

Meeting	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
Time/Day/Date	6.30 pm on Wednesday, 25 July 2018
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**

<b>Item</b>	<b>Pages</b>
<b>1. APOLOGIES FOR ABSENCE</b>	
<b>2. DECLARATION OF INTERESTS</b>	
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.	
<b>3. MINUTES</b>	
To confirm and sign the minutes of the meeting held on 4 April 2018	<b>3 - 8</b>
<b>4. INTERNAL AUDIT PROGRESS REPORT - JULY 2018</b>	
Report of the Interim Audit Manager	<b>9 - 28</b>
<b>5. INTERNAL AUDIT ANNUAL REPORT 2017/18</b>	
Report of the Interim Audit Manager	<b>29 - 36</b>

<b>6.</b>	<b>BRIEFING PAPER: CIPFA'S 2018 EDITION OF AUDIT COMMITTEES: PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES AND POLICE</b>	
	Report of the Interim Audit Manager	<b>37 - 42</b>
<b>7.</b>	<b>TREASURY MANAGEMENT STEWARDSHIP REPORT 2017/18</b>	
	Report of the Head of Finance	<b>43 - 54</b>
<b>8.</b>	<b>PROGRESS UPDATE IN RESPECT OF IMPROVEMENTS IDENTIFIED THROUGH THE ANNUAL REVIEW OF GOVERNANCE 2016/17</b>	
	Report of the Head of Finance	<b>55 - 62</b>
<b>9.</b>	<b>CORPORATE RISK UPDATE</b>	
	Report of the Director of Housing and Customer Services	<b>63 - 68</b>
<b>10.</b>	<b>DELAY IN ISSUING THE FINAL AND AUDITED ANNUAL STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT AND NARRATIVE REPORT FOR 2017/18</b>	
	Report of the Head of Finance	<b>69 - 74</b>
<b>11.</b>	<b>STANDARDS AND ETHICS - QUARTER 4 REPORT</b>	
	Report of the Head of Legal and Commercial Services	<b>75 - 88</b>
<b>12.</b>	<b>COMMITTEE WORK PLAN</b>	
	To note the Committee's work plan	<b>89 - 90</b>

Circulation:

Councillor R Ashman  
Councillor J Clarke  
Councillor J Cotterill  
Councillor F Fenning  
Councillor D Harrison (Deputy Chairman)  
Councillor G Hout  
Councillor G Jones  
Councillor S McKendrick  
Councillor V Richichi (Chairman)  
Councillor S Sheahan

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 21 MARCH 2018

Present: Councillor J Cotterill (Chairman)

Councillors R Ashman, F Fenning, D Harrison, G Houlton, G Jones, S McKendrick and S Sheahan

Officers: Ms T Ashe, Mrs S Harrison-Bowler, Mr G Jones, Mrs R Wallace and Miss E Warhurst

External Audit: Mr T Crawley and Mr S Gill

### **31. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor P Purver and A C Saffell.

### **32. DECLARATION OF INTERESTS**

There were no declarations of interest.

### **33. MINUTES**

Consideration was given to the minutes of the meeting held on 6 December 2017.

By affirmation of the meeting it was

RESOLVED THAT:

The minutes of the meeting held on 6 December 2017 be approved as a correct record and signed by the Chairman.

### **34. EXTERNAL AUDIT PLAN 2017/18**

The External Auditor presented the report to Members, summarising the financial statements and value for money arrangements work. He also highlighted the independence and objectivity requirements at appendix three.

In response to a question from Councillor G Jones, the Head of Finance stated that the current provision for business rate appeals was approximately five million pounds.

Regarding the faster close of accounts, Councillor F R D Fenning asked for some assurances that there was enough staff resource in place to achieve the deadline and also asked if external audit were satisfied that it was achievable. The Head of Finance commented that the senior management restructure had placed more resources in the finance service and she believed the current staff resources was adequate. However, she still believed it would be a challenge to meet the deadline and therefore would need a strict timetable which would need to be tightly managed. The External Auditor commented that there were lessons to be learnt from the previous year as the deadline had been missed due to a change in personnel but he was confident that it could be achieved this year. He added that the Audit and Governance Committee had a key role to play, this was the reason it was important to have a mechanism to ask questions and discuss the accounts early in the process.

In relation to the value for money risk of the Medium Term Financial Planning, Councillor S Sheahan asked how external audit would approach the assessment of these risks. The External Auditor responded that they would work closely with the Head of Finance to challenge the assumptions made and to ensure that adequate arrangements were put in place to deal with the uncertainties. He added that it was not an exact science but the

External Auditors used their knowledge and experience to ensure that the authority was aware of all factors and that these were clearly set out in all reports. He concluded that it was important to have a flexible approach and was a priority to make sure that there was nothing unreasonable included within the budgeting process.

Councillor S Sheahan asked for the External Auditors opinion on the continued freeze on council tax levels. The External Auditor explained he could not become involved in the matter as it was a political decision, however it was important to ensure that the appropriate level of information was made available to members when making this decision and that the correct arrangements were in place to plan for the future once the decision had been made. He added that it was not his place to challenge political decisions. Councillor S Sheahan asked if that decision put the authority at risk due to the reliance on other unsustainable forms of income such as the new homes bonus. The External Auditors agreed that there was some uncertainty around the new homes bonus and that was why it was important to have the correct plans in place, this was what External Audit looked for.

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

RESOVLED THAT:

The External Audit Plan for 2017/18 be noted.

### **35. GRANTS AND CLAIMS 2016/17 ANNUAL REPORT**

The Head of Finance presented the report to Members. She highlighted that due to a recurring issue regarding incorrect claimant data included in the benefit entitlement calculations, a qualification letter was issued with the recommendation of a priority rating of '2'. This meant that the issue had an important effect on the arrangements for managing grants and returns or complying with scheme requirements. The Head of Finance reassured Members that the Revenues and Benefits Partnership had committed to developing and executing an action plan to address the matter. This would be closely monitored by the Head of Finance.

Councillor F R D Fenning expressed his disappointment regarding the qualification letter and asked if there was any analysis of why the level of work had been lower than expected. The Head of Finance stated that she had received assurances from the Revenues and Benefits Partnership that improvements would be put in place to rectify the issues and she reemphasised that she would be monitoring closely. The External Auditor commented that many authorities were in a similar situation as even the smallest error had to be reported, this did not mean it could not be rectified.

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

RESOLVED THAT:

The Annual Report on Grants and Claims 2016/17 be noted.

### **36. INTERNAL AUDIT PROGRESS REPORT**

The Interim Audit Manager presented the report to Members, highlighting the four audits which had been deferred to the 2018/19 plan due to resources within the service areas and a change of systems. She drew attention to the Section 106 Review as a follow up review had been completed however a further follow up was required in July.

The Interim Audit Manager also reported that the CIPFA guidance for Audit Committees, which was due in March, had been delayed until the new financial year and would be reported to the Committee once issued.

In response to a question from Councillor S Sheahan, the Interim Audit Manager agreed to provide an update at the next meeting regarding the progress of the review of compliance with the CIPFA Code of Practice on managing the risk of fraud and corruption. The Strategic Director of Housing and Customer services confirmed that a full update on the development of the policy would be provided at the next meeting. He assured Members that lots of work had been undertaken on Cyber Security and he was confident that the right actions were being taken to protect the council systems.

Regarding the Section 106 Review, Councillor R Ashman expressed his concerns that some issues still remained. The Interim Audit Manager explained that the outstanding recommendations were more long term and assured Members that she would continue to monitor progress and keep the Committee updated.

Regarding the outstanding recommendations for the Hermitage Leisure Centre, Councillor R Ashman asked if there was any reason to be concerned. The Interim Audit Manager explained that the matter was not serious and was in relation to procedures for items of bar stock.

In response to a question from Councillor S McKendrick regarding the outstanding recommendation in relation to the calculation of unpaid leave, the Interim Audit Manager explained that the issue was around the consistency of the procedure. She assured that the issue had now been rectified.

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

RESOLVED THAT:

The report be noted.

### **37. 2018/19 INTERNAL AUDIT ANNUAL AUDIT PLAN**

The Interim Audit Manager presented the report to Members.

It was moved by Councillor S McKendrick, seconded by Councillor G Jones and

RESOLVED THAT:

- a) The report be noted.
- b) The 2018/19 Internal Audit Annual Plan be approved.

### **38. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO FEBRUARY 2018**

The Head of Finance presented the report to Members, drawing attention to the authority's borrowing, debt rescheduling and investments. She also alerted Members to the fact that in February the counterparty limit for the authority's banking provider was breached due to an unexpected credit. Members were assured that as the authority had set the limits, it was an internal breach only and unfortunately could not have been avoided.

The Head of Finance referred to discussion at the previous meeting regarding a change in format to the report to make the information clearer and more detailed. She circulated the

report in the proposed format and asked Members to let her have any comments outside of the meeting.

Regarding the recent problems with Northamptonshire County Council, in that they had been issued with a Section 114 notice in light of the severe financial challenge facing the authority, Councillor S Sheahan asked how it would affect North West Leicestershire District Council if the same happened to an authority we had lent to. The External Auditor explained that the Section 114 notice had been issued to Northamptonshire County Council to restrict expenditure as they were unable to set a budget and it was the first notice of this kind to be issued in 18 years. He was not sure what the outcome would be as it had not occurred in such a long time, this was the reason that an advisory notice had been issued by the External Auditors of Northamptonshire County Council. Therefore it was difficult to provide a response due to the uncertainty of the situation.

Councillor F R D Fenning asked if the authority was being too prudent with budgeting for investment activity as much more was received than was planned for. The Head of Finance explained that the budgeted level of income assumed for the previous and current financial years had been inaccurate and that the matter had been addressed with a more realistic value for the 2018/19 financial year.

It was moved by Councillor J Hoults, seconded by Councillor R Ashman and

RESOLVED THAT:

The report be noted.

### **39. CORPORATE RISK UPDATE**

The Strategic Director of Housing and Customer Services presented the report to Members. He explained that the newly formatted Corporate Risk Register had been produced to clearly state the specific risk, as well as the causes and impacts be more fully described. It also detailed the accountable owners and the timescales for completing the mitigating actions. He reminded Members of the Risk Management training for the Committee scheduled for 3 April 2018.

Councillor S Sheahan felt that the Corporate Risk Register was still too generic. He asked officers to consider using the same format as Leicestershire County Council as they give an indication of movement of the risk which was helpful. The Strategic Director of Housing and Customer Services took the comments on board and agreed to provide more information where possible.

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

RESOLVED THAT:

- a) The Quarter 3 Corporate Risk Update be noted.
- b) The updated Risk Management Framework be approved.

RECOMMEND THAT:

Cabinet formally adopt the Risk Management Policy at its meeting on 1 May 2018.

**40. PROGRESS UPDATE IN RESPECT OF IMPROVEMENTS IDENTIFIED THROUGH THE ANNUAL REVIEW OF GOVERNANCE 2016/17**

The Head of Finance presented the report to Members. She highlighted that following the consideration of the Annual Governance Statement at the previous meeting, of the 17 improvements identified seven were complete, six were underway and the remaining four would be included within team plans for 2018/19. She referred Members to the full details at appendix one of the report.

In relation to the improvement action for the development of performance management system to be more intuitive and less administratively burdensome, Councillor S Sheahan asked for an update. The Head of Finance explained that the current system meant the process was very time-consuming and required many officers to input data. A new system had been purchased which linked into other systems, this stopped officers duplicating tasks and will make the process simpler.

It was moved by Councillor S Mckendrick, seconded by Councillor S Sheahan and

RESOLVED THAT:

The report be noted.

**41. STANDARDS AND ETHICS - QUARTER 3 REPORT**

The Head of Legal and Commercial Services presented the report to Members. She drew attention to the one complaint received in quarter two which had been informally resolved in quarter three. It was also highlighted that there had been a continued reduction in stage two complaints received, this was due to the improvements to the quality of responses at stage one.

Councillor S Sheahan asked how the MP enquiries were prioritised over councillor enquiries. The Head of Legal and Commercial Services explained that all complaints and enquiries followed the same timescales and there was no prioritisation.

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

RESOLVED THAT:

The report be noted.

**42. DRAFT MEMBER CONDUCT ANNUAL REPORT 2017/18**

The Head of Legal and Commercial Services presented the report to Members.

It was moved by Councillor R Ashman, seconded by Councillor S McKendrick and

RESOLVED THAT:

- a) The Draft Member Conduct Annual Report 2017/18 be noted.
- b) The authority to make any minor amendments to the report following comments from the Audit and Governance Committee, be delegated to the Head of Legal and Commercial Services and Monitoring Officer.

RECOMMENDED THAT:

Council endorse the Member Conduct Annual Report 2017/18.

