment where elected Members' skills can develop and thrive with regular courses being delivered.
- An annual development review is undertaken for all officers, which includes the identification of training and development needs, which are then considered and built into a service level and corporate training programme where appropriate.

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

- Our Communications Strategy sets out who we communicate with, and why and how we do it. The Council uses various means to communicate key messages to staff and members of the public, such as the weekly NWL News and the Chief Executive's road shows for staff and increased use of the internet and Social Media for the public.
- The Council's scrutiny arrangements are designed to ensure that key elements were externally focussed and involve all sections of the community and stakeholders as relevant.
- The Council has adopted a consultation framework which involves staff at all levels and their Trade Union Representatives and Officials.
- The Council publishes on its web site monthly details of expenditure over £250 as well as details of major contracts and senior salaries, responsibilities etc.

4. Review of Effectiveness

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

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

- The full Council through its overall responsibility for the Annual Budget and Policy Framework;
- The Cabinet, which has responsibility for all executive functions and for making recommendations to Council within the Budget and Policy Framework. Its remit is clearly set out in the Constitution and it plays a major role in reviewing key aspects of overall service delivery, including monitoring its effectiveness and related governance issues;
- The Audit & Governance Committee which meets the external auditor to discuss findings in the Annual Audit Management Letter and reports and was responsible for ensuring that the Council's systems for internal control were sound by reviewing control mechanisms, and guidelines (both internal and external) as well as adherence to these; ensuring continued probity and good governance of the Council's operations.
- The Council's statutory officers who consist of the Head of Paid Service (the Chief Executive), the Monitoring Officer (Head of Legal & Support Services) and S.151 Officer (Head of Finance) fulfil the statutory duties associated with their roles,

including ensuring that the Council's activities are in accordance with the law and legislative requirements, and that financial budgets are set appropriately and are monitored regularly. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) as set out in the application note to Delivering Good Governance in Local Government: Framework.

- The Internal Audit service is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an annual rolling work plan which is reviewed each quarter by the Audit and Governance Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director and Head of Service. The report includes recommendations for improvements that are included within an action plan and require agreement by service managers. Progress against recommendations is monitored on a quarterly basis by the Audit & Governance Committee throughout the year. The Internal Audit Annual report was considered by the Audit and Governance Committee on 13 July 2016 and confirmed that the Council's overall internal control arrangements provided sufficient assurance during 2015/16.
- The Council is participating in a county-wide anti-fraud initiative led by Leicester City Council. This includes an "intelligence" hub which seeks to pool information on cross boundary frauds, anti insurance fraud and the development of an "app" for the reporting of fraud.
- The Risk Management Strategy was updated and approved by Cabinet on 29 July 2014 and all reports to Council, Cabinet and Committees have a risk management section. Corporate risks are reported to cabinet and Audit and Governance Committee quarterly.
- The Councils Business Continuity Plan and Councils business requirements which form part of the ICT Strategy will be strengthened during 2016/17.
- A new An ICT strategy has been developed that sets out a long term vision of how ICT will support the Council's business requirements, its future vision, its customers and its members. Its outcomes include: a fully-funded ICT plan that supports new, more efficient, sustainable, flexible, and customer-focused ways of working; an organisation with the right ICT infrastructure and level of resilience; and a workforce with the right IT tools and skills required to deliver services effectively and efficiently.
- Assurance statements have been signed by Directors and Heads of Service to ensure that there are adequate internal controls and governance arrangements in their areas of responsibility and to provide an opportunity to inform improvement action planning requirements.

4.2 The Annual Governance Statement 2015/16 will be considered by the Audit and Governance Committee on 21 September 2016. We plan to address any weaknesses or issues raised to ensure continuous improvement of the systems and governance processes.

5. Significant Governance Issues

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

6. Post Balance Sheet Events

6.1 On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin

negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future, once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

Signed:

Richard Blunt
Leader of the Council

Christine Fisher
Chief Executive

Date:_____

Date:_____

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 21 SEPTEMBER 2016

Title of Report	TREASURY MANAGEMENT ACTIVITY REPORT – APRIL TO AUGUST 2016
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Interim Director of Resources 01530 454833 andrew.hunkin@nwleicestershire.gov.uk</p> <p>Financial Planning Manager / Deputy S151 Officer 01530 454707 pritesh.padaniya@nwleicestershire.gov.uk</p>
Purpose of Report	To inform Members of the Authority's Treasury Management activity undertaken during the period April to August 2016.
Reason for Decision	To ensure that Members are informed of the Authority's Treasury Management activity during the financial year and have the opportunity to scrutinise that activity.
Council Priorities	Value for Money
Implications:	
Financial/Staff	Interest earned on balances and interest paid on external debt, impact on the resources available to the Authority.
Link to relevant CAT	Could impact upon all Corporate Action Teams.
Risk Management	Borrowing and investment both carry an element of risk. This risk is mitigated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA code of Treasury Management and the retention of Treasury Management Advisors (Arlingclose) to proffer expert advice.
Equalities Impact Screening	Not Applicable
Human Rights	Not Applicable
Transformational Government	Not Applicable
Consultees	None
Background Papers	<u>Treasury Management Strategy Statement 2016/17 – Council Meeting 23 February 2016</u>

Recommendations	THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.
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1.0 BACKGROUND

- 1.1 The Authority’s Treasury Management activity is underpinned by CIPFA’s Code of Practice on Treasury Management (“the code”), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and Investment activity.
- 1.2 Treasury Management is defined as “the management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.3 The Authority’s current Treasury Management Strategy Statement, including the Borrowing Strategy, Debt Rescheduling Strategy, Annual Investment Policy and Strategy, Interest Apportionment Policy, Prudential Indicators and Annual Minimum Revenue Position Statement were approved by Council on 23 February 2016.
- 1.4 The code requires that Authorities report on the performance of the Treasury Management function at least twice yearly (mid-year and at year end).
- 1.5 This is the first of three in-year reports to be presented in 2016/17, to inform Members of the Authority’s treasury activity and enable scrutiny of activity and performance. These reports supplement the annual Treasury Stewardship Report, which will be presented to this Committee and Cabinet as soon as possible after the end of the financial year.

2.0 SCOPE

- 2.1 This report:
 - a) Has been prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
 - b) Presents details of capital financing, borrowing, debt rescheduling and investment transactions;
 - c) Gives details of the treasury management transactions for the period April to August 2016;
 - d) Reports on breaches of or compliance with treasury limits and Prudential Indicators.

3.0 THE U.K. ECONOMY AND OTHER FACTORS.

- Following the UK’s vote to leave the European Union, the economic outlook for the UK has immeasurably altered. It will to a large extent be dependent on the nature of the future relationship negotiated with the EU, particularly in relationship to trade.
- The UK Consumer Prices Index (CPI) rose by 0.6% in the year to July 2016, compared with a 0.5% increase in the year to June 2016. The main contributors to the increase in the rate were motor fuels, alcoholic beverages and accommodation services. These upward pressures were partially offset by falls in social housing rent and falling prices for certain games and toys.
- At its meeting in August 2016, the Monetary Policy Committee voted unanimously to cut Bank Rate from 0.5% to 0.25%, asset purchases were increased from £375bn to £435bn. The cut in bank rate has adversely impacted on the Authority’s ability to generate income from its investments and has seen substantial decreases in interest rates.

- The short to medium term outlook is more downbeat due to the uncertainty generated by the EU Referendum result and the forthcoming negotiations. However, the rapid installation of a new prime minister and cabinet has lessened the political uncertainty and the Government / Bank of England have been pro-active in tackling the economic uncertainty.
- Globally, the outlook is uncertain and risks remain weighted to the downside.

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 04/09/2016 £m	%
Long-term fixed rate	£84.482m		£0.000m	£0.000m	£0.000m	£84.482m	
Long-term variable rate	£0.000m		£0.000m	£0.000m	£0.000m	£0.000m	
Temporary Borrowing	£0.000m		£0.000m	£0.000m	£0.000m	£0.000m	
Total borrowing	£84.482m	99.9	£0.000m	£0.000m	£0.000m	£84.482m	99.9
Other long-term liabilities	£0.119m	0.1	£0.000m	£0.000m	£0.000m	£0.119m	0.1
TOTAL EXTERNAL DEBT	£84.601m	100	£0.000m	£0.000m	£0.000m	£84.601m	100
INVESTMENTS		%	Maturities £m	Sales £m	New Investments £m		%
Internally Managed	£30.601m	95.9	£13.229m	£0.000m	£15.489m	£32.861m	79.4
Investments with maturities up to 1 year	£18.601m	58.3	£13.229m	£0.000m	£15.489m	£20.861m	50.4
Investments with maturities in excess of 1 year	£12.000m	37.6	£0.000m	£0.000m	£0.000m	£12.000m	29.0
Externally Managed Investments*	£1.300m*	4.1	£29.550m	£0.000m	£36.750m	£8.500m	20.6
TOTAL INVESTMENTS	£31.901m	100	£42.779m	£0.000m	£52.239m	£41.361m	100
NET DEBT	£52.700m					£43.240m	

*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 August 2016, the capacity for investment has currently increased by £9.5m. The volatility of balances is normal throughout the year and a number of factors contribute to this:
- a) The Authority traditionally benefits from the receipt of Council Tax and Business Rates during the first ten months of the financial year;
 - b) Revenue expenditure is more evenly weighted throughout the financial year;
 - c) Capital expenditure is more heavily weighted towards the latter part of the financial year due to the time required to schedule programmes of work or award contracts.
 - d) The patterns of income and expenditure are variable and are compared to previous years. The current patterns are in line with the expected trends. These patterns are reflected in the Authority's cash flow projections which is monitored and revised daily as part of the treasury management process.
- 4.4 The current increased capacity for investment is expected to drop towards the end of the financial year and this is in line with the Authority's experience.