**43. COMMITTEE WORK PLAN**

RESOLVED THAT:

The report be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.50 pm



## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 25 JULY 2018

Title of report	<b>INTERNAL AUDIT PROGRESS REPORT – JULY 2018</b>
Contacts	<p>Councillor Nicholas Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Head of Legal &amp; Commercial Services/Monitoring Officer 01530 454762 <a href="mailto:Elizabeth.Warhurst@nwleicestershire.gov.uk">Elizabeth.Warhurst@nwleicestershire.gov.uk</a></p> <p>Interim Audit Manager 01530 454728 <a href="mailto:Sharon.Harrison-Bowler@nwleicestershire.gov.uk">Sharon.Harrison-Bowler@nwleicestershire.gov.uk</a></p>
Purpose of report	To inform the Committee of progress against the Internal Audit plan for 2018/19 and to highlight any incidences of significant control failings or weaknesses that have been identified.
Reason for Decision	To comply with the Public Sector Internal Audit Standards.
Council Priorities	Value for Money
Implications:	
Financial/Staff	None.
Link to relevant CAT	None.
Risk Management	The Internal Audit planning process using a risk assessment based methodology.
Equalities Impact Screening	Not Applicable.
Human Rights	None.
Transformational Government	Not Applicable
Consultees	None.
Background papers	Public Sector Internal Audit Standards 2017/18 & 2018/19 Internal Audit Annual Audit Plan
Recommendations	<b>THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTE THE REPORT</b>

## **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. The Committee should receive periodic reports on the work of internal audit.
- 1.2 The Audit and Governance Committee approved the 2017/18 Audit Plan on 21 March 2018. The Committee receives 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 detailed below:

'To act as the Authority's Audit Committee, to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to be responsible for the financial reporting process.'

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

## **3. PROGRESS REPORT**

- 3.1 The Internal Audit Progress Report for the period 01 March 2018 to 13 July 2018 is attached at Appendix 1.



# **INTERNAL AUDIT SHARED SERVICE**

**North West Leicestershire District Council**

**Internal Audit Progress Report July 2018**

## **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 2018/19 Internal Audit Plan up to 13<sup>th</sup> July 2018 and inform the Audit and Governance Committee of any significant control failings that have been identified through Internal Audit work.

## **2. Purpose of Internal Audit**

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

## **3. Authority of Internal Audit**

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

## **4 Responsibility of Internal Audit**

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

## **5 Independence of Internal Audit**

- 5.1 Internal Auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice. Internal Auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made.
- 5.2 If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to senior management and the Audit and Governance Committee.

## **6 Internal Audit Team Update**

- 6.1 The Audit Manager started her maternity leave on 6 November 2017. The Interim Audit Manager has been in post since 18<sup>th</sup> December 2017.

## **7 Internal Audit Plan Update**

- 7.1 Internal Audit resources have been used in quarter one to complete audits from the 2017/18 Internal Audit Plan. Since the last update report, four final reports have been issued and two reports have been issued in draft.

The executive summaries for the final reports issued are included in Appendix B.

The Sundry Debtors audit opinion was a grade 3 as in our opinion, internal controls require significant improvement. The main areas identified for improvement are:

- Lack of formal operational procedure notes
- Weaknesses with regards to evidencing/recording of action taken on debt recovery
- Weaknesses with regards to issue and follow-up of aged debtor reports
- Lack of focussed debt recovery via a formal action plan
- Inaccuracies with regards to Sundry debt write-offs reported to Cabinet
- Monitoring and reporting of income collection relating to prior year debts

A number of recommendations have been made (detailed in Appendix C) to address the weaknesses identified which will be followed up by Internal Audit in accordance with the agreed timescale.

Progress made against the 2018/19 Internal Audit Plan is documented in Appendix A. There are currently four reviews in progress.

- 7.2 The plan needs to be flexible in order to respond to current risks and resources. There have been no changes to the plan approved in March 2018 to date.

## **8 Internal Audit Recommendations**

- 8.1 Internal Audit monitors and follows up all critical, high and medium priority recommendations. All outstanding recommendations are included at Appendix C for information. Recommendations that have been made and implemented immediately following the audit, are also included for information.

8.2 A further follow up of outstanding recommendations made in relation to the S106 review was undertaken during July 2018. Some progress has been made since the last update report as detailed below:

- Quarterly reports are submitted to the Council's Asset Management Group;
- Liaison with other organisations responsible for implementing s106 requirements has resulted in some unspent monies being used;
- Liaison with developers on behalf of partners has resulted in issues being solved without the need for variations in existing s106 agreements;
- A review of monies received by the Council in the last 5 years against expenditure.
- Proactive monitoring has commenced, although this has been limited to date.

As detailed at Appendix C, there is however further work to be undertaken, particularly with regards to ensuring that sufficient details are entered onto the s106 database to enable effective monitoring of actions and triggers relevant to the agreements. Internal Audit will continue to monitor progress made in this area. A full review is scheduled for Q3/Q4 within the 2018/19 Internal Audit Plan.

## **9 Internal Audit Performance Indicators**

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

## 2018/19 AUDIT PLAN PROGRESS TO 13 JULY 2018

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
<b>HR &amp; ORGANISATIONAL DEVELOPMENT</b>											
Health & Safety	Risk Based	8	5.9	In progress							
<b>HOUSING</b>											
Homelessness (New Homelessness Reduction Act)	Risk Based	8	-	Scheduled for Q3							
Housing Repairs	Risk Based	10	4.5	In progress							
New Council Houses	Risk Based	5		Scheduled for Q3							
Gas/Solid Fuel Servicing and Maintenance	Risk Based	6	6	In progress							
Property Services	Risk Based	8	-	Scheduled for Q4							
Housing ICT review	Advisory	2	-	As required							
<b>COMMUNITY SERVICES</b>											
Grounds Maintenance	Risk Based	7	-	Scheduled for Q2							
Planning Enforcement	Risk Based	8	-	Scheduled for Q3							
Car Parking & Enforcement	Risk Based	6	0.8	In progress							
Environmental Health (Licensing )	Risk Based	8	-	Scheduled for Q2							
<b>PLANNING</b>											
Peer review outcomes (Review of implementation/follow up)	Risk Based	3	-	Scheduled for Q4							
S106 (Detailed follow up )	Risk Based	5	1	Follow up complete. (Full review scheduled for Q3/4)							
<b>ECONOMIC DEVELOPMENT</b>											
Cultural Services	Risk Based	5	-	Scheduled for Q4							Phase 2 or Restructure – to review audit requirements in Q4
<b>FINANCE</b>											
Key Financial Systems	Risk Based	35	-	Scheduled for Q3/4							
Contract /Programme Management	Risk Based	6	-	Scheduled for Q2							
Finance service/systems reviews	Advisory	6	0.6	As required							
ICT											
Firmstep – Phase 1 Implementation	Risk Based	6		Scheduled for Q2							

## **KEY**

### **Audit Opinion**

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

### **Recommendation Priority**

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



## EXECUTIVE SUMMARY OF INTERNAL AUDIT FINAL REPORTS ISSUED 01 March 2018 – 13 July 2018

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C	H	M	L	A
<b>2017/18 Audits</b>									
8 – Assistive Technology & Support Services	Housing Portfolio Holder	Head of Housing & Asset Manager Housing Management Team Manager	2	All aspects of stock management. Procedures associated with the Assistive Technology and Support Service.	-	7	7	1	-
9 – Cash & Bank	Corporate Portfolio Holder	Head of Finance Finance Manager & Deputy S151 Officer	1	None	-	-	-	-	-
10 - Capital Accounting  17	Corporate Portfolio Holder	Head of Finance Finance Manager & Deputy S151 Officer	2	Updating Asset Disposal Policy Year-end processing of the Fixed Asset Register Depreciation calculations Valuations	-	3	4	-	-
11- Sundry Debtors	Corporate Portfolio Holder	Head of Finance Finance Manager & Deputy S151 Officer	3	Formalisation of operational procedure notes Evidencing/Recording of action taken on debt recovery Issue and follow up of aged debtor reports Focussed debt recovery via a formal action plan Sundry debt write-offs reported to Cabinet Monitoring and reporting of income collection relating to prior year debts	-	9	5	1	-

See Appendix A for Key.

## Appendix C

### RECOMMENDATIONS TRACKER – OUTSTANDING RECOMMENDATIONS

Report		Recommendation	Rating	Officer Responsible	Target Date	Internal Audit Comments
<b>2016/17 Reports</b>						
11	Review of Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption	7  As part of this the need for a cyber security policy should be considered.	Medium	Interim Head of Transformation	26.05.17	Responsibility for undertaking a review of the policy framework has been assigned to the Head of Finance. Follow up planned for July 2018.  Implemented. The IT Security policy has now been updated to include a cyber security policy.
14	s106	5  The details from the S106 agreement entered onto the S106 database should be sufficient to enable effective monitoring of actions and triggers associated with the agreements.	High	Planning Policy Team Manager	September 2017	Internal Audit followed up in July 2018.  Limited progress to date in terms of cleaning/checking data. Due to the available resource and other priorities. It is unlikely that this will be completed before the end of 2018/19.  Full audit to take place in Q3/Q4
		9  Where other departments retain records of S106 agreements for their own purposes regular liaison meetings should be held with the department and Planning Policy to ensure that information held by all parties agrees.	Medium	Planning Policy Team Manager	October 2017	Internal Audit followed up in July 2018  A report is presented to the Asset Management Group on a quarterly basis detailing s106 agreements which fall under the Councils responsibility to implement. This includes a traffic light system prioritising the dates for spending any monies.
		15  Records should be maintained which show the intended recipient of S106 funding, amount due, purpose of funding and date which the funding is to be spent by. There should be a facility whereby the recipient is prompted of funding available on a periodic	Medium	Planning Policy Team Manager	August 2017	Standard notification templates are now in place to advise intended recipients that: <ul style="list-style-type: none"> <li>a new S106 Agreement is in place of relevance to them;</li> </ul>

Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
			basis (this information should have been agreed first with the other Council departments that also hold information).				<ul style="list-style-type: none"> <li>monies have been received that they are identified as being responsible for</li> </ul> <p>Internal audit to review implementation as part of full audit in Q3/Q4</p>
		17	Completed funding drawdown applications should be numbered and a record kept of their location should reference to these be required in the future.	Medium	Planning Policy Team Manager	July 2017	<p>The issue of managing grant applications and projects is still to be addressed.</p> <p>Full audit to take place in Q3/Q4</p>
<b>2017/18 Reports</b>							
2	ICT Assets	6	The Asset Management Group should develop a Minor Asset Disposal Policy to define the requirements when disposing of ICT and other minor assets. This should include any authorisation required prior to disposal of the asset.	High	Interim Head of Transformation	January 2018	This recommendation is superseded by recommendations made within the Capital Accounting Internal Audit report.
3	Development Control	1	Development Control procedure notes should be updated to reflect current practice.	Medium	Planning Support Team Leader	December 2017	<p>Followed up April 2018 – Some progress has been made however further time is required to complete. Revised Target date : August 2018</p> <p>To follow up Sept 2018.</p>
6	HR and Payroll	1	A service level agreement (or something similar) should be produced by HR and Financial Services to set out the roles and responsibilities of each team for monthly and annual processes.	Medium	Financial Services Team Manager and HR Manager	31.03.18	<p>Internal Audit followed up April 2018. SLA still in progress. Revised Target date July 2018.</p> <p>To follow up August 2018</p>
		2	A review of procedure notes should be undertaken to confirm that they exist for all key tasks that are specific to NWLDC and do not follow the system providers' standard approach – for example reconciliations or internal checking processes. Where necessary procedure notes should be produced.	Medium	Senior Exchequer Services Officer and HR Analyst	31.03.18	<p>Internal Audit followed up April 2018. A checklist is completed for key tasks. Formal procedure notes will be drawn up with regard to reconciliations. Revised Target date : August 2018</p> <p>To follow up Sept 2018</p>

Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
		11	The rates for the laundry/uniform allowance and unsociable hours payments should be included in the report that is due to be taken to CLT detailing errors identified during implementation of the new system, so that a decision can be made and documented on the rates going forwards.	Medium	HR Team Manager	31.10.17	Internal Audit followed up in June 2018. Further details awaited from HR. Revised Target date : July 2018  To follow up August 2018
5	Hermitage Leisure Centre	2	All items of bar stock should be recorded on stock record sheets. Where it is decided that certain stock items are not recorded on stock records this should be formally agreed.	High	Leisure Centres Commercial Manager	February 2018	Internal Audit arranged to attend stock take on 16 <sup>th</sup> April 2018, however stock take was cancelled due to issues with IT system Further follow up planned for July 2018.
		3	Regular stock takes of bar stock should be undertaken. The frequency with which checks should be undertaken should be agreed by the Leisure Centres Commercial Manager.	High	Leisure Centres Commercial Manager	January 2018	Internal Audit arranged to attend stock take on 16 <sup>th</sup> April 2018, however stock take was cancelled due to issues with IT system Further follow up planned for July 2018.
20		4	To provide clarity in the role of stock management, procedures should be drawn up which cover recording of bar and vending stock, stock checks and those members of staff with responsibility for performing tasks associated with stock management. Procedures should reflect any changes agreed as a result of recommendations 2 and 3 above.	Medium	Leisure Centres Commercial Manager	March 2018	Internal Audit arranged to attend stock take on 16 <sup>th</sup> April 2018, however stock take was cancelled due to issues with IT system Further follow up planned for July 2018.
8	Assistive Technology	1	The policies and procedures currently held on the Housing H: Drive relating to Assistive Technology and Support Services should be reviewed and updated as necessary. Those processes communicated to staff via email should also be located centrally and formally approved where required.	Medium	Housing Support Team Leader	Jun-18	Follow up planned July 2018
		2	The lifeline application form should be reviewed and consideration given to replacing the notes section with a table	Low	Housing Support Team Leader	Apr-18	N/A Low Risk