5.0 BORROWING ACTIVITY.

5.1 The Authority's Borrowing Strategy 2016/17, approved by Council on 23 February 2016, incorporates a prudent and pragmatic approach to borrowing to minimise borrowing

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

- 5.2 The Authority's estimated borrowing requirement for the current financial year is £1.682m. In the two subsequent financial years this is estimated to be £0.742m in 2017/18 and £1.368m in 2018/19, as presented to Council in the "Treasury Management Strategy Statement 2016/17 and Prudential Indicators 2016/17 to 2018/19" on 23 February 2016.
- 5.3 The Authority has not undertaken any new long-term borrowing during the period.
- 5.4 The Authority has two PWLB annuity loans as part of the self-financing of the HRA. The repayment element for these in 2016/17 is £1.055m.
- 5.5 The Authority's cash flow remained positive during the period. The Authority did not require any temporary loans during the period.

6.0 DEBT RESCHEDULING ACTIVITY.

- 6.1 The Authority's Debt Rescheduling Strategy 2016/17, which was approved by Council on 23 February 2016, establishes a flexible approach where the rationale for rescheduling could be one or more of the following:
- Savings in interest costs with minimal risk.
 - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
 - Amending the profile of maturing debt to reduce any inherent refinancing risks.
- 6.2 No opportunities for debt rescheduling were identified which conformed to the above rationale. Accordingly, the Authority has undertaken no debt rescheduling activity during the period.
- 6.3 The Authority's portfolio of thirteen loans - ten PWLB loans and three market loans - will continue to be monitored for debt rescheduling opportunities that comply with the Authority's Policy and rationale.

7.0 INVESTMENT ACTIVITY.

- 7.1 The Authority's Investment Policy and Strategy 2016/17, which was approved by Council on 23 February 2016, established that the major policy objective is to invest its surplus funds prudently.
- 7.2 The Authority's investment priorities are:
- security of the invested capital;
 - sufficient liquidity to permit investments; and,
 - Optimum yield which is commensurate with security and liquidity.
- 7.3 To lower the inherent investment risk, the Authority has minimised the use of banks and increased the use of other Local Authorities as investment counterparties. A range of lengths of investment, from overnight investments to short and long fixed term, from 32 days to 3 years, are currently utilised to ensure that the principles of security, liquidity and yield are followed.
- 7.4 The counterparties that the Authority currently utilise all meet the criteria set out in the Treasury Management Strategy Statement 2016/17 and are monitored by the Authority's

Treasury Management Advisors. The counterparties and amounts currently invested are shown below:

Counterparty	Length of Investment	Rate*	£m
Lloyds Bank (Current Account)	Overnight	0.20%	0.1
Bank of Scotland	Overnight	0.15%	0.8
Handelsbanken	Overnight	0.05%	0.7
Black Rock MMF	Overnight	0.32%	3.0
Goldman Sachs MMF	Overnight	0.39%	2.1
Aberdeen Asset Management MMF	Overnight	0.40%	2.4
CCLA Investment Management Ltd MMF	Overnight	0.38%	1.0
Lloyds Bank Notice Account	32 days	0.32%	0.8
Barclays Treasury Direct	92 days	0.48%	1.5
Santander 95 Day Notice Account	95 Days	0.90%	1.5
National Counties Building Society	183 days	0.75%	1.0
Nationwide Building Society	185 days	0.71%	1.5
Hinckley & Rugby Building Society	186 days	0.50%	1.0
London Borough of Newham	308 days	0.56%	3.0
West Dunbartonshire Council	364 days	0.55%	2.5
Salford City Council	364 days	0.60%	1.0
North Tyneside Council	364 days	0.60%	2.0
Fife Council	364 days	0.60%	1.0
Lancashire County Council	364 days	0.60%	1.5
Lloyds Bank Fixed Term Deposit	1 Year	1.05%	1.0
Lancashire County Council	18 months	0.70%	2.0
Blaenau Gwent County Borough Council	3 years	1.20%	2.5
Staffordshire Moorland District Council	3 Years	1.50%	2.0
Greater London Authority	3 Years	1.50%	3.0
Newcastle City Council	3 Years	1.13%	2.5
Total Invested			41.4

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

- 7.5 The average rate of return on the Authority's investment balances during the period was 0.66%. For comparison purposes, the benchmark return (average 7-day London Interbank Bid Rate or LIBID rate) at the end of August 2016 was 0.31%. The average 7 day London Interbank Offered Rate (LIBOR) rate at the end of August 2016 was 0.44%. 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 49 investments made during the period, totalling £52.2m. The average balance held for the period was £38.6m.
- 7.8 Six fixed term investments were taken out during the period. These investments were for amounts ranging from £1m to £3m. Three fixed term investments have matured within the period. The Authority and its advisors remain on a state of alert for signs of credit or market distress that may adversely affect the Authority.
- 7.9 The Authority has budgeted to achieve £182,000 of income from its investment activity in 2016/17. Investment activity from April to August 2016 has achieved £236,827 in interest for the financial year. The current forecast for the year is £246,000.
- 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 £21,153 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 (£224,847) received on investment income is budgeted to be apportioned between General Fund and the Housing Revenue Account based on the estimated cash flow position. For 2016/17, the budgeted investment income is apportioned as follows: £115,480 General Fund and £66,520 Housing Revenue Account. Any over or under achievement of interest is apportioned on this basis and the current forecast is anticipated as follows:

	Budget	Projected
General Fund	£115,480	£142,667
HRA	£66,520	£82,180
Sub-Total	£182,000	£224,847
External Balances	£0	£21,153
Total	£182,000	£246,000

- 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 August 2016, the Authority can confirm that it has complied with its Prudential Indicators, which were approved on 23 February 2016 as part of the Authority's Treasury Management Strategy Statement.
- 8.2 In compliance with the requirements of the CIPFA Code of Practice, this report provides members with a summary report of the Treasury Management activity for the period April to August 2016. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 8.3 The Authority can confirm that during the period April to August 2016, it has complied with its Treasury Management Practices.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT & GOVERNANCE COMMITTEE – 21 SEPTEMBER 2016

Title of report	ANNUAL STATEMENT OF ACCOUNTS 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	For the Committee to consider and approve the Annual Statement of Accounts for 2015/16.
Reason for Decision	To comply with the Accounts and Audit Regulations
Council Priorities	Value for Money
Implications:	
Financial/Staff	No direct implications.
Link to relevant CAT	None
Risk Management	The presentation of audited accounts giving a true and fair view assists in maintaining the council's financial standing and reputation.
Equalities Impact Screening	No impact.
Human Rights	None identified.
Transformational Government	No direct implications.
Consultees	External Auditors (KPMG)
Background papers	Working papers held in the Financial Planning section.
Recommendations	<p>(A) THAT THE COMMITTEE APPROVES THE ANNUAL STATEMENT OF ACCOUNTS</p> <p>(B) THAT THE CHAIRMAN OF THE MEETING IS AUTHORISED TO SIGN THE ACCOUNTS AS APPROVED</p> <p>(C) TO DELEGATE AUTHORITY TO THE COMMITTEE CHAIRMAN AND (DEPUTY) SECTION 151 OFFICER TO APPROVE ANY MINOR NON MATERIAL AMENDMENTS, AS AGREED WITH THE AUDITOR, TO THE ACCOUNTS ON BEHALF OF THE COMMITTEE</p>

1.0 BACKGROUND

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

1.6 This paper is aimed at going a step further than the definitive notes to the accounts and explaining the wider context of the document and the contents. Each of the major sections of the accounts is explained below and a Glossary of Terms is shown on page 76 of the Accounts.

2.0 MAIN CHANGES TO ACCOUNTS

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

3.0 OTHER SECTIONS OF THE ACCOUNTS

3.1 The Statement of Responsibilities on page 10 underlines the responsibility, conferred by law, on the Deputy Section 151 Officer for the proper administration of the financial affairs of the authority. The person presiding at the meeting approving the accounts must also sign this Statement. The Deputy S.151 Officer and also the auditors have to confirm that the accounts present a 'true and fair' view.

3.2 The Income & Expenditure Account on page 24 and the Notes on pages 27 to 66, is one of the core documents in the Statement and reports the net cost for the year of all the functions of the Council and how these were financed. There are three distinct sections of this account.

3.3 The first section of the I&E on page 24 shows the costs of the authority's continuing operations, net of specific grants and income from fees and charges. This section combines the Housing Revenue Account with the General Fund activities and therefore represents information that is not shown elsewhere in the Council's financial reporting. This provides the Deficit in the Net Cost of Services of £3.288m.

3.4 The next section provides information on the income and expenditure relating to the council as a whole, i.e. these cannot be allocated to specific services, and shows how the Council's net expenditure was financed externally through Council Tax and General Government Grants and displays the gross Surplus on Provision of Services of £4.324m. Any gains and losses are then adjusted underneath this to give a Total Income & Expenditure Surplus of £28.127m. How this amount affects the council's reserves is then explained in the Movement in Reserves Statement on page 23 and notes on pages 28 to 30.

3.5 The Balance Sheet (page 25 and corresponding notes on pages 27 to 66) is fundamental to the understanding of an authority's financial position at the year-end. It shows balances and reserves available and the authority's long-term indebtedness, together with the fixed and current assets employed in its operations.

3.6 The Assets and Liabilities include:

- Fixed Assets – As stated above these were revalued as at 31 March 2016 and 'Tangible' fixed assets are recorded in the Balance Sheet using the principles set out on pages 17 to 20.
- Intangible Fixed Assets – this comprises computer software and ancillary costs.
- A list of movements in assets is shown in Note 9 on pages 35 to 38.
- Long Term Debtors - represent mortgage loans owed to the Council from Right-to-Buy sales.
- Current Assets - are items that could be readily converted into cash and the order of these represents their convertibility.
- Other Long Term Liabilities is mainly the Pensions Liability of £38.467m – this large sum is calculated each year based on various parameters in accordance with IAS 19

and represents the difference in the scheme's assets compared to its liabilities. This is offset by a Pension Reserve in the final part of the balance sheet. The contributions to the scheme by both employees and the Council are targeted to eradicate any deficit over a period of 20 years.

- 3.7 Financing of the Assets less Liability is through various reserves and balances. This is more complicated in a local authority because there are no shareholder funds or proprietor's funds, as one would have in a commercial enterprise. These reserves are explained in the Movement in Reserves Statement on page 23. The Capital Adjustment Account represents the financing costs of the fixed assets used less the in-year costs of utilising those assets, for example depreciation and impairment. This reserve is not a resource available to the Council and represents assets already acquired.
- 3.8 The Consolidated Cash Flow Statement (Page 26 and corresponding notes on page 48) shows the significant elements of receipts and payments of cash by the authority in dealing with third parties.
- 3.9 The Housing Revenue Account (Pages 67 and 68, and notes on pages 69 to 71) is a 'ring fenced' account, although included in the Income & Expenditure Account, is separate from the General Fund and the entries are prescribed in legislation.
- 3.10 The Collection Fund (Pages 72 and 73) is another account prescribed by statute and deals with the transactions relating to the collection of Council Tax and the payment of precepts out to the County Council, Combined Fire Authority and the Police, as well as to North West Leicestershire District Council. The account represents a quasi 'trust' account as the balance on the account is shared out between the preceptors in proportion to the precepts levied in the year of the sharing decision. Each year a decision is made in January to estimate the balance on the account and a deemed surplus, or deficit, is allocated to each of the preceptors.
- 3.11 The National Non-Domestic Rates are collected on behalf of the Government and precepting authorities as well as the District. The amount the District is due is estimated at the start of the year but changes to the business rates base including revaluations and appeals, affect the year end position.
- 3.12 The Independent Auditors' Report will be explained by the external auditors.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 21 SEPTEMBER 2016

Title of report	INTERNAL AUDIT PROGRESS REPORT – AUGUST 2016
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 progress against the Internal Audit plan for 2016/17 and to highlight any incidences of significant control failings or weaknesses.
Reason for Decision	To comply with the Public Sector Internal Audit Standards.
Council Priorities	Value for Money
Implications:	
Financial/Staff	None.
Link to relevant CAT	None.
Risk Management	The Internal Audit planning process using a risk assessment based methodology.
Equalities Impact Assessment	Not Applicable.
Human Rights	None.
Transformational Government	Not Applicable
Consultees	None.
Background papers	Public Sector Internal Audit Standards 2016/17 Internal Audit Annual Audit Plan
Recommendations	MEMBERS NOTE THE CONTENTS OF THE REPORT

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 to 31 August 2016 is attached at Appendix 1.



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council
Internal Audit Progress Report: August 2016

1. Introduction

- 1.1 The assurances received through the Internal Audit programme are a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to highlight the progress against the Internal Audit plan up to 31 August 2016.

2. Purpose of Internal Audit

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

3. Authority of Internal Audit

- 3.1 Internal Audit derives its authority from the Accounts and Audit Regulations 2015, the Internal Audit Charter and the Council's Constitution. The Financial Regulations, which are part of the Constitution, sets out that 'Internal Audit has authority to:
- a) enter any Council owned or occupied premises or land at all times (subject to any legal restrictions outside the Council's control);
 - b) have access at all times to the Council's records, documents and correspondence;
 - c) require and receive such explanations from any employee or member of the Council as he or she deems necessary concerning any matter under examination; and
 - d) require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.
 - e) The Senior Auditor shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.

4 Responsibility of Internal Audit

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

5 Independence of Internal Audit

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

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

- 5.2 If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to senior management and the Audit and Governance Committee.

6 Internal Audit Plan Update

- 6.1 A progress report against the 2016/17 Internal Audit plan is documented in Appendix A. The Internal Audit plan needs to be flexible in order to respond to current risks and resource requirements. There have been a small number of changes to the Internal Audit plan approved in March 2016 and details are documented in the 'comments' column in Appendix A.
- 6.2 Four final reports have been issued since the last update report and one audit is in progress. The executive summaries for these reports are included in Appendix B. The Senior Auditor does not consider it necessary to draw attention to any specific control weaknesses at this time.
- 6.3 An additional piece of work has been undertaken in July 2016 to enable the Senior Auditor to sign off the Disabled Facilities Grant Determination as required by DCLG to confirm that the grant conditions have been met. Blaby DC processes Disabled Facilities Grants on behalf of North West Leicestershire DC (NWLDC) as part of a pilot scheme for the Lightbulb Project. Testing provided sufficient assurance that the required grant conditions had been fulfilled; however a number of procedural and processing issues were identified. The findings have been reported to senior management with an action plan to implement our recommendations. A full audit will be carried out in quarter 4, the results of which will be reported to Audit and Governance Committee.
- 6.4 Internal Audit is taking the following approach to gaining assurance that risks associated with ICT developments are being effectively managed:
- independent review of the ICT Roadmap by an appropriately qualified ICT audit specialist with feedback provided to the ICT Manager, Senior Auditor and Interim Director of Resources;
 - a full key ICT controls audit was included in the 2016/17 annual audit plan and is scheduled for Q3. The findings will be fed back to Audit and Governance Committee as part of the Internal Audit Progress Reports;
 - the Senior Auditor is maintaining an overview of the developments and will provide challenge/advice where appropriate. In line with the PSIAS the Senior Auditor will obtain competent advice and assistance where the necessary skills and knowledge are not available in house; and
 - any concerns that risks are not being effectively managed will be brought to the attention of the Audit and Governance Committee

7 Internal Audit Recommendations

- 7.1 Internal Audit monitors and follows up all high and medium priority recommendations. Appendix C lists overdue recommendations along with a status update. There is only one overdue recommendation and Internal Audit is satisfied that reasonable progress has been made so far.

7.2 All outstanding high and medium priority recommendations i.e. those not yet due, are included in Appendix D for information.

8 Internal Audit Performance Indicators

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

2016/17 AUDIT PLAN PROGRESS: AUGUST 2016

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
Cash and Bank	Key Financial System	6	-	Schedule for Q4						
Creditors	Key Financial System	6	-	Schedule for Q4						
Sundry Debtors	Key Financial System	6	-	Scheduled for Q4						
HR and Payroll	Key Financial System	10	-	Scheduled for Q3						
Main Accounting	Key Financial System	5	-	Scheduled for Q4						
Rent Accounting	Key Financial System	6	-	Scheduled for Q2						
Treasury Management (4)	Key Financial System	4	5	Final Report	Grade 1	-	-	-	-	
ICT Key Controls	Key Financial System	-	-	Scheduled for Q3						This audit will be undertaken by ICT audit specialists.
Car parking and enforcement	Risk Based	7	-	Scheduled for Q2						
Enterprising NWLDC Grants (1)	Risk Based	4	7	Final Report	Grade 2	3	3	-	2	Actual days greater than planned due to broader scope.
Solid Fuel Servicing and Maintenance Contract and Gas Servicing and Maintenance Contract	Risk Based	10	-	Scheduled for Q3/Q4						Clarified audit area.
Housing Management - Mobile Working	Risk Based	7	5	In progress						
Housing – In House Repairs Service	Risk Based	10	-	Scheduled for Q4						
Planning Enforcement	Risk Based	7	-	Put on 2017/18 plan						IA resources required for additional audits.
Section 106	Risk Based	10	-	Scheduled for Q3/Q4						
Trade Refuse and Recycling (2)	Risk Based	10	7	Final Report	Grade 1	-	1	1	-	
Leicestershire Welfare Provision (3)	Risk Based	3	4	Final Report	Grade 1	-	1	-	-	
Anti Fraud and Corruption Arrangements	Additional Risk Based	6*	-	Scheduled for Q3						The Senior Auditor is aware of some changes to arrangements therefore an audit is

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
										required.
Asset Management System	Additional Risk Based	5*	-	Scheduled for Q3						Required to get assurance that system work has been effective in rectifying prior issues.
Disabled Facilities Grant Determination	Additional Risk Based	3*	6	Grant report issued to senior management						Work required to enable Senior Auditor to sign off DCLG determination. Findings reported to Senior Management.
Disabled Facilities Grants	Additional Risk Based	5*	-	Scheduled for Q4						Audit added by Senior Auditor in light of findings during work undertaken to sign off DCLG Determination.
Asset Performance Calculator – NPV	Advisory	4	0.5	As required						
CCTV	Advisory	4	-	Scheduled for Q4						
Coalville Project	Advisory	5	0.5	As required						
New financial systems	Advisory	5	1	As required						

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

KEY

Assurance Levels:

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

Recommendations:

- H High Priority** Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
M Medium Priority Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
L Low Priority Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
A Advisory Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

EXECUTIVE SUMMARY OF IN HOUSE INTERNAL AUDIT FINAL REPORTS ISSUED BETWEEN JUNE 2016 AND AUGUST 2016

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations			
					H	M	L	A
2016/17 Audits								
1 – Enterprising NWL Grants	Business Portfolio Holder	Head of Economic Development Business Focus Team Manager	Grade 2	Strengthening of the due diligence process prior to payment of grant. The approach to panel selection to ensure consistency and independence in the decision making process. Clarity of grant offer terms and conditions. Obtaining explicit consent to the sharing of application information with panel members.	3	3	-	2
2 – Refuse and Recycling	Community Services Portfolio Holder	Head of Community Services Waste Services Team Manager	Grade 1	To implement tighter stock controls of trade waste sacks.	-	1	1	-
3 – Leicestershire Welfare Provision	Housing Portfolio Holder	Director of Housing Strategic Housing Team Manager	Grade 1	To reconcile the return to Leicestershire County Council (LCC) to the processed applications.	-	1	-	-
4 – Treasury Management	Corporate Portfolio Holder	Director of Resources Financial Planning Manager	Grade 1	None identified.	-	-	-	-

See Appendix A for Key.