Report		Recommendation	Rating	Officer Responsible	Target Date	Internal Audit Comments
		detailing the type of equipment available. This table could incorporate a tick box to indicate the equipment provided and the cost of the equipment along with any serial numbers.				
	3	Where there has been no contact with a Lifeline Customer for 12 months the Customer should be contacted to confirm that their information held on Central Control records is accurate.	Medium	Housing Support Team Leader	Jul-18	Follow up due August 2018
	4	The Assistive Technology / Lifeline agreement should be updated to include a paragraph under Customer Obligations of the requirement to notify the Council of any of changes to their information.	High	Housing Support Team Leader	N/A	Already implemented
21	5	There should be a formal SLA in place with HBBC which clearly specifies service level expectations from the Responder Service and any associated performance measures.	High	Housing Management Team Manager	May-18	No longer applicable. Internal Audit advised on 26.6.18 that HBBC are no longer providing the Responder Service. A paper to go to CLT / Cabinet in July regarding the Responder Service being provided in-house by Support Officers.
	6	Checks should be undertaken to confirm that the number of callouts charged on invoices for the Responder Service are accurate.	Medium	Housing Management Team Manager	Jun-18	No longer applicable. Internal Audit advised on 26.6.18 that HBBC are no longer providing the Responder Service. A paper to go to CLT / Cabinet in July regarding the Responder Service being provided in-house by Support Officers.
	7	HBBC should be contacted to request that the date of the responder callout is included on the invoice.	Medium	Housing Management Team Manager	Jun-18	No longer applicable. Internal Audit advised on 26.6.18 that HBBC are no longer providing the Responder Service. A paper to go to CLT / Cabinet in July regarding the Responder Service being provided in-house by Support Officers.
	8	Appropriate training for those staff involved in stock management should be sought to ensure that the full capabilities of the PNC	High	Housing Support Team Leader	May-18	Follow up due July 2018

Report	Recommendation	Rating	Officer Responsible	Target Date	Internal Audit Comments
	stock module are being fully utilised.				
	9 Stock management duties currently undertaken by the Control Centre Operator should be recognised and documented. Formal procedures should be produced to ensure that responsibilities for stock management can be fully assigned to the Assistive Technology Marketing Officer on appointment. Procedures should cover all aspects of stock management including ordering, recording, allocation, collection and disposal of stock.	Medium	Housing Support Team Leader	Jun-18	Follow up planned July 2018
	10 Stock should be held securely at all times, the location of stock should be recorded on the PNC system	High	Housing Support Team Leader	May-18	Follow up in progress
	11 The location of the 50 Lifeline VI+ units should be confirmed, as should the possibility of the stock records relating to these items possibly being inaccurate.	High	Housing Support Team Leader	May-18	Follow up in progress
	12 In view of the results of the stocktake for the Lifeline VI+ units a full stock take of assistive technology equipment should be undertaken as soon as possible. Obsolete / out of date equipment should be disposed of.	High	Housing Support Team Leader	May-18	Implemented June 2018
	13 For each type of equipment minimum / maximum stock levels should be agreed.	Medium	Housing Support Team Leader	Jun-18	Follow up planned July 2018
	14 The requirement to provide Finance with a year-end stock take figure for assistive technology equipment should be reviewed particularly if the intention is to hold high levels of stock which will be used in subsequent years.	Medium	Housing Management Team Manager	Jun-18	Follow up planned July 2018
	15 A Service Level Agreement or similar document should be produced which clearly states the roles and responsibilities for each	High	Housing Management Team Manager, Housing	May-18	Revised target date September 2018.

Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
			of the services involved in the provision of the Control Centre Service.		Support Team Leader, Customer Services Team Leader		
10	Capital Accounting	1	<p>It is recommended that a single Asset Disposal Policy is produced which includes disposal of Land and Buildings (Council and HRA), and Plant and Equipment. Responsibility for completion of the Land and Buildings element of the policy being assigned to the Asset Management Team Manager, the Plant and Equipment element being assigned to the Head of Finance (S151 Officer).</p> <p>The policy, once completed, should be formally approved (Asset Management Group, CLT) and made available to relevant staff.</p>	High	Head of Finance (S151 Officer) & Asset Management Team Manager	11 December 2018	Internal Audit to follow up December 2018
		2	The Technical Accountant should obtain guidance regarding the processes and the order in which they should be carried out to ensure accuracy in updating the FAR at year end.	High	Technical Accountant	31 August 2018	Internal Audit to follow up September 2018
		3	For a sample of depreciable assets the depreciation charge calculated by the FAR should be checked for accuracy. Where errors are found these should be reported to the Finance Team Manager to confirm what action should be taken. Details of the checks carried out should be retained.	High	Technical Accountant	31 May 2018	Already implemented
		4	For Asset Reference 119 it should be confirmed whether this asset is depreciable. If not the FAR should be updated to reflect this. A decision should be taken on depreciation which may have been charged incorrectly in previous years.	Medium	Finance Team Manager	31 May 2018	Already implemented
		5	For Asset Reference 00119/B001 the period over which the asset is depreciated	Medium	Finance Team Manager	31 May 2018	Already implemented

Report		Recommendation	Rating	Officer Responsible	Target Date	Internal Audit Comments	
		6	should be confirmed with valuers. A decision should be taken on depreciation which may have been charged incorrectly in previous years.	Medium	Finance Team Manager	31 May 2018	Already implemented
		7	Asset Reference 118 should be updated to reflect this as a depreciable asset. A decision should be taken as to whether an adjustment is required to account for depreciation which should have been charged in previous years.	Medium	Finance Team Manager	31 May 2018	Already implemented
11	Sundry Debtors	1	Valuers should be informed that Asset 133 is a land only asset. For future valuations it should be ensured that the correct asset is valued.	Medium	Exchequer Services Team Leader	Dependant on implementation of new finance system	Reviewed at 2018/19 Audit
		2	Operational procedure notes should be formalised and made available to all relevant staff in line with best practice. It may be prudent to undertake this exercise as part of the implementation of the new finance system in conjunction with any user manuals available.	High	Senior Exchequer Services Assistant	July 2018	August 2018
		3	Progress should be made with the transfer of certain responsibilities from Legal Services to Finance in relation to collection of outstanding sundry debts. The debt recovery process should be updated to reflect this.	High	Senior Exchequer Services Assistant	July 2018	August 2018
		4	The Debt Recovery procedures should be updated to confirm what action is to be undertaken when a debt is moved to 'Investigation' and how this is to be progressed. Procedures should include deadlines for actions to be taken to ensure that these can be monitored.	High	Senior Exchequer Services Assistant	ASAP	July 2018
			Any recovery action taken or information obtained should be recorded on the debtor account to clearly show action that has				



Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
			been undertaken.				
		5	Services should be reminded that wherever possible a purchase order should be received prior to an invoice being raised in order to confirm that the service / supply has been requested.	High	Exchequer Services Team Leader	June 2018	July 2018
		6	The possibility of obtaining a report(s) which would identify outstanding debts and the year they are attributable to should be investigated. (Aged Debt report)	High	Exchequer Services Team Leader	June 2018	July 2018
		7	Priorities should be defined in respect of Sundry Debt recovery going forward. These should be reflected within an action plan detailing responsibilities and agreed timescales. Progress against the action plan should be regularly monitored by management.	High	Exchequer Services Team Leader	July 2018	Aug 2018
		8	Credit balances should be reviewed and action taken where appropriate.	Medium	Senior Exchequer Services Assistant	July 2018	August 2018
		9	Aged debtor reports should be issued to services each month, the service should confirm review of the report and provide updates to Exchequer services where necessary.	Medium	Exchequer Services Team Leader	July 2018	August 2018
		10	Debts which are likely to be written off as statute barred (over six years old) should be reviewed to confirm whether any further recovery action is feasible. Further review should be undertaken to establish whether Total Live can generate reports to assist in	Medium	Exchequer Services Team Leader / Senior Exchequer Services Assistant	October 2018	November 2018

Report		Recommendation	Rating	Officer Responsible	Target Date	Internal Audit Comments
		11	the review of sundry debtor accounts to ensure that recovery action is taken on a timely basis			
		11	Sundry debts written off under S151 Officer delegated powers should be reported to Cabinet. A decision should be taken as to whether an update should be provided to Cabinet to inform them of Sundry Debts written off under S151 Officer delegated powers since September 2015.	High	Finance Team Manager	Cabinet meeting 12 <sup>th</sup> June 2018 It has been agreed that this will be rectified going forward. A decision has been made that details of historic write offs since September 2015 will not be reported.
		12	Performance indicators relating to sundry debt income collection should be expanded to include performance related to recovery of prior year debts. This should also show the amount of debt written off.	High	Finance Team Manager	June 2018 July 2018
		13	Performance in relation to collection of prior year debts should be regularly monitored and reported to management and appropriate action taken if necessary.	High	Exchequer Services Team Leader	June 2018 July 2018
		14	Those users identified as no longer working for the Council or where access is no longer required should be removed from the Total Live system.	Medium	Exchequer Services Team Leader	Completed July 2018
		15	User access to the Total Live system should be reviewed on a six monthly basis with access being removed for users who no longer require access e.g. leavers.	Low	Exchequer Services Team Leader	October 2018 N/A

## Internal Audit Performance

## Performance Measures:

Performance Measure	2018/19 Quarter 1 Target	Position as at 12.07.18	Comments
Delivery of 2018/19 Audit Plan	90%	-	Four audits from the 2018/19 plan are in progress. Time spent April- June completing the 2017/18 audit plan
Percentage of Client Satisfaction with the Internal Audit Service	100%	N/A	No client satisfaction questionnaires issued as yet for 2018/19.
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)	Quarter1 Milestone	Position as at 12.07.18
Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Health and Safety Assessment updated with action plan for improvements where necessary	Review Completed June 2018
Conduct self-assessment audit of all office areas and support activities of the Business Improvement Team.	Conduct Q1 self-assessment audit and report findings to Business Improvement Team	Review completed June 2018
Complete audits as per risk based audit plan	Complete 20% of audit plan	Work has commenced on delivery of the 2018/19 plan with four audits in progress. .
Quarterly progress reports to Audit and Governance Committee	Progress report to June A&GC	Progress report to be submitted to July A & G Committee
PSIAS compliant Annual Opinion report for presentation to June A&G Committee.	Prepare PSIAS compliant Annual Opinion report for presentation to June A&G Committee.	To be presented to A & G Committee in July 2018.
A risk based annual audit plan for 2019/20 approved by 31 March 2019.	N/A	Not yet due
Deliver a shared service that Blaby District Council want to continue to share	Manage a shared service which meets SLA requirements.	No issues to report

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## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 25 JULY 2018

Title of report	<b>INTERNAL AUDIT ANNUAL REPORT 2017/18</b>
Contacts	<p>Councillor Nicholas Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Head of Legal &amp; Commercial Services 01530 454762 <a href="mailto:Elizabeth.warhurst@nwleicestershire.gov.uk">Elizabeth.warhurst@nwleicestershire.gov.uk</a></p> <p>Interim Audit Manager 01530 454728 <a href="mailto:Sharon.harrison-bowler@nwleicestershire.gov.uk">Sharon.harrison-bowler@nwleicestershire.gov.uk</a></p>
Purpose of report	<p>To present the annual internal audit opinion on the overall adequacy and efficiency of the Council's framework of governance, risk management and control.</p> <p>This is required by the Public Sector Internal Audit Standards and should be used to inform the Annual Governance Statement.</p>
Reason for Decision	To comply with the Public Sector Internal Audit Standards.
Strategic aims	Value for Money
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	A negative internal audit opinion would cast doubt on the Council's governance arrangements and could impact on the audit of the Statement of Accounts.
Equalities Impact Screening	N/A
Human Rights	N/A
Transformational Government	No direct implications.
Consultees	Head of Finance (Section 151)
Background papers	Internal Audit Progress Reports during 2017/18 Public Sector Internal Audit Standards
Recommendations	<b>THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTES THIS REPORT.</b>

## 1. INTRODUCTION

- 1.1 This is the annual report of the Chief Audit Executive (Interim Audit Manager) as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2017 to 31 March 2018.
- 1.2 This report includes the Interim Audit Manager's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.3 This report also includes:
- A summary of internal audit work carried out during 2017/18 which supports the opinion.
  - Issues relevant to the preparation of the Annual Governance Statement.
  - Internal Audit's Quality Assurance and Improvement Programme (QAIP).
  - A statement on conformance with the Public Sector Internal Audit Standards.