Appendix C

Recommendations Tracker – Overdue Recommendations

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

Recommendations Tracker – Outstanding High and Medium Recommendations

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
2015/16 Reports							
11	Safeguarding	2	Attendance at training events and completion of mandatory training modules should be monitored. Non attendance or non completion should be followed up so that alternative arrangements can be made as necessary.	Medium	Senior HR Adviser (L1) Designated Safeguarding Officers (DSO) Group (L2-9)	September 2016	Testing scheduled October 2016
13	ICT User Accounts	3	The ICT Team Manager should ensure that all leaver notification emails from HR are acted upon.	High	ICT Team Manager	August 2016	Testing scheduled September 2016
14	HR and Payroll	1	The monthly process for collecting and collating paper overtime forms and timesheet spreadsheets from across the Council to send to the payroll provider should be documented.	Medium	Exchequer Services Assistant	June 2016	Testing scheduled September 2016
38		2	Following confirmation from the payroll provider as to their application of the automatic enrolment rules, consideration should be given as to what action should be taken for existing employees who may be affected.	Medium	HR Manager	August 2016	Testing scheduled September 2016
		3	HR should confirm that all key elements of a starter's first payslip have been set up correctly, including pension contribution rates if applicable.	High	HR Manager	Immediate	Testing scheduled September 2016
		4	HR should confirm with the payroll provider the method that they should be using to calculate outstanding holiday pay due for all leavers.	High	HR Manager	Immediate	Testing scheduled September 2016
		5	HR and Exchequer Services should confirm that all key elements of a leaver's final payslip have been calculated correctly and	High	HR Manager and Financial Services Team Manager	Immediate	Testing scheduled September 2016

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
			processed using the correct element code.				
		6	When an employee starts to receive maternity benefits HR should check whether essential car allowance is also in payment and make the appropriate adjustment to avoid an overpayment.	High	HR Manager	Immediate	Testing scheduled September 2016
		7	Consideration should be given as to what action should be taken with regards to recent maternity overpayments i.e. whether they should be recovered.	Medium	HR Manager	June 2016	Testing scheduled September 2016
15	Sundry Debtors	1	Invoices that have been at the investigation stage for some time (including those relating to previous years) should be reviewed and prioritised so that appropriate action taken.	Medium	Senior Exchequer Services Officer	September 2016	Testing scheduled for October 2016
2016/17 Reports							
1	Enterprising NWL Grants	2	Ensure that all necessary information is verified prior to grant payment.	High	Head of Economic Development	Immediate	Implemented
39		3	Review the panel arrangements to apply a set number of panel members and ensure that all key decisions are recorded and retained on file. Consideration should be given to using a NWLDC representative from outside of the Business Focus Team to improve the independence of the decision making process.	Medium	Head of Economic Development	Immediate	Implemented
		4	Offer letters should clearly reflect the specific terms and conditions of the grant awarded.	High	Head of Economic Development	Immediate	Implemented
		5	Ensure that information recorded on Pipeline is accurate and agrees to relevant documents such as EOIs and grant offers.	Medium	Head of Economic Development	Immediate	Implemented
		6	Set up an effective monitoring system to ensure adherence to terms and conditions of the grant.	Medium	Head of Economic Development	Immediate	Implemented
		7	Applicants who are currently awaiting panel should be contacted so that their consent can be obtained prior to sharing the information with the panel members.	High	Head of Economic Development	Immediate	Implemented
2	Refuse and Recycling	2	Introduce a stock control system for trade waste sacks so that the number remaining	Medium	Waste Services Support Supervisor	September 2016	Testing scheduled for October 2016

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
			can be reconciled to sales.				
3	Leicestershire Welfare Provision	1	All processed applications are reconciled against the spreadsheet to ensure all information is correct prior to submission to LCC.	Medium	Housing Choices Team Leader	Immediate	Testing scheduled for October 2016

Internal Audit Performance: August 2016

Performance Measures:

Performance Measure	2016/17 Quarter 2 Target	Position as at 31.08.16	Comments
Delivery of 2016/17 Audit Plan	40%	28%	
Percentage of time spent on audit work	80%	88%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	Four responses to survey sent in July (after Q1) all very positive.
Compliance with the Internal Audit Standards	Full	No significant gaps in compliance	
Compliance testing of completed recommendations	90%	100%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 2 Milestone	Position as at 31.08.16
Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Set action plan and timescale to deliver improvements where highlighted in reviews	Review carried out in May 2016. No actions necessary.
Undertake audits as per agreed Audit Plan.	Complete 40% 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 September Audit and Governance Committee	On track.
Achievement of the PSAIS	Internal review of effectiveness of Internal Audit reported to June A&GC.	On track. Action plan produced as part of review against April 2016 PSIAS and is being progressed by Senior Auditor and Director of Resources.
Annual Audit Opinion delivered by 30 th June 2016 deadline.	Not applicable.	Achieved.
Risk based annual audit plan for 2017/18 approved by 31 March 2017.	No action.	On track. Senior Auditor updates risk assessment throughout the year as new risks emerge.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 21 SEPTEMBER 2016

Title of report	INTERNAL AUDIT CHARTER AND RECOMMENDATIONS REVIEW
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Interim Director of Resources 01530 454833 andrew.hunkin@nwleicestershire.gov.uk</p> <p>Senior Auditor 01530 454728 lisa.cotton@nwleicestershire.gov.uk</p>
Purpose of report	<p>To allow Members of the Audit and Governance Committee to review and approve the recently updated Internal Audit Charter.</p> <p>To inform Members of the Audit and Governance Committee of the proposed changes to the categories of Internal Audit recommendations.</p>
Reason for Decision	To comply with the Public Sector Internal Audit Standards.
Council Priorities	Value for Money
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	None
Equalities Impact Assessment	Not Applicable
Human Rights	None
Transformational Government	Not Applicable
Consultees	Interim Director of Resources

Background papers	Public Sector Internal Audit Standards
Recommendations	<p>THAT THE AUDIT AND GOVERNANCE COMMITTEE:</p> <p>1. APPROVE THE UPDATED INTERNAL AUDIT CHARTER.</p> <p>2. RECEIVE AND COMMENT ON THE PROPOSED CHANGES TO THE CATEGORIES OF INTERNAL AUDIT RECOMMENDATIONS.</p>

1.1 INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that the purpose, authority and responsibility of the internal audit activity must be formally set down in an internal audit charter. This charter must be reviewed periodically by the Chief Audit Executive (the Senior Auditor at this Council) and then presented to senior management and the Audit Committee for approval. This report sets out the results of the August 2016 review of the Charter.
- 1.2 The report also sets out the rationale for the Senior Auditors' proposal to introduce a fourth category of recommendation.

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. INTERNAL AUDIT CHARTER

- 3.1 Our Charter was produced in September 2014 and was formally approved by the respective Audit and Governance Committee Members. It was reviewed with minor changes and approved again in September 2015.
- 3.2 The PSIAS were updated in April 2016. Two changes have been made, the first is to introduce a mission statement for Internal Audit "To enhance and protect organisational value by providing risk-based and objective assurance, advice and

insight”. The second change is in relation to adopting the 10 Core Principles for the Professional Practice of Internal Auditing. These are that Internal Audit:

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives and risks of the organisation.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement.

3.3 The Internal Audit Charter is attached as Appendix 1 and has been updated to reflect these changes and other minor amendments such as removal of reference to the Benefit Fraud Investigation Team at the Revenues and Benefits Partnership as this no longer exists.

4. INTERNAL AUDIT RECOMMENDATION CATEGORIES

4.1 Internal Audit is as committed to its own continuous improvement as it is that of the Council. With this in mind the Senior Auditor has identified an opportunity to improve the clarity and impact of internal audit recommendations. There is no prescribed or best practice approach to defining the priority of recommendations as it is for the Chief Audit Executive to determine the most appropriate approach for their organisation.

4.2 The current approach is detailed in Table 1 below. The recommendation definitions all relate to the particular system that is being audited. Whilst this helps to ensure that service managers give appropriate attention to recommendations it does not help Senior Managers or Councillors identify where there is an issue which could have a significant impact on the Council as a whole, not just the service being audited. It is for this reason that the Senior Auditor proposes introducing a new category of recommendation ‘critical’.

Table 1 Current Priority of Recommendations

Level	Definition
High	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
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.

- 4.3 The 'critical' category would only be used for issues of a very serious nature which could have a wider impact than just the service under review. The Senior Auditor does not consider it appropriate to reorder the current priority of recommendations downwards, for example reserve 'high' priority recommendations for these types of issues, as this would be likely to dilute the impact of the other recommendations in the eyes of management, as their severity might not be properly acknowledged within a particular service area.
- 4.4 The Senior Auditor also proposes to remove 'immediate' from the high priority definition. Target dates are agreed for each recommendation and consideration is given to the amount of time and resources that may be required to properly address the issue. It is not always possible to resolve an issue immediately regardless of the risk associated and whilst agreed target dates reflect this, the current definition can cause confusion. Internal Audit will continue to follow up all high and medium priority recommendations, as well as any critical ones.
- 4.5 Table 2 sets out the proposed new approach.

Table 2 Proposed Priority of Recommendations

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 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.

INTERNAL AUDIT CHARTER

Version Control

Version No	Author	Date
1.2	Anna Wright Senior Auditor	September 2014
1.3	Lisa Cotton Senior Auditor	August 2015
1.4	Lisa Cotton Senior Auditor	August 2016

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1 Introduction

- 1.1 The Accounts and Audit Regulations 2015 place a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance.
- 1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued revised Public Sector Internal Audit Standards (PSIAS) on 01 April 2016. The Standards require an Internal Audit Charter which is a formal document that defines the purpose, authority and responsibility of Internal Audit.
- 1.3 The Internal Audit Charter establishes Internal Audit's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the Board, authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities. Final approval of the Internal Audit Charter resides with the Board.

2 Definitions

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

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

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

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

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

3 Mission and Purpose of Internal Audit

3.1 In line with the PSIAS the mission of Internal Audit is:

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

3.2 In order to achieve this mission effectively Internal Audit has adopted the Core Principles for the Professional Practice of Internal Auditing:

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives and risks of the organisation.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement.