## 2. CHIEF AUDIT EXECUTIVE (INTERIM AUDIT MANAGER) OPINION 2017/18

- 2.1 I am satisfied that sufficient internal audit work has been undertaken to allow me to give an opinion on the adequacy and effectiveness of the framework of governance, risk management and control. In giving this opinion it should be noted that assurance cannot be absolute and the most that Internal Audit can provide is reasonable assurance that there are no major weaknesses in the system of internal control.
- 2.2 For the 12 months ended 31 March 2018, I have formed the opinion that the Council's overall internal control arrangements are a **Grade 2**. In line with our Internal Audit opinion grade definitions, this means that I consider that the internal control arrangements require improvement in some areas.
- 2.3 My opinion is based on the following:
- All internal audit work undertaken during the year.
  - Assurance provided by the auditors of the Leicestershire Revenues and Benefits Partnership.
  - Follow up audit work in respect of audit recommendations.
  - My knowledge of the Council's governance and risk management structure and processes.

## 3. SUMMARY OF INTERNAL AUDIT WORK DURING 2017/18

- 3.1 The risk based internal audit plan for 2017/18 was presented and approved by the Audit and Governance Committee on 22nd March 2017. The plan was developed to provide assurance on the adequacy and effectiveness of internal controls across a range of financial and organisational areas that were identified as part of the risk based planning process. Progress against the plan has been reported to Audit and Governance Committee throughout the year as part of the quarterly Internal Audit progress reports.
- 3.2 A summary of the audit opinions given in 2017/18 by the in-house team is detailed in Table 1 below. The opinion for individual audits is included in Appendix A for information.

Table 1

<b>Audit Opinion</b>	<b>Number</b>
Grade 1 – Internal controls are adequate in all important aspects	3
Grade 2 – Internal controls require improvement in some areas	7
Grade 3 – Internal controls require significant improvement	1
Grade 4 – Internal controls are inadequate in all important aspects	0
<b>Total</b>	11

- 3.3 Three of the Council's key financial systems (Benefits, Business Rates and Council Tax) are provided by the Leicestershire Revenues and Benefits Partnership. For 2017/18 the internal audit service at the Partnership was provided by PwC. They issued a 'low' risk report setting out their findings at the Leicestershire Partnership Revenues and Benefits Joint Committee held on 28<sup>th</sup> June 2018. I have reviewed their report which included five low risk findings in relation to Council Tax and NNDR:
- Discounts and exemptions are not always reviewed within an appropriate time frame and supporting evidence of review not always retained.
  - Reconciliations between the Council Tax system and cash collection records not performed on a timely basis;
  - Reconciliations between the Valuation Office schedule and the Council Tax records not performed /reviewed on a timely basis.

Appropriate recommendations have been made to address the weaknesses which have been accepted by management.

- 3.4 Internal Audit follow up progress against recommendations in line with the timescales agreed at the time of issuing reports. The Audit and Governance Committee is updated on the Council's progress against the recommendations as part of the quarterly Internal Audit progress reports, as well as giving details of ongoing or overdue recommendations. A summary of the recommendation tracking results for 2017/18 is included at Appendix B.

#### **4. ISSUES RELEVANT TO THE PREPARATION OF THE ANNUAL GOVERNANCE STATEMENT**

- 4.1 The in-house Internal Audit team have issued one grade 3 audit report during 2017/18 in relation to the review of Sundry Debtors.

The main areas identified for improvement are:

- Lack of formal operational procedure notes
- Weaknesses with regards to evidencing/recording of action taken on debt recovery
- Weaknesses with regards to Issue and follow-up of aged debtor reports
- Lack of focussed debt recovery via a formal action plan
- Inaccuracies with regards to Sundry debt write-offs reported to Cabinet
- Monitoring and reporting of income collection relating to prior year debts

There were no Grade 4 audit reports issued during 2017/18.

We reported four high priority recommendations in respect of the review of Capital Accounting. The audit report was issued as an overall Grade 2 however I have included the high priority areas identified for improvement below for consideration in the Annual Governance Statement.

- Updating and maintaining the Asset Disposal Policy and inclusion of Plant & Equipment;
- Depreciation Calculations.

In addition a number of high priority recommendations were made in respect of other audit reviews undertaken , however as they relate to more specific systems and service areas , I do not consider it necessary to include them in the Annual Governance Statement. The Section 151 Officer and/or Deputy receive all Internal Audit reports issued therefore they are also able to make their own assessment when completing the Annual Governance Statement should they be of a different opinion.

## **5. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP) FOR INTERNAL AUDIT**

- 5.1 The Public Sector Internal Audit Standards require the QAIP to include internal and external assessments.
- 5.2 The internal assessments applicable to 2017/18 comprise of the following:
- The Audit Manager/ Interim Audit Manager planned all audit engagements and carried out documented reviews of working papers and draft reports prior to issue.
  - Monthly performance review meetings, attended by the Audit Manager and the Head of Transformation/Director of Resources and more recently attended by the Interim Audit Manager and the Head of Legal and Support Services.



- Quarterly customer satisfaction surveys were sent out to all Heads of Service and Team Managers who had an audit in their service area. The results of which are included in the quarterly progress reports to Audit and Governance Committee.
- Quarterly progress reports to Audit and Governance Committee which include monitoring of activity and performance.
- April 2017 review of revised Public Sector Internal Audit Standards to ensure ongoing conformance.

5.3 The PSIAS require external assessments to be conducted at least once every five years. Our external assessment was completed in April 2015 and the full report was presented to the Audit and Governance Committee meeting on 24<sup>th</sup> June 2015.

## 6. **CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

6.1 The external assessment conducted in April 2015 concluded that there were no significant gaps in compliance. The Standards were updated in April 2017 and the Audit Manager carried out a review against the additions to the Standards at that time to ensure that we remained compliant from April 2017. There have been no further updates to the standards during 2017/18.

6.2 With the exception of a minor delay in obtaining a suitably qualified auditor to cover maternity leave for the Audit Manager's post, I can confirm that during 2017/18 we conformed to the Public Sector Internal Audit Standards and will continue to do so during 2018/19.

Appendix A

RESULTS OF INDIVIDUAL AUDIT ASSIGNMENTS 2017/18

Audit Report	Grade	Number of Recommendations					Date reported to Audit and Governance Committee
		Critical*	High	Medium	Low	Advisory	
1 – Right to Buy	2	0	1	3	3		Sept 2017
2 – ICT Assets	2	0	3	5	0		December 2017
3 – Development Control	2	0	3	2	0		December 2017
4 – Hood Park Leisure Centre	1	0	0	0	0		March 2018
5 – Hermitage Leisure Centre	2	0	2	2		2	March 2018
6 – HR & Payroll	2	0	5	12	1		December 2017
7 – Rent Accounting	1	0	0	0	0		March 2018
8 – Assistive Technology & Support Services	2	0	7	7	1		To be reported July 2018
9 – Cash & Bank	1	0	0	0	0		To be reported July 2018
10 – Capital Accounting	2						To be reported July 2018
11 – Sundry Debtors	3	0	9	5	1		To be reported July 2018
12 – Grants	N/A						This audit was in progress at the time of writing the report.

## SUMMARY OF INTERNAL AUDIT RECOMMENDATIONS 2017/18

Recommendation Priority	Recommendations Made	Recommendations Not Agreed	Recommendations Implemented	Recommendations Outstanding (Not Yet Due or Original Target Date Extended) *	Recommendations Overdue/Not Implemented
Critical	-	-	-	-	-
High	30	-	12	18	-
Medium*	36	-	19	17	-
Low	6	1	4	1	-
Total	72	1	35	36	-

*"Recommendations Outstanding" figures include recommendations made in respect of the recently issued Capital Accounting and Sundry Debtors audits.*

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

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## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 25 JULY 2018

Title of report	<b>BRIEFING PAPER : CIPFA'S 2018 EDITION OF AUDIT COMMITTEES: PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES AND POLICE</b>
Contacts	<p>Councillor Nicholas Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Head of Legal &amp; Commercial Services/Monitoring Officer 01530 454762 <a href="mailto:Elizabeth.Warhurst@nwleicestershire.gov.uk">Elizabeth.Warhurst@nwleicestershire.gov.uk</a></p> <p>Interim Audit Manager 01530 454728 <a href="mailto:Sharon.Harrison-Bowler@nwleicestershire.gov.uk">Sharon.Harrison-Bowler@nwleicestershire.gov.uk</a></p>
Purpose of report	To inform members of the publication of CIPFA's 2018 edition of Audit Committees: <i>Practical Guidance for Local Authorities and Police</i> and to consider best practice recommendations within the guidance.
Reason for Decision	To review the effectiveness of the Audit & Governance Committee and identify training needs for members in fulfilling their roles.
Council Priorities	Value for Money
Implications:	
Financial/Staff	None.
Link to relevant CAT	None.
Risk Management	None.
Equalities Impact Screening	Not Applicable.
Human Rights	None.
Transformational Government	Not Applicable
Consultees	None.
Background papers	<i>Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2018)</i>

Recommendations	<p><b>THAT THE AUDIT AND GOVERNANCE COMMITTEE</b></p> <p><b>1. NOTES THE REPORT</b></p> <p><b>2. ESTABLISH A 3 MEMBER WORKING GROUP FROM THE AUDIT AND GOVERNANCE COMMITTEE TO WORK WITH THE AUDIT MANAGER AND THE HEAD OF LEGAL AND COMMERCIAL SERVICES TO UNDERTAKE A SELF ASSESSMENT AND TRAINING NEEDS ANALYSIS AND REPORT BACK TO THE MEETING OF AUDIT AND GOVERNANCE COMMITTEE ON 5 DECEMBER 2018.</b></p>
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## **1. INTRODUCTION**

- 1.1 In May 2018, the Chartered Institute of Public Finance & Accountancy (CIPFA) published a revised and updated edition of the document *Audit Committees: Practical Guidance for Local Authorities and Police*.
- 1.2 The previous version of the guidance was issued in 2013. The revised version includes updates to the core functions of the committee and pulls together in one document all relevant changes in legislation and governance frameworks introduced since 2013. Any changes which have impacted the work of the Audit & Governance Committee or have required changes to the way that information is presented have already been addressed by the Council.
- 1.3 The guidance continues to include a strong focus on the factors that support improvement, including knowledge and skills that audit committee members require and a focus on where the audit committee adds value. It also provides practical support in evaluating the existing committee and planning any improvements identified.

## **2. GUIDANCE SUMMARY**

- 2.1 This edition of the guidance updates the core functions of the audit committee in relation to governance, risk management, internal control and audit. This includes updates to regulations and statutory guidance. The updates to the Public Sector Internal Audit Standards in 2016 & 2017, and the Delivering Good Governance in Local Government: Framework (CIPFA/Solace 2016) are also considered within the guidance for their impact on the work of the audit committee
- 2.2 CIPFA's 2018 Position Statement on the role and functions of an audit committee outlines the core and potential other functions of an audit committee and emphasises those areas which promote the overall effectiveness of the audit committee.
- 2.3 A summarised version of the guidance, which includes the Position Statement and CIPFA evaluation tools, has been circulated to members separately.

## **3. MAIN CHANGES TO THE 2013 GUIDANCE.**

- 3.1 The following sections of the Guidance have been updated to reflect frameworks/codes of practice which have been introduced since the previous guidance was issued. Details of how these have been applied at NWLDC are provided in italics for information.

### 3.1.1 **Good Governance and the Annual Governance Statement.**

This section of the Guidance now includes reference to the Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) which sets the standard for governance in UK local government bodies

*The Council has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' 2016 and sets out how it complies within the Annual Governance Statement.*

### 3.1.2 **Internal Audit**

This section of the Guidance now makes reference to the following

All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015, the Accounts and Audit (Wales) Regulations 2014, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 must make provision for internal audit in accordance with the PSIAS and LGAN.

*The Internal Audit function reports compliance with the PSIAS within quarterly progress reports to Audit & Governance committee.*

### 3.1.3 **Countering Fraud and Corruption**

This section of the Guidance now refers explicitly to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014) which sets out the counter fraud standards for public sector organisations. The Guidance also refers to the CIPFA Fraud and Corruption Tracker (CFACT) and Integrity Matters (HMIC, 2015)

*A review of Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption was undertaken by internal audit as part of the 2016/17 audit plan and recommendations made where improvements were required.*

### 3.1.4 **External Audit**

This section of the Guidance has been expanded significantly to reflect arrangements regarding External Audit which were introduced under the Local Audit and Accountability Act 2014 and includes the following:

- Appointment of auditors
- Monitoring the external audit process
- Supporting independence
- Understanding the potential threats to external independence
- Receiving and considering the work of external audit
- Supporting the quality and effectiveness of the external audit process

In England, authorities have the option to appoint auditors themselves via means of an auditor panel (individually or jointly with other bodies) or through Public Sector Audit Appointments (PSAA), which has been established by the Local Government Association (LGA) and specified as an 'appointing person' under the 2014 Act.

*At the meeting of full council on 23<sup>rd</sup> February 2017 it was approved that the council would opt in to the PSAA Framework for Appointing External Auditors. The audit committee's objective is to support auditor independence and effective arrangements and relationships with the auditors.*

*The Audit and Governance Committee's role in appointment is generally to express an opinion on the selection and rotation of the external auditor through whichever method is applicable for the organisation.*

### 3.1.5 **Governance and Ethical Values**

This section of the Guidance has been updated to include reference to the Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) Framework and in particular regarding "Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law"

As the Audit Committee has a key role in supporting good governance, support for the ethical framework of the authority is also important.

*The Council has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' 2016 and sets out how it complies within the Annual Governance Statement.*

## 4. **EFFECTIVE AUDIT COMMITTEES**

4.1 The Guidance also lists nine principal areas where the committee can influence and add value:

- promoting the principles of good governance and their application to decision making
- raising awareness of the need for sound internal control and contributing to the development of an effective control environment
- supporting arrangements for the governance of risk and for effective arrangements to manage risks
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively
- reinforcing the objectivity, importance and independence of internal audit and external audit and therefore the effectiveness of the audit functions
- aiding the achievement of the authority's goals and objectives through helping ensure appropriate governance, risk, control and assurance arrangements
- supporting the development of robust arrangements for ensuring value for money
- helping the authority to implement the values of ethical governance, including effective arrangements for countering risks of fraud and corruption
- promoting measures to improve transparency and accountability and effective public reporting to the authority's stakeholders and the local community.

4.2 The guidance suggests that a good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential



requirements for delivering effectiveness. Whilst an audit committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the authority's business it can be difficult to quantify.

The self-assessment evaluation tools included at Appendix D & E of the Guidance can assist in supporting an assessment against recommended practice to inform and support the audit committee.

## **5. IDENTIFYING TRAINING NEEDS AND NEXT STEPS.**

- 5.1 The Guidance refers to the range of knowledge and experience that audit committee members can bring to the committee which will enable it to perform effectively. No individual committee member would be expected to be expert in all areas, however, there are some core areas of knowledge that committee members should be able to demonstrate.

It is recommended that regular briefings or training are undertaken to assist committee members in keeping up to date to extend their knowledge.

- 5.2 Appendix C of the Guidance sets out a knowledge and skills framework for audit committee members and the committee chair. A distinction is made between core areas of knowledge that all audit committee members should seek to acquire and a range of specialisms that can add value to the committee. It can also be used when recruiting independent members. This has been circulated to members separately.

- 5.3 It is recommended that the knowledge and skills framework is adapted to undertake a training needs analysis for members of the Audit & Governance Committee. It is suggested that a small working group comprising of three members, working with the Audit Manager and the Head of Legal and Commercial Services, lead this work to conduct both an assessment of the committee's effectiveness, using the assessment tools within the CIPFA guidance and a training needs analysis.

It is suggested that the working group meets initially to collectively agree the methodology to undertake a self-assessment of the committee's effectiveness, which may include obtaining the views of key officers and other members. In addition a knowledge and skills assessment based on the framework at Appendix C of the guidance should be completed by individual members of the Committee to assist in identifying where further training may be required. A subsequent meeting should then be held to review the results of both the effectiveness self-assessment and the knowledge and skills assessment.

It is suggested that the findings of the exercise be reported back to Audit & Governance Committee in December 2018. Outcomes will then feed into the development of a member induction plan for 2019 as well as identifying training needs for existing members.

- 5.4 There is also an external training event being held in London on 20<sup>th</sup> September 2018 should any members of the Audit and Governance Committee wish to attend. The event will be facilitated by CIPFA and offers the opportunity to develop the knowledge and skills of audit committee members through briefings and in-depth guidance.

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## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 25 JULY 2018

Title of report	<b>TREASURY MANAGEMENT STEWARDSHIP REPORT 2017/18</b>
Contacts	<p>Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Strategic Director of Housing and Customer Services 01530 454819 <a href="mailto:glyn.jones@nwleicestershire.gov.uk">glyn.jones@nwleicestershire.gov.uk</a></p> <p>Head of Finance 01530 454707 <a href="mailto:tracy.bingham@nwleicestershire.gov.uk">tracy.bingham@nwleicestershire.gov.uk</a></p>
Purpose of report	To inform Members of the Council's Treasury Management activity undertaken for the financial year 2017/18.
Implications:	
Financial/Staff	Interest earned on balances and interest paid on external debt, impact on the resources available to the Council.
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 required.
Human Rights	No implications.
Transformational Government	No implications.
Comments of Head of Paid Service	The report is satisfactory
Comments of Section 151 Officer	The report is satisfactory
Comments of Monitoring Officer	The report is satisfactory
Consultees	
Background papers	Cabinet 12 June 2018

Recommendations	<b>THAT MEMBERS OF THE COMMITTEE NOTE THE CONTENTS OF THIS REPORT</b>
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**1.0 BACKGROUND**

- 1.1 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 This report fulfils the council’s legal obligation under the Local Government Act 2003, to have regard to both the CIPFA Code and the MHCLG Investment Guidance
- 1.3 CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The revised Prudential Code introduced the requirement for a capital strategy which provides a high level, long-term context of capital expenditure and investment decisions.
- 1.4 A capital strategy was presented to members as part of the Budget and Council tax report to council on 27 February 2018.
- 1.5 The council’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 2017.
- 1.6 When investing or borrowing, the council is exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risks are therefore central to the council’s treasury management strategy.
- 1.7 As a result of the second ‘Markets in Financial Instruments Directive’ (MiFID II), from 3 January 2018 all local authorities were automatically treated as retail clients for the purpose of investing, but could opt-up to Professional client status if certain criteria was met, including maintaining an investment balance of at least £10m and that persons making investment decisions have the expertise and knowledge to understand the risks involved – as presented to Council on 27 February 2018 in the Treasury Management Strategy Statement.

**2.0 THE U.K. ECONOMY AND OTHER FACTORS.**

- 2.1 An economic update and Interest rate forecast has been provided by our Treasury Advisers (Arlingclose Ltd) and summarised below. A full update can be found at Appendix A
  - CPI rose to 3.1% in November 2017 before falling back to 2.7% in February 2018
  - The unemployment rate fell back to 4.3% in January 2018
  - The Bank of England increased the bank rate by 0.25% to 0.5%. This was the first increase in 10 years
  - UK economy grew by 1.8% in the calendar year of 2017

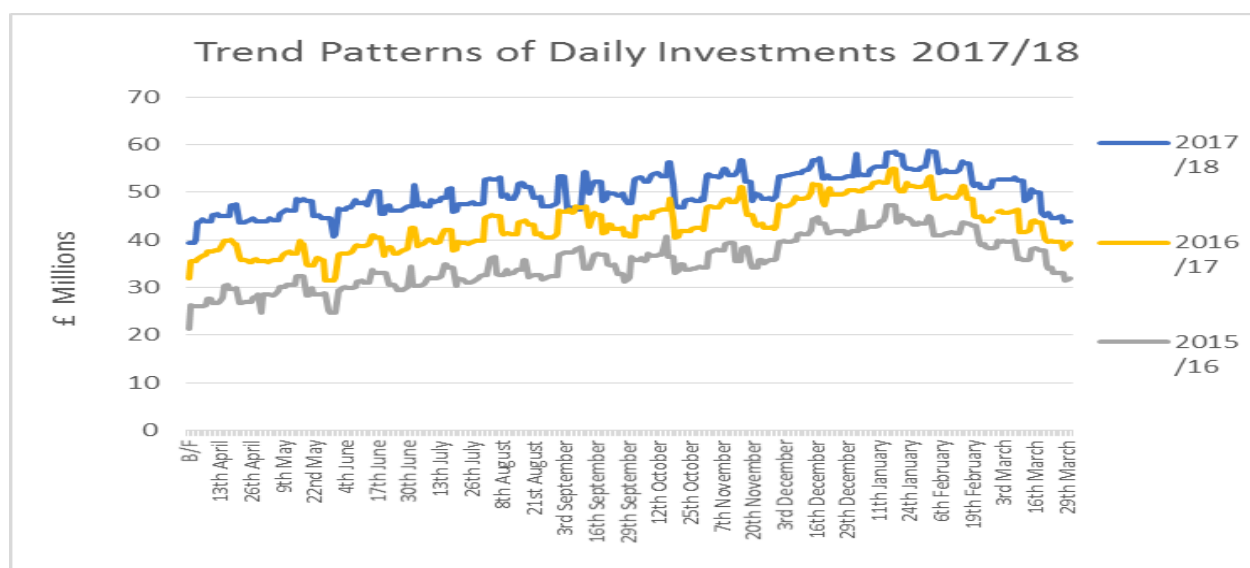
**3.0 THE COUNCIL’S TREASURY POSITION.**

- 3.1 The council’s current strategy is to use internal borrowing to reduce risk and keep interest costs low. The treasury management change over the financial year is shown below.

	Balance at 01/04/2017 £m	Net Movement £m	Balance at 31/03/2018 £m
Long term borrowing - HRA	£75.1	-£1.1	£74.0
Long term borrowing – General Fund	£8.4	£0.0	£8.4
Other long-term liabilities - HBBC	£0.1	-£0.0	£0.1
<b>Total Borrowing</b>	<b>£83.5</b>	<b>-£1.1</b>	<b>£82.5</b>
Long term investments – greater than 1 year	£12.0	£0.0	£12.0
Short term investments – less than 1 year	£24.3	£5.0	£29.3
Pooled funds and externally managed investments*	£3.1	-£0.5	£2.6
<b>Total Investments</b>	<b>£39.4</b>	<b>£4.5</b>	<b>£43.9</b>
<b>Net debt</b>	<b>£44.1</b>	<b>-£5.6</b>	<b>£38.5</b>

\*Represents investments held in Money Market Funds

- 3.2 The annual repayments on two PWLB annuity loans taken out as part of the self-financing system of Council Housing in 2011/2012, is shown in the Net Movement column.
- 3.3 In 2017/18, the capacity for investment has increased by £4.5m. This can be affected by various factors including: increased income, contributions to/from reserves, setting aside expenditure to repay borrowing (MRP), fortuitous income, cash flow timing of receipts and payments and internal borrowing.
- 3.4 In 2017/18, some of the highlights that have impacted on the capacity are: sales of assets – circa £1.8m; MRP £0.55m; increased income from various activities across the council including circa £145k from recycling income and circa £90k from investment income.
- 3.5 The pattern of investments per day is shown in the table below, illustrating the cash flow trends throughout the year



#### 4.0 BORROWING ACTIVITY.

- 4.1 The council's Borrowing Strategy 2017/18, incorporates a prudent and pragmatic approach to borrowing to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the council's Prudential Indicators.

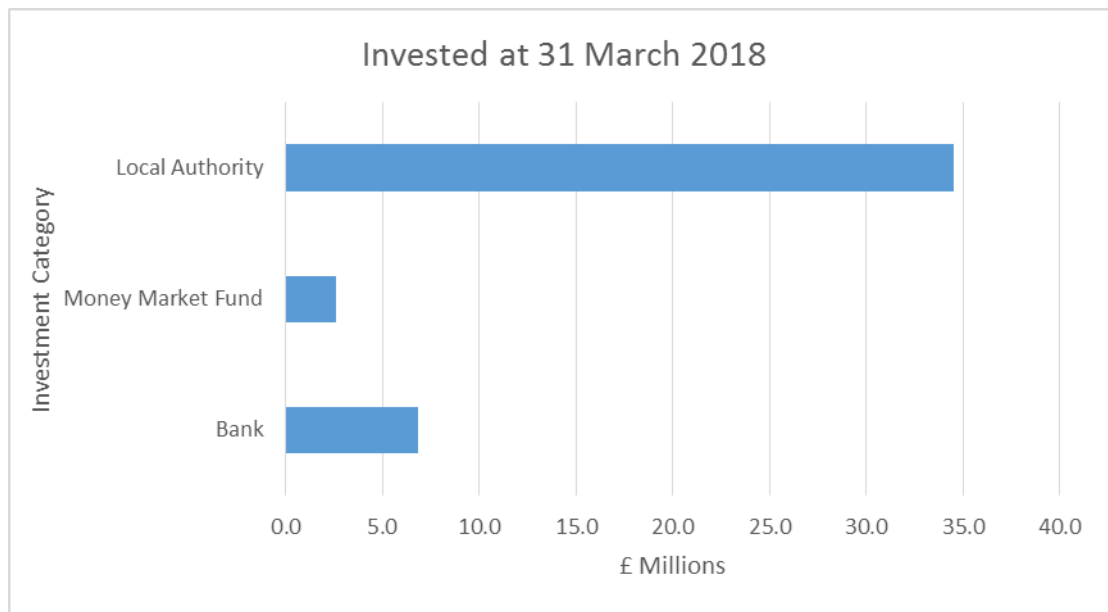
- 4.2 None of the loans that matured in 2017/18 required replacement.
- 4.3 The council has not undertaken any new long-term borrowing during the year. Interest payments totalling £2.76m were made in respect of existing debt.
- 4.4 The council's cash flow remained positive and did not require and temporary loans during the year.
- 4.5 The council had approximately £5.5m of internal debt at 31 March 2018. This is the cumulative value of internal cash balances used to finance new capital expenditure instead of financing through unsupported borrowing. This is currently judged to be the most cost effective means of funding the capital programme.
- 4.6 The estimated Minimum Revenue Provision (MRP) is intended to ensure that the capital financing debt is paid off over the longer term. The MRP charge made to General Fund revenue account for 2017/18 is £0.55m. For housing, MRP is classed as the principal repayments made in respect of the two PWLB annuity loans taken out as part of the housing self-financing in 2011/12. In 2017/18, this repayment was £1.08m.