3.3 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to Internal Audit activity should lead to strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

3.4 This is achieved through Internal Audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

4 Scope of Internal Audit

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

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risk associated with areas under review and making proposals for improving the management of risks;

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

5 Authority of Internal Audit

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

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

- e) The Senior Auditor shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.

6 Responsibility of Internal Audit

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

7 Reporting Lines

- 7.1 Day to day management of the Internal Audit team will be performed by the Chief Audit Executive. The Chief Audit Executive reports to the Board for organisational purposes but will report significant audit findings and audit progress directly to the Head of Finance (Section 151 Officer). The Chief Audit Executive will keep the Head of Finance and the Board informed of progress and developments on a regular basis.
- 7.2 The Chief Audit Executive has a direct right of access to the Chief Executive, who carries out the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.
- 7.3 The Chief Audit Executive has direct access to the Council's Monitoring Officer where matters arising relate to the Chief Executive's responsibility, legality and standards.
- 7.4 Should the Chief Audit Executive not be satisfied with management's response to a given audit report then this will be highlighted to the Board and significant weaknesses escalated to the Head of Finance if they remain unresolved.

8 Independence and Objectivity

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

an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that Internal Auditors do not subordinate their judgement on audit matters to others.

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

9 Accountability

- 9.1 The Chief Audit Executive shall be accountable to the Board and the Head of Finance for:
- providing, at least annually, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;

- reporting significant issues related to the processes for controlling the activities of the Council and its affiliates, including recommendations and status of implementation of improvements;
- periodically providing information on the status and results of the annual audit plan and the sufficiency of the Internal Audit's function's resources; and
- co-ordination with other significant assurance functions.

10 Internal Audit Resources

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

11 Management Responsibilities

- 11.1 An Internal Audit service can only be effective if it receives the full co-operation of management. By approving this Internal Audit Charter the Board and Senior Management are mandating management to co-operate with Internal Audit in the delivery of the service by:
- agreeing Terms of Reference no later than the agreed deadline, to include agreements on duration, scope, reporting and response;
 - sponsoring each audit at Head of Service level;
 - providing Internal Audit with full support and co-operation, including complete access to all records, data, property and personnel relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay;

- responding to the draft internal report, including provision of management responses to recommendations, within the timescale requested by the audit team;
- implementing agreed management actions in accordance with the agreed timescales; and
- updating Internal Audit with progress made on management actions, informing Internal Audit of proposed changes and developments in processes and systems, newly identified significant risks and cases of a criminal nature.

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

12 Advisory Work

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

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

Internal Audit will not assume a management role in providing this advice.

- 12.2 When performing consultancy services, the auditor must maintain objectivity and not take on a management responsibility.
- 12.3 The Chief Audit Executive is responsible for ensuring that all requests are reviewed in accordance with the above criteria and for making the final decision. The role which Internal Audit will assume on any particular advisory assignment will be agreed with the sponsor, will be documented within the assignment plan, and reported to the Board.

13 Role of Internal Audit in Fraud-Related Work

- 13.1 The primary responsibility for maintaining sound systems of internal control including arrangements to prevent and detect fraud and corruption lies with Senior Management. An annual programme of internal audits is designed to assist this process by highlighting areas where controls are inadequate or are not operating.
- 13.2 All cases of suspected fraud and/or irregularity should be reported to the Chief Audit Executive, with the exception of benefit fraud which should be reported to the Department of Work and Pensions. The Chief Audit Executive is responsible for initiating and overseeing all fraud investigations and for all subsequent follow up work to be completed. All fraud investigations will be conducted in accordance with the Council's Constitution, Anti-Fraud and Corruption Policy and the Confidential Reporting (Whistleblowing) Policy.

14 Relationships

- 14.1 The Chief Audit Executive and Internal Audit staff are involved in a wide range of relationships and the quality of those relationships impact on the quality of the audit function and the effective delivery of that function.
- **Relationships with Management**
The Chief Audit Executive and Internal Audit staff will maintain effective relationships with managers of the Council. Regular meetings will be held with key stakeholders and management will be consulted with during the audit planning process. Timing of audit engagements will be in conjunction with management.
 - **Relationships with External Audit**
Internal Audit have an established working relationship with the current external auditors which allows internal and external audit to rely on each other's work, subject to the limits determined by their responsibilities, enabling them to evaluate, review and only re-perform where necessary. Periodic meetings take place and plans and reports shared.

- **Relationships with Regulators and Inspectors**
The Chief Audit Executive and Internal Audit staff will take account of the results and reports from any inspections when planning and undertaking Internal Audit work. Where appropriate the Chief Audit Executive will establish a dialogue with representatives of the appropriate inspection agencies.
- **Relationships with Elected Members**
The Chief Audit Executive will establish a working relationship with members, in particular members of the Audit and Governance Committee. The Chief Audit Executive has the opportunity to meet with the Chair of the Audit and Governance Committee if required.

15 Standards of Internal Audit Practice

- 15.1 This charter recognises the mandatory nature of the Institute of Internal Auditing (IIA) definition of Internal Auditing and Code of Ethics, and the Public Sector Internal Audit Standards (PSIAS).
- 15.2 The Internal Audit team comply with the revised Standards that came into effect on the 1st April 2016.

16 Quality Assurance

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

16.2 Internal Assessments

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

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

- 16.3 Internal Audit performance is also monitored in the following ways:

- quarterly progress reports to Audit and Governance Committee;
- quarterly customer satisfaction surveys; and
- monthly meetings with the Head of Finance.

16.4 External Assessments

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

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

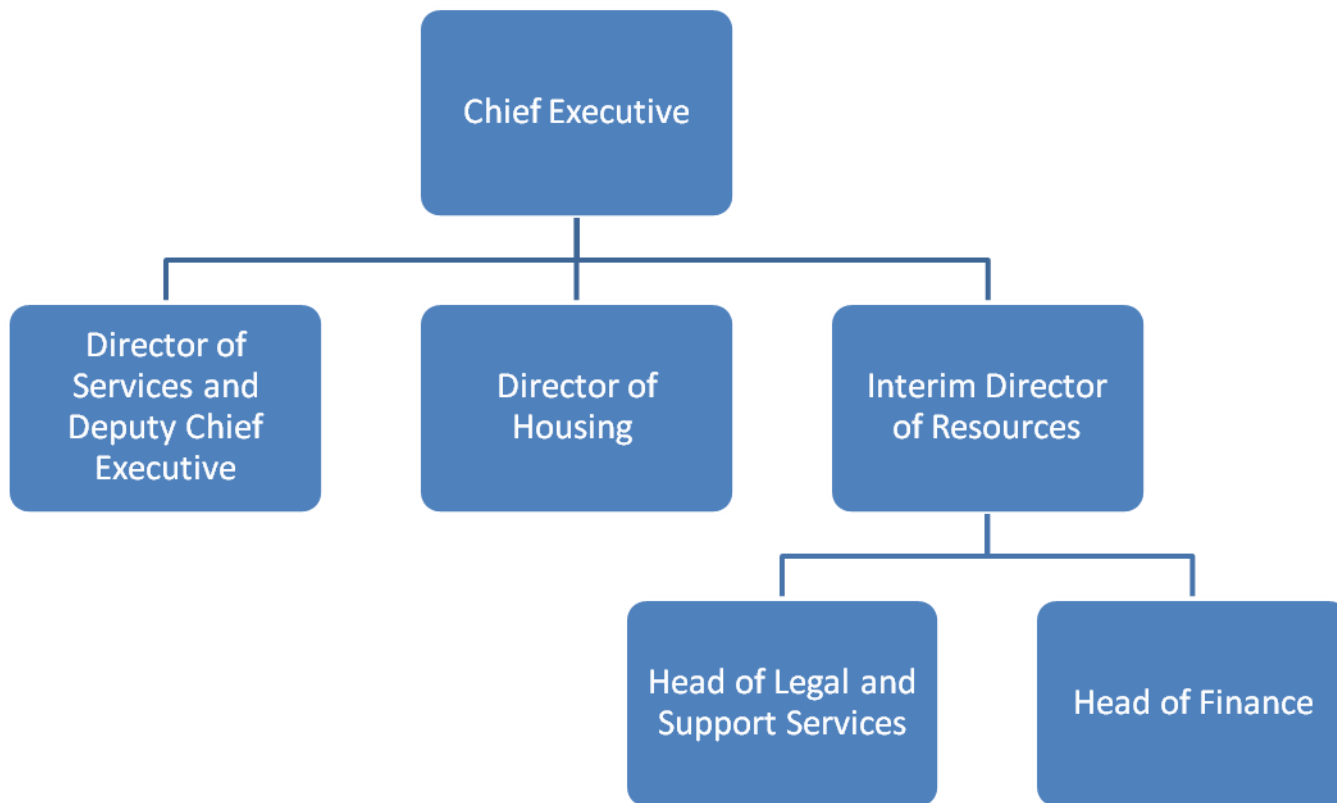
17 Records Retention

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

18 Review

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

Corporate Leadership Team



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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 21 SEPTEMBER 2016

Title of report	REPORT TO THOSE CHARGED WITH GOVERNANCE 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 Section 151 Officer 01530 454707 pritesh.padaniya@nwleicestershire.gov.uk</p>
Purpose of report	To consider the External Auditor's Report to Those Charged With Governance for 2015-16.
Reason for Decision	In order to approve the Letter of Representation in relation to the 2015-16 Statement of Accounts.
Council Priorities	Value for Money
Implications:	
Financial/Staff	No direct implications.
Link to relevant CAT	None
Risk Management	The Council's governance arrangements are a fundamental part of the Authority's management of risk and contribute towards good corporate governance.
Equalities Impact Screening	Not applicable
Human Rights	None identified.
Transformational Government	No direct implications.
Consultees	None
Background papers	None
Recommendations	<p>THAT THE COMMITTEE:</p> <p>(A) NOTES THE CONTENTS OF THE EXTERNAL AUDITOR'S REPORT ATTACHED AT APPENDIX A.</p> <p>(B) APPROVES THE LETTER OF REPRESENTATION ATTACHED AT APPENDIX B.</p> <p>(C) NOTES THE EXTERNAL AUDITOR'S RECOMMENDATIONS AND MANAGEMENT COMMENTS SET OUT IN APPENDIX 1 TO THEIR REPORT.</p>

1.0 BACKGROUND

- 1.1 The annual accounts of the authority are audited in accordance with Part II of the Audit Commission Act 1998 and, as part of that process; the External Auditor (KPMG) produces an Annual Report to Those Charged With Governance which is attached. The Director from KPMG will present his report to the Committee.
- 1.2 The Report states that the auditors will issue an unqualified audit report and that there are no important weaknesses in internal control. It also confirms that there are proper arrangements to secure value for money.
- 1.3 There are four audit recommendations and these are set out in Appendix 1 to the auditor's report along with the formal Management Responses. One of the recommendations has been completed, whilst other three recommendations have not been rated Priority 1 by the auditors and do not require immediate action, they will be addressed in time for the production of the 2016/17 Accounts.