## **5.0 DEBT RESCHEDULING ACTIVITY.**

- 5.1 The council's Debt Rescheduling Strategy 2017/18, 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.
- 5.2 No opportunities for debt rescheduling were identified which conformed to the above rationale. Accordingly, the council has undertaken no debt rescheduling activity during the year.
- 5.3 The council's portfolio of thirteen loans - ten PWLB loans and three market loans continue to be monitored for debt rescheduling opportunities.

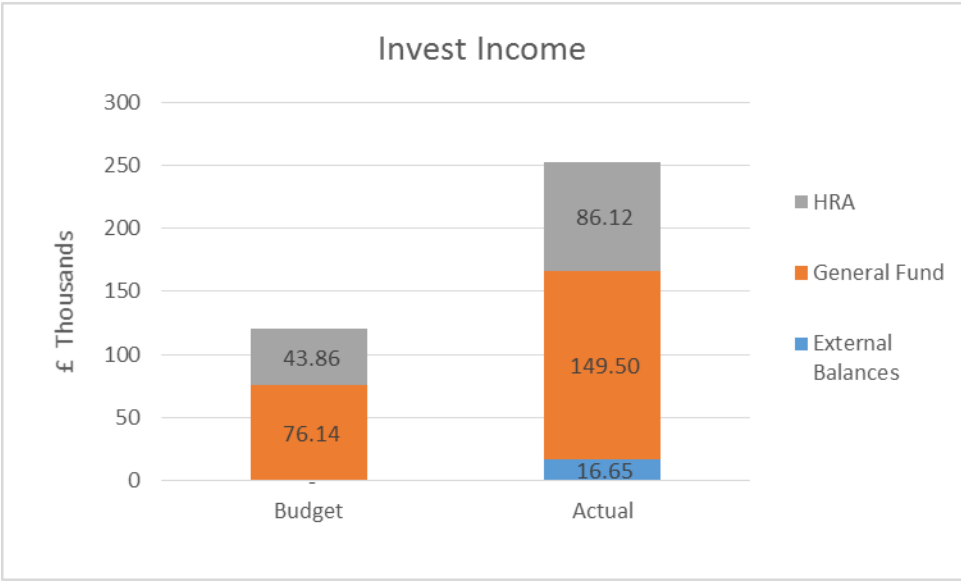
## **6.0 INVESTMENT ACTIVITY.**

- 6.1 The main objective of the council's Investment Policy and Strategy 2017/18 is to invest its surplus funds prudently.
- 6.2 The council's investment priorities (S.L.Y.) are:
- security of the invested capital;
  - sufficient liquidity to permit investments; and,
  - Optimum yield which is commensurate with security and liquidity.
- 6.3 To lower the inherent investment risk, the council 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. The table below shows the range of counterparties used by the council and the values invested at 31 March 2018.



- 6.4 The counterparties that the council currently use all meet the criteria set out in the Treasury Management Strategy Statement 2017/18 and are monitored by the Treasury Management Advisors. A detailed list of the counterparties used and amounts currently invested can be seen in Appendix B.
- 6.5 The average rate of return on the council's investment balances for the year was 0.487%. For comparison purposes, the benchmark return (average 7-day London Interbank Bid Rate or LIBID rate) on 29 March 2018 was 0.21% and the average 7 day London Interbank Offered Rate (LIBOR) rate was 0.34%. This shows that we are achieving a good rate of return against benchmark.
- 6.6 Paragraph 6.5 above explains that the current average rate of return of 0.48% has been achieved. The graph at Appendix C shows the average rate per counterparty to illustrate the range and movement of interest rates over the year.

- 6.7 The council budgeted to achieve £120,000 of income from its investment activity in 2017/18. Investment activity for the year achieved £252,272 in interest. This is a slight increase of £2,881 from the revised forecast outturn of £249,391 presented to Members in the Treasury Management Activity Report April 2017 to February 2018.
- 6.8 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.
- 6.9 The budgeted and projected levels of investment income is represented in the table below.



- 6.10 There was one breach of investment limits in the year reported to Audit and Governance committee on 21 March 2018.
- 6.11 On 1<sup>st</sup> February 2018, the counterparty limit for our banking provider (Lloyds) was breached by £1.4m. An unexpected credit into the bank account for £1.7m was made late in the day. This is not something the Council could have taken action to avoid.

**7.0 SUMMARY**

- 7.1 For the financial year 2017/18, the council can confirm that it has complied with its Prudential Indicators, which were approved as part of the council’s Treasury Management Strategy Statement.
- 7.2 The council can confirm that during the financial year, other than the breach of prescribed limit detailed in paragraph 6.11, it has complied with its Treasury Management Practices.



## **Economic information provided by Treasury Management Advisors**

### **External Context** (based on data as at 09/04/18)

#### **Economic commentary**

2017-18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact.

The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now be span Q2 2019 to Q4 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February *Inflation Report* indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely.

In contrast, economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September 2018, the central bank appeared some way off normalising interest rates. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic

consequences including inflation rising rapidly, warranting more interest rate hikes.

**Financial markets:** The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31<sup>st</sup> March 2018 were 0.43%, 0.72% and 1.12% respectively.

Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.

The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

### **Credit background:**

#### Credit Metrics

In the first quarter of the financial year, UK bank credit default swaps reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat.

The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the Authority would be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non ring-fenced entities would look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.

Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ring-fenced bank.

**Money Market Fund regulation:** The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

## Credit Rating developments

The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.

Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade).

Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.

Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable.

### **Other developments:**

In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.

## Local Authority Regulatory Changes

**Revised CIPFA Codes:** CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code are incorporated into Treasury Management Strategies and monitoring reports.

The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions.

*A capital strategy was presented to members as part of the Budget and Council Tax report to Council on 27 February 2018*

In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is to be identified and reported.

**MHCLG Investment Guidance and Minimum Revenue Provision (MRP):** In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision (MRP).

Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called “loans” (e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate). The Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and also specifies additional indicators. Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.

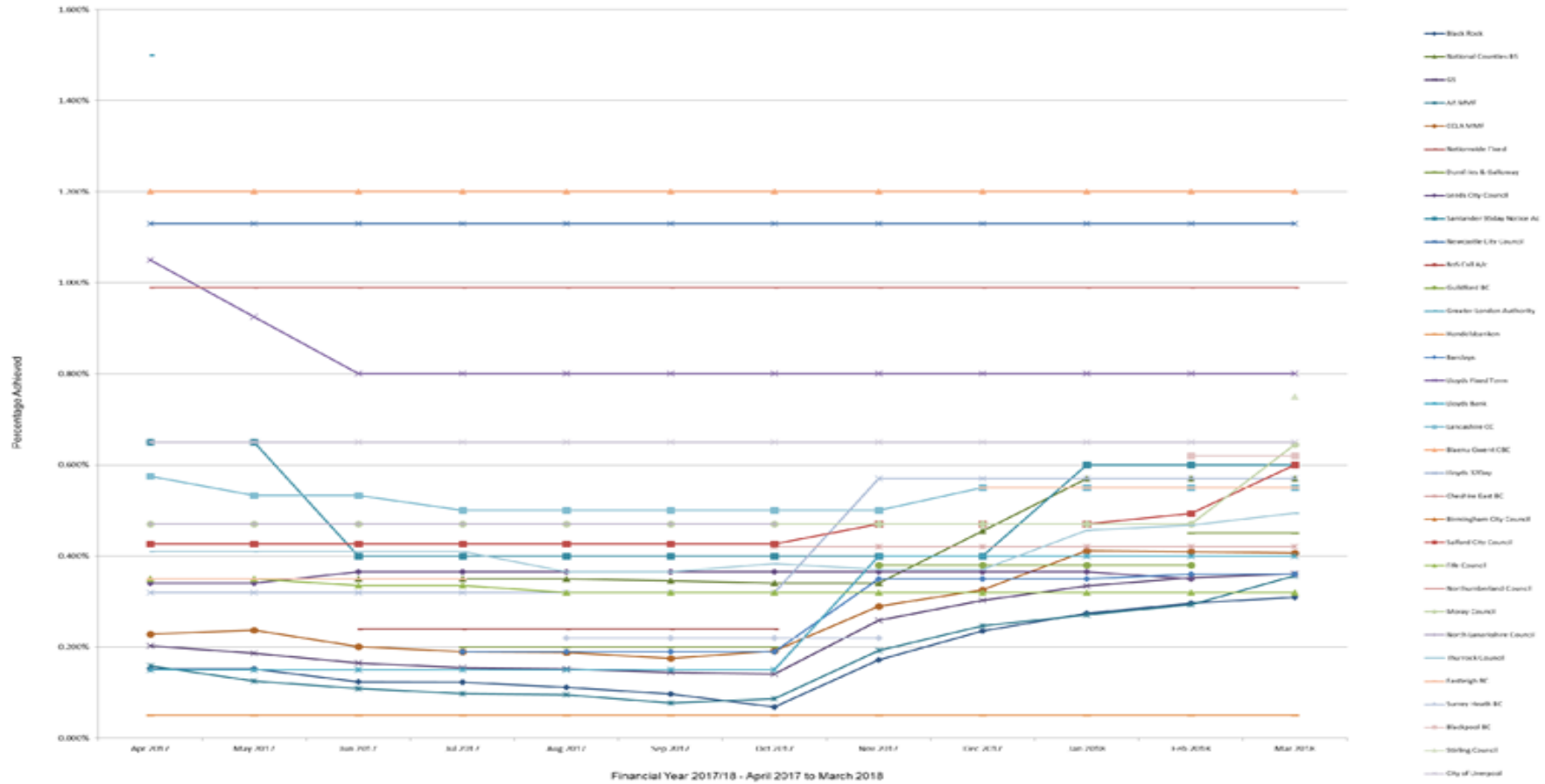
The definition of prudent MRP has been changed to “put aside revenue over time to cover the CFR”; it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

**MiFID II:** As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3<sup>rd</sup> January 2018 local authorities were automatically treated as retail clients but could “opt up” to professional client status, providing certain criteria was met which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year’s relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has met the conditions to opt up to professional status and has done so in order to maintain its former MiFID II status prior to January 2018. The Authority will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

Counterparty	Investment Category	Total Length of Investment (days)	Rate %	£m
BoS Call A/c	Bank	1	0.40	1.5
Lloyds Bank	Bank	1	0.40	0.6
AAM MMF	MMF	1	0.35	1.6
CCLA MMF	MMF	1	0.41	1.0
Lloyds 32day Notice Account	Bank	32	0.57	0.3
Barclays Treasury Direct - Fixed Term	Bank	89	0.36	1.5
Thurrock Council	LA	90	0.50	1.0
Thurrock Council	LA	91	0.60	1.0
Dumfries & Galloway Council	LA	91	0.45	1.5
Santander 95 Day Notice Account	Bank	95	0.60	1.5
Blackpool Borough Council	LA	120	0.62	2.0
Eastleigh Borough Council	LA	182	0.55	1.0
Stirling Council	LA	185	0.75	1.5
Thurrock Council	LA	213	0.42	2.0
Cheshire East Borough Council	LA	214	0.42	5.0
Moray Council	LA	275	0.82	2.5
Leeds City Council	LA	276	0.60	3.0
Thurrock Council	LA	312	0.63	1.0
Salford City Council	LA	321	0.60	1.0
Lloyds Fixed Term Deposit	Bank	364	0.80	1.5
The City of Liverpool	LA	640	0.65	2.0
Lancashire County Council (LT)	LA	730	0.55	2.0
Newcastle City Council	LA	1093	1.13	2.5
Northumberland County Council	LA	1096	0.99	3.0
Blaenau Gwent County Borough Council	LA	1099	1.20	2.5
<b>TOTALS</b>				<b>43.9</b>

Average interest rates per counterparty for 2017/18



**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL****AUDIT AND GOVERNANCE COMMITTEE – 25 JULY 2018**

Title of report	<b>PROGRESS UPDATE IN RESPECT OF IMPROVEMENTS IDENTIFIED THROUGH THE ANNUAL REVIEW OF GOVERNANCE 2016/17</b>
Contacts	<p>Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Director of Housing and Customer Services 01530 454819 <a href="mailto:glyn.jones@nwleicestershire.gov.uk">glyn.jones@nwleicestershire.gov.uk</a></p> <p>Head of Finance and Section 151 Officer 01530 454707 <a href="mailto:tracy.ashe@nwleicestershire.gov.uk">tracy.ashe@nwleicestershire.gov.uk</a></p>
Purpose of report	To update members in respect of improvements identified through the annual review of the Annual Governance Statement
Reason for Decision	To ensure members of the Committee are aware of the progress of improvements.
Council Priorities	Value for Money.
Implications:	
Financial/Staff	None.
Link to relevant CAT	None.
Risk Management	Not required.
Equalities Impact Screening	Not required.
Human Rights	None identified.
Transformational Government	Not applicable.
Consultees	None
Background papers	None.
Recommendations	<b>THAT MEMBERS NOTE AND COMMENT ON THE REPORT</b>

## **1.0 BACKGROUND**

- 1.1 Members reviewed and approved the Annual Governance Statement (AGS) in respect of the 2016/17 year at its meeting on 27 September 2017.
- 1.2 A total of 17 improvement areas identified through this review, where it was recognised that the Council could strengthen its governance arrangements. These improvements were scored as fair, meaning that satisfactory governance exists in these areas but improvements are required to meet good governance. There were no significant issues identified for 2016/17.
- 1.3 Committee members have agreed that progress against improvement areas will be reported at regular intervals and the AGS of future years will report on the progress/completion of improvements areas or significant issues from the prior period.
- 1.4 Updates have been received at each meeting following approval of the Annual Governance Statement. This update is the final update members will receive on 2016/17 improvements.