External Audit Report 2015/16

North West Leicestershire District Council

September 2016



Contents

The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or 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 3H.



Section one: Introduction



This document summarises:

- The key issues identified during our audit of the financial statements for the year ended 31 March 2016 for the Authority; and
- Our assessment of the Authority’s arrangements to secure value for money (VFM).

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Scope of this report

This report summarises the key findings arising from:

- Our audit work at North West Leicestershire District Council (‘the Authority’) in relation to the Authority’s 2015/16 financial statements; and
- The work to support our 2015/16 conclusion on the Authority’s arrangements to secure economy, efficiency and effectiveness in its use of resources (‘VFM conclusion’).

Financial statements

Our *External Audit Plan 2015/16*, presented to you in February 2016, set out the four stages of our financial statements audit process.



We previously reported on our work on the first two stages in our Progress Report issued in July 2016.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during August 2016.

It also includes any additional findings in respect of our control evaluation which we have identified since we issued our *Interim Audit Report 2015/16*.

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

VFM Conclusion

Our External Audit Plan 2015/16 explained our risk-based approach to VFM work. We have now completed the work to support our 2015/16 VFM conclusion. This included:

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

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2015/16 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations.

The other Appendices in the report add more detail in regard to our audit approach to Materiality and Independence.

Acknowledgements

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



Section two: Headlines



This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

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This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Audit status	<p>Our fieldwork is substantially complete subject to a small number of outstanding queries as detailed on the following page, plus completion of our work on Whole of Government Accounts (which is planned to be completed in September) and final review. Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2016. We also intend to report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE.</p> <p>We will provide a verbal update at the Audit and Governance Committee meeting on any outstanding matters.</p>
Key financial statements audit risks	<p>We identified one significant risk specific to the Authority in our 2015/16 External Audit Plan issued in February 2016.</p> <ul style="list-style-type: none"> — Valuation of Property Plant and Equipment - Due to the inherent risk associated with the estimation of assets, the implementation of IFRS 13 which potentially requires surplus assets to be measured at fair value for 2015/16 and the level of amendments required in this area of the financial statements in the previous two years. <p>We have discussed the approach to valuations with Finance Officers with particular focus on the implementation of IFRS 13 and reviewed the instructions to valuers.</p>
VFM conclusion and risk areas	<p>We identified the following VFM risk in our External audit plan 2015/16 issued in February 2016:</p> <ul style="list-style-type: none"> — Future savings plans - We assessed whether the 2015/16 budget has been achieved as planned and reviewed arrangements in place in regard to the identifying further savings for future years. <p>We have worked with officers throughout the year to discuss this VFM risk and our detailed findings are reported in section 4 of this report.</p> <p>Based on our work completed we intend to issue an unqualified conclusion on your arrangements to provide value for money.</p>
Audit adjustments	<p>We have agreed a number of minor presentational and disclosure changes to supporting notes to the accounts to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code').</p>



This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

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

Accounts production and audit process

We received a set of complete 2015/16 accounts on 30 June 2016. This unaudited set of accounts, in addition to a public inspection notice, was made available on the authority's website in accordance with the DCLG deadline of 30 June. The accounting policies, accounting estimates and financial statement disclosures are materially in line with the requirements of the Code.

The Authority has implemented one of the three recommendations in our *ISA 260 Report 2014/15* relating to the financial statements.

The Authority has adequate processes in place for the production of the accounts and have provided adequate quality supporting working papers, although there is scope for improvement. The Authority has made progress in implementing the working paper recommendation raised in last year's ISA 260 report. Further improvement in the quality of working papers is required to maintain the quality of the audit going forward. We have made a further recommendation relating to working papers in Appendix one.

We have made recommendations for the improvement of financial and IT controls later in this report.

As in previous years, we will debrief with the finance team to share views on the final accounts audit. Hopefully this will lead to further efficiencies in the 2016/17 audit process. In particular we would like to thank Authority's Officers who were available throughout the audit visit to answer our queries.

Completion

At the date of this report our audit of the financial statements is substantially complete subject to completion of the following:

- Receipt and review of the amended financial statements;
- Resolving the unreconciled cashflow statement;
- Outstanding Cash, Investment and loan confirmations;
- Capital queries relating to the valuation of leisure centres, capitalisation of salaries and overhead charges and surplus assets;
- Receipt of formal confirmation from the Leicestershire Pension Fund auditors that no issues have arisen from their audit work which impacts on pension disclosures in the Authority's accounts; and
- Final review following clearance of remaining matters.

In addition, DCLG's instructions relating to this year's Whole of Government Accounts (WGA) were delayed, and the deadline for submission is now 31 October rather than 30 September. We will liaise with officers to complete this work when we have completed the outstanding matters on the accounts.



This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

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

**Completion
(Continued)**

You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We will provide a draft of this representation letter to the Section 151 Officer. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

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Section three: Financial Statements

Proposed opinion and audit differences



Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the authority's financial statements.

We have not identified any issues in the course of the audit that are considered to be material.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE

Proposed audit opinion

Subject to the outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September following approval of the Statement of Accounts by the Audit and Governance Committee.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix two for more information on materiality) level for this year's audit was set at £900,000. Audit differences below £45,000 are not considered significant.

We did not identify any material misstatements.

We identified a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code').

These adjustments related to disclosures in the narrative statement, property, plant and equipment note, and the collection fund disclosures. None of these changes are significant and we do not consider them to represent a wider weakness in controls.

Annual governance statement

We have reviewed the Annual Governance Statement and confirmed that:

- It complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- It is not misleading or inconsistent with other information we are aware of from our audit of the 2015/16 financial statements.

Significant audit risks



We have worked with the Authority throughout the year to discuss significant risks.

This section sets out our detailed findings on those risks.

In our *External Audit Plan 2015/16*, presented to you in February 2016, we identified one significant risk affecting the Authority's 2015/16 financial statements. We have now completed our testing of this area and set out our evaluation following our substantive work.

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

Significant Risk 1

— Valuation Property, Plant and Equipment

In 2014/15 the Authority reported a net book value of Property, Plant and Equipment of £181m. Due to the inherent risk associated with the estimation of assets, the implementation of IFRS 13 which potentially requires surplus assets to be measured at fair value for 2015/16 and the level of amendments required in this area of the financial statements in the previous two years, we consider this to be a significant risk.

— Findings

We have discussed the approach to valuations with officers with particular focus on the implementation of IFRS 13, and reviewed the instructions to valuers. At the time of this report we are reviewing and the testing impairment and revaluation process against CIPFA Code of Practice and the underlying IFRS accounting standards. We will provide an update at Audit and Governance Committee.

Significant audit risks



We have worked with the Authority throughout the year to discuss significant risks.

This section sets out our detailed findings on those risks.

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In our *External Audit Plan 2015/16* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

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

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our External Audit Plan 2015/16 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant, because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records, and to 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. We have not identified any specific additional risks of management override relating to this audit of the Authority.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

We identified a number of control weaknesses, which are summarised on page 14, but none of these highlight any instances of controls being overridden by management.



We always consider the level of prudence within key judgements in your financial statements. We have summarised our view below using the following range of judgement:



Assessment of subjective areas			
Asset/liability class	15/16	Balance (£m)	KPMG comment
Provisions	3	£2.986 million <i>(PY: £2.586 million)</i>	Current provisions have increased by £0.4 million since the prior year. This is due to increase in the provisions relating to NNDR business rates appeals during 2015/16 which was calculated by the specialist Analyse Local employed by the Authority. We consider the provision disclosures to be proportionate.
Debtors – bad debt provision	3	£2.3 million <i>(PY: £2.3 million)</i>	The principles the authority has applied to calculate its bad debt provision have not changed. The authority makes a proportional general provision against all aged debtor balances, and writes off specific debts where payment is considered remote or uneconomical to chase. We consider the provision disclosures to be prudent and in line with accounting standards.
Property, Plant and Equipment (asset lives)	3	£188.9million <i>(PY: £181.4 million)</i>	The Authority's property, plant and equipment balance largely consists of council dwellings (86%), other land and buildings (12%), with other categories including vehicles, plant and equipment, community assets and surplus assets (2%). The Authority has followed <i>Code of Practice on Local Authority Accounting in the United Kingdom 2015/16</i> ('the Code') during the year and asset lives for these categories have not changed from the prior year. We consider this disclosure to be proportionate.
Pensions	3	£38.4million <i>(PY: £54.8 million)</i>	The pension liability as at 31 March 2016 has decreased significantly from prior year mainly due to the actuarial assumptions applied, an increase in discount rate by 0.3%, decreases in pension and salary rate of 0.2% and 1.1% and increase in members life expectancy of 2.2 years. The Authority has taken actuarial advice to calculate its pension liability.

Accounts production and audit process



We have noted an improvement in the quality of the accounts and the supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has fully implemented one out of three recommendations in our ISA 260 Report 2014/15

Accounts production and audit process

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

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Finance Team have ensured that the authority has an adequate processes in place for the production of the accounts and adequate quality supporting working papers. The Authority has made progress in implementing the working paper recommendation raised in last year's ISA 260 report. Further improvements in the quality of working papers is required to maintain the quality of the audit going forward.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2016. The Authority has one more year where the deadline is 30 June, before moving to 31 May for 2017/18.
Quality of supporting working papers	Our <i>Accounts Audit Protocol</i> , which we issued on 10 February 2016 and discussed with Team Leader: Accounts, set out our working paper requirements for the audit. The quality of working papers provided were adequate and there is scope for improvement.
Response to audit queries	Officers resolved all audit queries in a reasonable time.

Additional findings in respect of the control environment for key financial systems

We reported in our progress report to the last Committee meeting that we were yet to complete our testing of controls operated during the closedown process and IT controls. Our review identified the following issues:

- Cash - bank reconciliations were not completed on timely basis.
- Pensions - the Authority does not perform a review of the assumptions used by the actuary upon receipt of their report.
- Council Tax and NNDR - a lack of evidence to confirm that reconciliations between data provided by Valuation Office Agency (VOA) and Academy system were performed on a weekly basis.
- IT- Academy system - there was an excessive number of administrators on the system and this should be restricted to key individuals.

We have made recommendations in Appendix one to improve these areas of control.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last year's ISA 260 report.

The Authority has fully implemented one out of three recommendations in our *ISA 260 Report 2014/15* except for Property, Plant and Equipment and working papers. Appendix one provides further details.



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

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

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

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Declaration of independence and objectivity

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

In relation to the audit of the financial statements of North West Leicestershire District Council for the year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and North West Leicestershire District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

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

Management representations

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

Other matters

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

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

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



Section four: Value for Money



Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We follow a risk based approach to target audit effort on the areas of greatest audit risk.

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

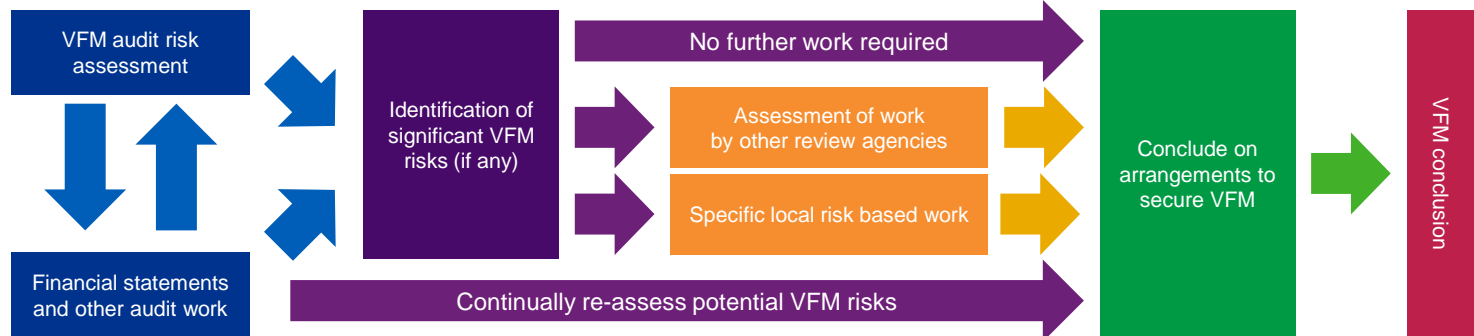
Background

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 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria.

These sub-criteria provide a focus to our VFM work at the Authority.



Conclusion

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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** ✓ **Met**
- Sustainable resource deployment** ✓ **Met**
- Working with partners and third parties** ✓ **Met**

Specific VFM Risks



We have identified a number of specific VFM risks.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

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Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

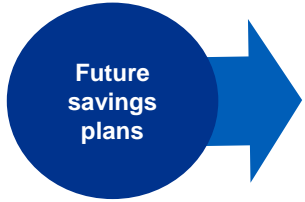
- Assessed the Authority's key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;

- Considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas; and
- Completed specific local risk based work.

Key findings

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we needed to carry out additional work for this risk. This work is now complete and we also report on this below.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>The Authority set balanced budgets for 2015/16 and 2016/17 by continuing to make efficiency savings in response to a number of pressures on services, and grant funding reductions from central government. Strong financial oversight will be required to ensure budgets are delivered as planned. Additionally, the Medium Term Financial Strategy 2016/17- 2019/20 highlights that ongoing savings of £1.9m will be required to achieve budget shortfalls for financial years 2017/18 to 2019/20, which could have a potential impact on the financial standing of the Authority in future years.</p> <p>This is relevant to sustainable resource deployment sub-criteria of the VFM conclusion.</p>	<p>We have reviewed the Authority's outturn report for 2015/16, and noted that an underspend of £2,349k was recorded against the 2015/16 budget. Significant contributions to this included additional planning income of £690k and business rates income of £1,280k. We have reviewed major variances as part of the outturn report, which does not suggest significant overspends relating pressures on services. We have considered these variances at page 19.</p> <p>The Authority is-in the process of refreshing its Medium Term Financial Strategy to reflect the changes in income and expenditure levels. As a result of this, the Authority is expecting a reduction in the original savings required of £1.9m going forward. The Authority will monitor the situation especially with regard to Government announcements in the Autumn Statement and as a result of changes to the New Homes Bonus and business rates initiatives, and will come forward with recommendations as appropriate.</p> <p>We discussed this with relevant officers, and have no concerns to report.</p> <p>No issues were identified which impact our VFM conclusion.</p>



Appendices

Appendix 1: Key issues and recommendations

Appendix 2: Materiality and reporting of audit differences

Appendix 3: Independence and objectivity

Key issues and recommendations

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

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

We will formally follow up these recommendations next year.

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

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
1	2	<p>Review of actuarial assumptions</p> <p>The Authority performs a review of the assumptions used by the actuaries upon receipt of their report, but this is not documented.</p> <p>Recommendation</p> <p>The Authority should document its review of the actuarial assumptions. This may include reporting to the Audit and Governance Committee for approval by members as happens at a number of authorities.</p>	<p>Management Response: The Actuaries report is reviewed by the Finance Section, but not documented. In future this will be documented and presented to the Auditors as part of the working papers.</p> <p>Responsible Officer: Deputy S151 Officer.</p> <p>Due Date: 31st March 2017.</p>

Key issues and recommendations

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

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

We will formally follow up these recommendations next year.

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
2	2	<p>Bank Reconciliations</p> <p>The monthly bank reconciliations were not completed on a timely basis. There is therefore a risk of potential errors arising from unreconciled cash not being identified on a timely basis. We note that the Authority has brought the bank reconciliations up to date.</p> <p>Recommendation</p> <p>The Authority should ensure bank reconciliations are completed on a monthly basis.</p>	<p>Management Response: During the financial year 2015/16 the Exchequer Services department experienced resource constraints due to a vacant post. This led to bank reconciliations not being completed on a timely basis. This issue was resolved in May 2016 and the bank reconciliations have been brought up to date.</p> <p>Responsible Officer: Financial Services Team Manager.</p> <p>Due Date: Completed.</p>

Key issues and recommendations – service organisation

The Leicestershire Partnership is run by Hinckley and Bosworth Borough Council, who administer the Council Tax, NNDR and Housing Benefits on behalf of the Authority.

We have identified these control weaknesses as part of our review of these controls at the Partnership.

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

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

We will formally follow up these recommendations next year.

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

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
1	2	<p>Reconciliation between VOA and Academy system for Council Tax and NNDR</p> <p>Our audit work identified a lack of evidence to confirm that weekly reconciliations were completed between property data provided by the Valuation Office Agency (VOA) and the Academy system for Council Tax and NNDR. There is therefore a risk that the number of properties are not recorded accurately on the Academy system.</p> <p>Recommendation</p> <p>Reconciliation between the data provided by the VOA and that recorded on Academy should be performed and documented on a weekly basis by the Leicestershire Partnership.</p>	<p>Management Response: On a number of occasions the weekly reconciliations were not evidenced and documented properly. This has been actioned at the Leicestershire Partnership.</p> <p>Responsible Officer: Deputy S151 Officer.</p> <p>Due Date: 31st March 2017.</p>

Key issues and recommendations - service organisation

The Leicestershire Partnership is run by Hinckley and Bosworth Borough Council, who administer the Council Tax, NNDR and Housing Benefits on behalf of the Authority.

We have identified these control weaknesses as part of our review of these controls at the Partnership.

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

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

We will formally follow up these recommendations next year.

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
2	3	<p>Privileged users on Academy system</p> <p>Our audit of IT controls in place at the Leicestershire Partnership identified that there are a large number of users with administrative access to the system. Officers stated that this was due to an advanced level of access being required to allow individuals to amend or re-run batch reports. There is a risk that unauthorised or unwarranted changes are made to the system by users with advanced permissions.</p> <p>Recommendation</p> <p>A review of access rights to the Academy system should be carried out to ensure privileged access rights are only available to limited key individuals.</p>	<p>Management Response: A review of system users is scheduled during September 2016. This will ensure the number of users with administrative access is restricted.</p> <p>Responsible Officer: Deputy S151 Officer.</p> <p>Due Date: 31st December 2016.</p>

Follow up of prior year recommendations

The Authority has implemented all but one of the recommendations in our ISA 260 Report 2014/15. This recommendation remains partially implemented.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2014/15 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	3
Implemented in year or superseded	1
Remain outstanding (re-iterated below)	2

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2016
1	3	<p>Property, Plant and Equipment</p> <p>There were a number of errors in the notes for Investment Properties, Property, Plant and Equipment (PPE), Capital Adjustment Account and Revaluation Reserves, which resulted in audit adjustments.</p> <p>Recommendation</p> <p>The Authority gives priority to reviewing the compilation of these notes.</p>	<p>Responsible Officer: Deputy S151 Officer.</p> <p>Due Date: 31st March 2017.</p>	<p>Our review of the PPE workings identified a presentational issue within the PPE note. This is a significant improvement from the prior year's audit report, in which we identified a number of errors relating to PPE.</p>
2	3	<p>Working Papers</p> <p>The supporting working papers to the accounts were of an adequate standard, although could be more clearly presented to avoid additional queries being raised.</p> <p>Recommendation</p> <p>The Authority should improve working papers to ensure they are clearly presented to support the figures in the financial statements.</p>	<p>Responsible Officer: Deputy S151 Officer.</p> <p>Due Date: 31st March 2017.</p>	<p>We have seen some improvement to working papers provided from prior year.</p>

Audit differences

This appendix sets out the audit differences.