## **2.0 PROGRESS MADE IN RESPECT OF IMPROVEMENT AREAS 2016/17**

- 2.1 Of the 17 improvements identified, 10 are complete. The remaining 7 are carried forward as an ongoing improvement and scheduled for completion in 2018/19 and will be monitored by the Committee through monitoring of 2017/18 improvements.
- 2.2 Full details can be found in Appendix 1.

## **3.0 2017/18 ANNUAL GOVERNANCE STATEMENT**

- 3.1 The draft Annual Governance Statement was published on the council's website alongside the draft Statement of Accounts on 31 May 2018.
- 3.2 Audit and Governance Committee would ordinarily approve the statement at this meeting, however, due to the delay in issuing the final Statement of Accounts, members will review and approve the Annual Governance Statement at its meeting on 26 September 2018 when the final Statement of Accounts are also approved.



**PROGRESS MADE IN RESPECT OF IMPROVEMENTS IDENTIFIED THROUGH THE REVIEW OF  
THE ANNUAL GOVERNANCE STATEMENT**

Improvement Action	Related Principle(s)	Officer Responsible	Status – 6 December 2017	Update – 6 December 2017	Status – 21 March 2018	Update – 21 March 2018	Status – 25 July 2018	Update – 25 July 2018
Evidence used for assessment of governance to be documented and made available to users of financial statements	Principle G	Head of Finance	Complete	Evidence and Assurance table included within Annual Governance Statement and made publicly available following Audit and Governance Committee approval on 27 September 2017.	Complete	Action complete – no update required	Complete	Action complete – no update required
Review of Strategic and Financial Planning timetables to be undertaken to allow for better alignment for 2018/19 planning	Principle C	Head of Finance/ Business Improvement Team Manager	Complete	Timetable for developing the 2018/19 budget, council delivery plan and team business plans reviewed and aligned.	Complete	Action complete – no update required	Complete	Action complete – no update required
Formal S151 Officer arrangements	Principle A	Chief Executive	Underway	Formal arrangements for the organisations S151 Officer will be addressed through the management restructure due to be presented to Council in January 2018.	Complete	Formal arrangements introduced February 2018.	Complete	Action complete – no update required

Improvement Action	Related Principle(s)	Officer Responsible	Status – 6 December 2017	Update – 6 December 2017	Status – 21 March 2018	Update – 21 March 2018	Status – 25 July 2018	Update – 25 July 2018
Medium Term Financial Strategy to be extended over a longer planning timeframe	Principle C	Head of Finance	Underway	10 year Medium Term Financial Strategy to be presented to Cabinet and Council for approval in February 2018.	Complete	2018-2023 Medium Term Financial Strategy approved by Cabinet 6 February 2018. Strategy timeframe reduced from 10 to 5 years as a result of Cabinet and portfolio holder feedback and the likely uncertainty over a 10 year period.	Complete	Action complete – no update required
Implement longer term revenue planning from 2018/19 budget planning	Principle C	Head of Finance	Underway	5 year revenue position forecast with budget holders. Due to be presented to members in February 2018 for approval.	Complete	5 year revenue position presented to Council as part of the approval of the 2018/19 budget on Council 27 February 2018.	Complete	Action complete – no update required
Development of performance management system to be more intuitive and less administratively burdensome	Principle F	Business Improvement Team Manager	Underway	In-Phase performance management system procured, with implementation scheduled for Q1 2018/19.	Underway	In-Phase system currently in pilot phase. Anticipated full roll out during later part of 2018/19 with system in use for full annual cycles of performance management from 2019/20.	Underway	In-Phase system currently in pilot phase. Anticipated full roll out during later part of 2018/19 with system in use for full annual cycles of performance management from 2019/20.
Training for Audit and Governance Committee Members	Principle F	Head of Finance	Underway	A review of training providers undertaken. Procurement of provider scheduled for Q4 2017/18.	Underway	Risk Management training session to be held with Committee members by end of April. Public financial management session to be arranged post annual Council to take account of any committee membership changes.	Complete	Risk Management and Finance training provided to members in April and July respectively.

Improvement Action	Related Principle(s)	Officer Responsible	Status – 6 December 2017	Update – 6 December 2017	Status – 21 March 2018	Update – 21 March 2018	Status – 25 July 2018	Update – 25 July 2018
Review opportunities for peer review	Principle G	Chief Executive/ Director of Place	Underway	Local Government Association peer review for Planning service currently being scoped. Review dates to be agreed in Q3.	Complete	Local Government Association peer review for Planning undertaken with recommendations arising from review to be presented to members at full Council on 20 March 2018.	Complete	Action complete – no update required
Undertake review of Equality Policy	Principle A	Stronger and Safer Communities Team Manager	Underway	Revised policy due to be presented to Cabinet for approval in Q4.	Underway	Revised timetable for development of policy will now see approval early 2018/19.	Carried forward as ongoing improvement and scheduled for completion in 2018/19	Revised timetable for development of policy will now see early approval in 2018/19.
Audit and Governance Review of risks twice per year 59	Principle F	Director of Housing and Customer Services	Underway	Review of risks schedule for 6 December Committee meeting. Future review of risks to be included on Forward Plan.	Complete	Risk monitoring now included on forward plan as standard agenda item.	Complete	Action complete – no update required
Review approach to consultation	Principle A Principle B Principle C Principle E	Communications Manager/Head of Legal and Commercial Services	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.	Carried forward as ongoing improvement and scheduled for completion in 2018/19	Approach to engagement and consultation to be considered as part of the review of the customer services, business improvement and communications team and considerations of functions within community services.

Improvement Action	Related Principle(s)	Officer Responsible	Status – 6 December 2017	Update – 6 December 2017	Status – 21 March 2018	Update – 21 March 2018	Status – 25 July 2018	Update – 25 July 2018
Communications Strategy	Principle B	Communications Manager/Head of Legal and Commercial Services	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.	Carried forward as ongoing improvement and scheduled for completion in 2018/19	Improvement to be reviewed during 2018/19.
Consider need for Partnership Framework	Principle B Principle C Principle E	TBC	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.	Carried forward as ongoing improvement and scheduled for completion in 2018/19	The need for a partnership working framework will be considered as part of development of Commercial Strategy.
Develop Commercial and Sustainability Strategy	Principle C	Communications Manager/Head of Legal and Commercial Services	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.	Not yet scheduled	Timetable and development of strategy under consideration.	Carried forward as ongoing improvement and scheduled for completion in 2018/19	Commercial Strategy in development, presentation for approval targeted for Quarter 3 2018/19.
Update people plan	Principle E	Head of HR and Organisational Development	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.	Underway	Initial discussion with Corporate Leadership Team scheduled for March. Timetable and action of updating of the People Plan to be developed in 2018/19.	Carried forward as ongoing improvement and scheduled for completion in 2018/19	People Plan in development, presentation for approval targeted for 2018/19.
Risk Management and Strategy and Policy Updates	Principle F	Director of Housing and Customer Services	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.	Underway	Risk Strategy and Policy merged into one policy document. Policy to be presented for adoption to Audit and Governance Committee 21 March 2018.	Complete	Action complete. Risk Policy adopted by Audit and Governance Committee 21 March and approved by Cabinet 1 May 2018.

Improvement Action	Related Principle(s)	Officer Responsible	Status – 6 December 2017	Update – 6 December 2017	Status – 21 March 2018	Update – 21 March 2018	Status – 25 July 2018	Update – 25 July 2018
New financial model for achieving balance between finance and budget holders	Principle F	Head of Finance	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.	Underway	Action included in team business plan for the Finance service for 2018/19.	Complete	Action included in team business plan for the Finance service for 2018/19.

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B: Ensuring openness and comprehensive stakeholder engagement

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

D: Determining the interventions necessary to optimise the

E: Developing the entity's capacity, including the capability of its leadership and the individuals within it achievement of the intended outcomes

F: Managing risks and performance through robust internal control and strong public financial management

G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

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**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL****AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 25 JULY 2018**

Title of report	<b>CORPORATE RISK UPDATE</b>
Contacts	<p>Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Director of Housing and Customer Services 01530 454819 <a href="mailto:glyn.jones@nwleicestershire.gov.uk">glyn.jones@nwleicestershire.gov.uk</a></p> <p>Head of Finance 01530 454781 <a href="mailto:tracy.bingham@nwleicestershire.gov.uk">tracy.bingham@nwleicestershire.gov.uk</a></p>
Purpose of report	To receive the Quarter 4 Corporate Risk Update.
Council priorities	Value for money.
Implications:  Financial/Staff	The Council manages its risks within existing budgets. Effective risk management protects the Council from insurance and/or compensation claims, fraud, and a range of other financial liabilities.
Link to relevant CAT	No direct link.
Risk Management	As detailed in the report.
Equalities Impact Screening	Not applicable.
Human Rights	Not applicable.
Transformational Government	Not applicable.
Consultees	None.
Background papers	None.
Recommendations	<b>THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTES THE QUARTER 4 CORPORATE RISK UPDATE.</b>

## **1.0 BACKGROUND**

- 1.1 Cabinet approved the updated Risk Management Policy at its meeting on 1 May 2018 and this had previously been presented to Audit and Governance Committee on 21 March 2018.
- 1.2 One of the requirements of the Policy is for members of this Committee and Cabinet to receive details of the high level risks monitored through the Corporate Risk Register. The updated Risk Register can be found at Appendix 1 and a quarterly review of this will be a standing agenda item for this Committee going forward. The updated Risk Register will also be included as an appendix to the Quarterly Performance Reports presented to Cabinet, with any exceptional items being highlighted.

## **2.0 SUMMARY**

- 2.1 The Risk Scrutiny Group reviews the corporate risks quarterly and recommends any changes through the Corporate Leadership Team prior to the information being presented to this committee
- 2.2 No new risks have been added to the Risk Register and there have been no changes to the Risk Ratings or Movements of Risk.
- 2.3 Audit and Governance Committee are asked to review and note this risk update, and provide any feedback they wish to be considered by the Risk Scrutiny Group.