A number of presentational amendments were made to the financial statements.

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

Uncorrected audit differences

We identified no uncorrected audit adjustment.

Corrected audit differences

We identified a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code').

These adjustments related to disclosures in the narrative statement, property, plant and equipment note and the collection fund disclosures. None of these changes are significant and are not considered to represent a wider weakness in controls.

Materiality and reporting of audit differences

For 2015/16 our materiality is £900,000 for the Authority's accounts.

We have reported all audit differences over £45,000 for the Authority's accounts.

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Materiality

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

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

We used the same planning materiality reported in our External Audit Plan 2015/16, presented to you in February 2016.

Materiality for the Authority's accounts was set at £900,000 which equates to around 1.6 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit and Governance Committee

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

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

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

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £45,000 for the Authority.

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

Declaration of independence and objectivity

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Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice.

Requirements

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

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

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

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

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

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

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

Declaration of independence and objectivity (cont.)

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

General procedures to safeguard independence and objectivity

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

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

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

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

Auditor declaration

In relation to the audit of the financial statements of North West Leicestershire District Council for the financial year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and North West Leicestershire District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Audit Fees

Our planned scale fee for the audit was £50,522 plus VAT (£67,362 in 2014/15). This fee was in line with that highlighted within our audit plan agreed by the Audit and Governance Committee in June 2015. Our scale fee for certification for the HBCOUNT was £9,128 plus VAT (this work is yet to take place – we will report our findings in regard to this and the final fee to an Audit and Governance Committee later in the year).

In addition we completed other 'assurance' engagements in September 2015 that were subject to agreement directly with the Authority and these were:

- £3,000 plus VAT for Pooling of Housing Capital Receipts return.
- £4,600 plus VAT for HCA Decent Homes Backlog grant.

Due to the nature of the work and the size of the audit fees this is considered to not impact on our independence as auditors.



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(Letterhead of Client)

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

(Date)

Dear Mr Crawley

This representation letter is provided in connection with your audit of the financial statements of North West Leicestershire District Council (“the Authority”), for the year ended 31 March 2016, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority’s expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

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

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

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority’s expenditure and income for the year then ended; and
 - ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

Information provided

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

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

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

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

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

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

The Authority further confirms that:

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

have been identified and properly accounted for; and

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

This letter was tabled and agreed at the meeting of the Audit and Governance Committee on 21 September 2016.

Yours faithfully,

Chair of the Audit and Governance Committee

Deputy Section 151 Officer

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

Financial Statements

A complete set of financial statements comprises:

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

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

A housing authority must present:

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

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

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

Material Matters

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

IAS 1.7 and IAS 8.5 state that:

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

Fraud

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

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

Error

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

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

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

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

Management

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

Related Party and Related Party Transaction

Related party:

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

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

the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

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

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

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

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

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 21 SEPTEMBER 2016

Title of report	STANDARDS AND ETHICS – QUARTER 1 REPORT
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Legal and Support Services and Monitoring Officer 01530 454701 elizabeth.warhurst@nwleicestershire.gov.uk
Purpose of report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 1 of 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 1 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 2 complaints in Quarter 1 of 2016/17. The complaints related to a District Councillor.

2.1 Source of Complaint

Both of the complaints were received by Parish Councillors.

2.2 Assessment Sub-committee Decisions

There has been 1 Assessment Sub-committee meeting in this quarter.

(i) On 2 December 2015 Mrs A Bridges made a complaint about Councillor Johnson regarding inappropriate comments that he made at a meeting of the Planning Committee on 1 December 2015 during a debate about Mrs Bridges' planning application. Mrs Bridges felt that the comments made by Councillor Johnson brought the office into disrepute and failed to treat others with respect.

The Assessment Sub-committee meeting was held on 26 April 2016 and the decision was that no further action was required.

(ii) On 25 February 2016 Councillor McKendrick made a complaint about Councillor Rushton regarding inappropriate comments that he made about the leadership of the Labour Group and Councillor McKendrick during and after a meeting of the Council on 23 February 2016. Councillor McKendrick felt that the comments made by Councillor Rushton were disrespectful.

The Assessment Sub-committee meeting was held on 26 April 2016 and the decision was that further action be taken. In liaison with the Monitoring Officer, Councillor Rushton agreed to issue an apology at Council. The apology was made and accepted at Council on 28 June 2016.

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.

There are no complaints received in this quarter that are currently in that process.

2.3 Timeliness of Decision

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

2.4 Review Requests

There has been one review request this year, which was later withdrawn. Review requests can only be made following a decision of ‘No further Action’ by the Assessment Sub-committee where there is submission of new evidence or information by the complainant.

2.5 Subsequent Referrals

None to report – see above.

2.6 Outcome of Investigations

There were no investigations concluded in this period.

2.7 Parts of the Code Breached

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

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

N/A

4. Part 2 – Ethical Indicators

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17
SE1	Objections to the Councils Accounts	Financial Planning Team Manager	0	0	0		0		0	
SE3	Follow up action relating to breaches of the Member/Officer Protocol (Members)	Head of Legal and Support Services	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	
SE4	District Audit Public Interest Reports	Senior Auditor	0	0	0		0		0	
SE5	Number of Whistle blowing Incidents reported		0	0	0		0		0	
SE6	No. of recommendations made to improve governance procedures / policies		2	11	0		23		8	
SE6a	No. of recommendations implemented		1	8	7		3		20	

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

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- The 2 complaints received from the Ombudsman in Q1 were in relation to housing repairs. One of the complaints decision has been received, the Ombudsman made a recommendation which is currently being dealt with by the department.
- A total of 86 corporate complaints were received during Q1 which shows an increase of 3.61% against the same period for Q1 2015/16. 47 of the complaints received (54.6%) were for the Housing Service. The most common reason for a tenant making a complaint against the Housing Service was in Repairs and Investment (33 complaints received, which equates to 70% of all Housing complaints).
- The Housing Service is currently piloting the completion of 'learning logs' for each complaint that is closed. These are then reviewed and used to identify future service improvements and reduce complaint numbers.
- A total of 99 corporate complaints were resolved during Q1 which shows an increase of 25% against the same period for Q1 2015/16.
- There were 2 corporate complaints received in Q1 that resulted in compensation payments, the total amount paid was £364.88.

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		98		199	
SE9a	No. of requests compliant		73	134	110		85		135	
SE9b	No. of Non compliant requests		30	9	40		13		64	
SE9c	No of requests still open and within the 20 working days		1	0	0		0		0	
SE9d	Number withheld due to exemptions/fees applied		10	10	17		0		10	

- There has been a 20% increase in FOI requests during Q1 this year compared to the same period of 2015/16 which can be in part attributed to interest in the referendum, with questions relating to the number of people on the electoral register and the demographics of the electorate, amongst others.
- The sustained stability in exemptions during quarter 1 reflects the fact that more information is being made available via the council's web pages, which are now easier to access following the redesign of our website. Moving forward the amount of information made available via the web pages will continue to increase. There has been an increase in the number of requests we have received that we have transferred to a different authority, and we are hoping that we can reduce this amount by constantly updating the information on our website.

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 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	
SE10a	No. in force at the end of the quarter		0	0	0		0		0	
SE10b	No. of CHIS recruited during the quarter		0	0	0		0		0	
SE10c	No. ceased to be used during the quarter		0	0	0		0		0	
SE10d	No. active at the end of the quarter		0	0	0		0		0	
SE10e	No. of breaches (particularly unauthorised surveillance)		0	0	0		0		0	
SE10f	No. of applications submitted to obtain communications data which were rejected		0	0	0		0		0	
SE10g	No of notices requiring disclosure of communications data		0	0	0		0		0	
SE10h	No of authorisations for conduct to acquire communications data		0	0	0		0		0	
SE10i	No of recordable errors		0	0	0		0		0	

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

Issue	Details	Report Author	Meeting at which will be reported
Standards and Ethics – Quarter 2 Report	To receive the quarterly report.	Head or Legal & Support Services	7 December 2016
Annual Audit Letter 2015/16	To receive the Annual Audit Letter.	Head of Finance	7 December 2016
External Audit Progress Report	To receive the progress report.	Head of Finance	7 December 2016
Internal Audit Progress Report	To receive the progress report.	Senior Auditor	7 December 2016
Treasury Management Activity Report	To consider the Treasury Stewardship report.	Head of Finance	7 December 2016
Standards and Ethics – Quarter 3 Report	To receive the quarterly report.	Head of Legal & Support Services	22 March 2017
609 Draft Member Conduct Annual Report 2016/17	To receive and make comment on the draft report prior to Council.	Head of Legal & Support Services	22 March 2017
External Audit Plan 2016-17	To receive the report.	Head of Finance	22 March 2017
Internal Audit Progress Report	To receive the progress report.	Senior Auditor	22 March 2017
2017/18 Internal Audit Annual Audit Plan	To receive the report.	Senior Auditor	22 March 2017
Standards and Ethics – Quarter 4 Report	To receive the quarterly report.	Head of Legal and Support Services	21 June 2017
Internal Audit Progress Report	To receive the progress report.	Senior Auditor	21 June 2017
Internal Audit Annual Report	To receive the progress report.	Senior Auditor	21 June 2017
Treasury Management Activity Report	To consider the Treasury Stewardship report.	Head of Finance	21 June 2017

Updated: 12/09/16

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