Corporate Risk Register													
Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk	
			Impact	Likelihood	Rating				Impact	Likelihood	Rating		
SOCIAL/ POLITICAL/ LEGAL Death / serious harm to a vulnerable person receiving a council service	A serious case review arising from death/serious harm to a vulnerable person. Reputational damage to council. Loss of confidence in ability of council to deliver services.	Lack of response to a safeguarding report. Service failure.	4	4	16	Community Safety Manager	Head of Communities	The organisation has the following structures in place; An identified Corporate Lead (Head of Service) with a Portfolio Holder lead An identified Team responsible for Safeguarding (Safer & Stronger) with responsibility embedded into Team Leader role and an officer (Child & Adults at risk Officer) An agreed Safeguarding Policy refreshed as required with delegation to Director of Housing and Customer Services for updates An identified group of Designated Safeguarding Officers (DSO's) in most service areas A programme of regular DSO meetings which consider training, best practice and case issues An annual training programme to ensure new DSO's are well informed and trained A quarterly senior management review of all cases to check progress/close cases A quarterly briefing with the Chief Executive, a 6 monthly report to CLT and an annual report to Cabinet Annual report reviews previous year and endorses an action plan for the year ahead.	4	2	8	Stable	
FINANCIAL/ COMMERCIAL/ REPUTATIONAL  Mismanagement of council finances	Central Government intervention/special measures. Adverse publicity. Possible litigation. Withdrawal of services.	Mis-interpreting of or not responding appropriately to a change in fiscal policy. Poor budget planning / management.  Internal financial systems and regulations not being properly applied	4	4	16	Financial Services Team Manager	Strategic Director of Housing and Customer Services	Monthly management reviews monitor actual spend against budgets and forecast to the end of the year. Monthly reporting and challenging at CLT, and reported to Cabinet quarterly Sound policies and procedures are in place.  Financial planning processes have been documented and are reviewed regularly. Internal and External audit of systems and accounts. Membership of CIPFA and engagement of Arling Close gives access to specialist advice, analysis and expertise.	4	1	4	Stable	
REPUTATIONAL/ LEGAL COMMERCIAL Insufficient resources due to unplanned / unforeseen absences / vacancies	Council unable to perform its statutory duties. Use of external resources at significantly higher cost.	Failure to horizon scan and interpret future needs in crucial roles.  Inability to recruit to vacancies / retain staff.	4	2	8	Head of HR and OD	Chief Executive	Advance planning will mitigate this risk;  Ability to divert resources from other services, bringing in additional resources from other sources (e.g. Agencies, Consultants, Voluntary/ Community sector etc.) would be activated. Market conditions are tested through recruitment processes. The Council can offer a package of additional benefits to enhance the recruitment offer. The Council has developed innovative partnering relationships with other sectors including the private sector to make posts uniquely attractive. Best Employee Experience is a programme to attract and develop the right skills, and promoting existing staff talent through secondments and tailored development programmes. Apprenticeships allow the Council to 'grow our own'.	3	2	6	Stable	
LEGAL / FINANCIAL Contracts are not properly procured and managed	Council liable to incur additional costs, contract overrun, litigation and potential health & safety issues.	Failure to monitor contractors appropriately.  Legal and procurement teams not consulted when contractors are engaged.  Procurement procedures are not followed.	3	4	12	All Team Managers	All Heads of Service	Corporate procurement officer and legal team to support where necessary on contract management. Policies and procedures are in place. A Senior Procurement Officer oversees a procurement planning process. Training programme in place for staff.	3	2	6	Increasing *Change due to imminent departure of existing Procurement Manager	

**Corporate Risk Register**

Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
			Impact	Likelihood	Rating				Impact	Likelihood	Rating	
<b>LEGAL / TECHNOLOGICAL</b> Loss or unlawful use of personal data constituting breach of data protection legislation	Monetary penalties from ICO, adverse publicity, private litigation and personal criminal liability of officers.	Systems not in place to protect sensitive data.  Staff are not properly trained in managing information, and do not follow internal procedures.	3	3	9	Legal Services Team Manager	Head of Legal & Support Services	Policies and procedures are in place although not yet rolled out and fully embedded. Corporate Governance training is undertaken annually and includes information governance as appropriate to reflect changes in legislation. The Council has a dedicated SIRO. Corporate Governance Groups are in place to scrutinise impacts/issues arising.	3	2	6	Stable
<b>LEGAL / REPUTATIONAL / COMMERCIAL</b> Failure to respond to an emergency in an appropriate manner	General public at risk of harm or unable to access relevant services (e.g. emergency accommodation or rest centre). Adverse publicity. "Business as usual" not possible without appropriate business continuity plan in place.  Breakdown in relationship with other responders.	Lack of planning, training and exercising of Emergency plans  Inadequate Corporate Business Continuity Management  Lack of procedural understanding	4	3	12	Head of Human Resources and Organisation Development	Chief Executive	Business continuity plans have been documented, policies and procedures are in place.  The LRF partnership arrangement with all Leicestershire and Rutland authorities provide resilience during civil emergency situations.  Business Continuity exercises show the readiness of the Council to deal with emergencies. System of ICO / FLM duty rotas is in place.	4	1	4	Stable
<b>LEGAL/ TECHNOLOGICAL/ COMMERCIAL</b> Infiltration of ICT systems	"Business as usual" would not be possible. Cost of repelling cyber threat and enhancing security features.	Systems not in place or kept current to deflect any foreseeable cyber attack  Limited staff awareness of possible threats.	4	4	16	ICT Manager	Strategic Director of Housing and Customer Services	Fully resilient environment in place with no single points of failure for core systems, other critical systems use cold standby equipment. New business services are run in remote fully resilient data centres and existing systems are being progressively migrated to these cloud computing centres. Improved business recovery arrangements have been implemented to minimise recovery time. Accreditation to Cyber Essentials Plus and the Public Services Network.	3	2	6	Increasing
<b>COMMERCIAL / POLITICAL / FINANCIAL</b> Projects are poorly managed	Failure of proposed projects could result in failure to achieve overall objectives. Inefficient use / waste of resources.	Failure to implement project management techniques. Poor corporate oversight of projects.  Inadequate or poorly performing Project Management Office function.	3	4	12	Head of Human Resources and Organisation Development	Head of Legal & Support Services	Properly convened project teams with PID and project plan in place, including project risk registers. Progress on corporate projects scrutinised by CLT.  Use of external resources is also being used to support the Coalville and Leisure projects.	3	3	9	Stable
<b>LEGAL / POLITICAL / REPUTATIONAL</b> Council makes ultra vires (beyond the council's powers and functions) decisions	Potential litigation against the Council, resulting in increased costs / compensation. Reputational damage.	Staff / Members proceeding outwith established governance arrangements. Failure to consult with Legal / Monitoring Officer. Lack of understanding of the implications of dealing with a particular matter.	4	3	12	Legal Services Team Manager	Head of Legal & Support Services	Policies & procedures in place, governance processes are documented and in operation, ongoing assessments and reviews are performed. Completion of the Annual Governance statement.	4	1	4	Stable
<b>FINANCIAL / LEGAL / REPUTATIONAL</b> Council is subject to fraud, corruption or theft	Financial, reputational and political damage to Council.	Lack of checks and balances within financial regulations.  Poor budget / contract management.  Poor monitoring of / adherence to financial systems	4	3	12	All Team Managers  &  All Heads of Service	Directors	A policy framework that includes Anti-Fraud and Corruption Policy, Confidential Reporting (Whistleblowing) Policy and Anti-Money Laundering Policy.  The Internal Audit annual planning process takes into account high risk areas, which considers fraud risks. Fraud risks are considered as part of specific audits with testing designed to detect fraud where possible. The Council is also subject to External Audit. Internal control and governance arrangements such as segregation of duties, schemes of delegation, bank reconciliations of fund movements, and verification processes.  Information on how to report fraud is on the website including relevant links. Participation in National Fraud Initiative (mandatory) and Leicestershire Fraud Intelligence Hub (voluntary).	3	2	6	Stable

Corporate Risk Register													
Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk	
			Impact	Likelihood	Rating				Impact	Likelihood	Rating		
								Leicestershire Revenues and Benefits Partnership have two trained officers working solely on Council Tax Reduction Scheme Fraud and act as Single Point of Contact for DWP referrals.					
<b>FINANCIAL / COMMERCIAL / ECONOMIC</b> The Council is subject to a reduction in income	Services are unable to be delivered. Potential staff redundancies. Funding of external groups is withdrawn. Potential breach of statutory duties.	Reduction in government grant. Changes to the local authority financial settlement. Economic downturn / recession. Commercial opportunities not progressed. Changing rent policies.	3	4	12	All Heads of Service.	Directors. Chief Executive.	Medium Term Financial Strategy in place, including Self Sufficiency initiative. Economic Development Team promotes business offer. Participation in Business Rates Pilots. Accessing external funding where appropriate. Income collection procedures in Revs & Bens Service and Housing.	3	3	9	Increasing	

Assessing the likelihood of a risk:

<b>1 Low</b>	Likely to occur once in every ten years or more
<b>2 Medium</b>	Likely to occur once in every two to three years
<b>3 High</b>	Likely to occur once a year
<b>4 Very high</b>	Likely to occur at least twice in a year

Assessing the impact of a risk:

<b>1 Low</b>	Loss of a service for up to one day, Objectives of individuals are not met No injuries Financial loss below £10,000 No media attention No breaches in council working practices No complaints / litigation
<b>2 Medium</b>	Loss of a service for up to one week with limited impact on the general public Service objectives of a service unit are not met Injury to an employee or member of the public requiring medical treatment Financial loss over £10,000 Adverse regional or local media attention – televised or newspaper report Potential for a complaint litigation possible Breaches of regulations / standards
<b>3 High</b>	Loss of a critical service for one week or more with significant impact on the public and partner organisations Service objectives of the directorate of a critical nature are not met Non- statutory duties are not achieved Permanent injury to an employee or member of the public Financial loss over £100,000 Adverse national or regional media attention – national newspaper report Litigation to be expected Breaches of law punishable by fine
<b>4 Very high</b>	An incident so severe in its effects that a critical service or project will be unavailable permanently Strategic priorities of a critical nature are not met Statutory duties are not achieved Death of an employee or member of the public Financial loss over £1m. Adverse national media attention – national televised news report Litigation almost certain and difficult to defend Breaches of law punishable by imprisonment

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**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – 25 JULY 2018**

Title of report	<b>DELAY IN ISSUING THE FINAL AND AUDITED ANNUAL STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT AND NARRATIVE REPORT FOR 2017/18</b>
Contacts	<p>Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Director of Housing and Customer Services 01530 454819 <a href="mailto:glyn.jones@nwleicestershire.gov.uk">glyn.jones@nwleicestershire.gov.uk</a></p> <p>Head of Finance and Section 151 Officer 01530 454707 <a href="mailto:tracy.ashe@nwleicestershire.gov.uk">tracy.ashe@nwleicestershire.gov.uk</a></p>
Purpose of report	To update members in respect of the delay in issuing the final and audited Statement of Accounts for the 2017/18 year
Reason for Decision	To ensure members of the Committee are aware of the technical issues as to why the final and audited Statement of Accounts will not be published by 31 July 2018
Council Priorities	Value for Money.
Implications:	
Financial/Staff	None.
Link to relevant CAT	None.
Risk Management	As detailed in the report
Equalities Impact Screening	Not required.
Human Rights	None identified.
Transformational Government	Not applicable.
Consultees	None

Background papers	None.
Recommendations	<b>THAT MEMBERS NOTE AND COMMENT ON THE REPORT</b>

## **1.0 BACKGROUND**

- 1.1 The Accounts and Audit Regulations 2015 state that authorities must publish unaudited statements by 31 May of the financial year immediately following the end of the financial year to which the statement of accounts relate.
- 1.2 Authorities must then publish their annual audited statement of accounts along with the auditor's opinion and report no later than 31 July of the financial year immediately following the end of the financial year to which the statement of accounts relate.

## **2.0 CURRENT POSITION**

- 2.1 As part of the audit of the 2016/17 accounts and issued auditor's report, a commitment was made by the former Financial Planning Team Manager and Acting Section 151 Officer (now Head of Finance and Section 151 Officer) to undertake a review of the councils capital position prior to the publication of the 2017/18 draft accounts. The commitment was made in response to there being recurrent issues identified by the external audit team in respect of capital accounting in the audit of the accounts of the 2014/15 – 2016/17 financial years.
- 2.2 Ernst and Young LLP were commissioned via a framework to undertake a high level review of capital accounting in late 2017/18. The review concluded with the identification of a technical error in respect of the council's capital accounting for Housing Revenue Account (HRA) properties and this was communicated to the council's finance team in early June.
- 2.3 The council published its draft statements for 2017/18 on 31 May.
- 2.4 The external audit commenced on 25 June and ran for two weeks. The audit remains only partially completed at this stage due to the identification of the technical error in respect of the council's capital accounting for HRA properties.

## **3.0 THE ISSUE**

- 3.1 In 2007, the Chartered Institute for Public Finance and Accountancy (CIPFA) Code introduced the concept of revaluation accounting in accordance with generally accepted accounting standards.
- 3.2 Under revaluation accounting, unrealised gains on assets are added to a revaluation reserve. The reserve is unusable, as it does not represent cash or cash equivalents (i.e. an asset that can readily be converted into cash within 3 months).
- 3.3 As at 31 March 2018 and as published in the draft 2017/18 Statement of Accounts, the council has a revaluation reserve balance reflecting unrealised gains on all council properties (including HRA and General Fund) of £60m.

- 3.4 The high level review undertaken by Ernst and Young LLP considered the council's position in respect of the valuation of HRA properties during the period of April 2007 and March 2018 and identified that a revaluation reserve balance should not exist for the HRA. This is because the depreciated value of those assets based on their original 2007 value (adjusted for in year changes and capital enhancements) exceeds the current value of the assets based on the valuation at March 2018, meaning that there should not be any unrealised gains reflected in a revaluation reserve.
- 3.5 It is important to note, that at this stage this conclusion reflects the high level value of all HRA assets and that there may well be a legitimate revaluation reserve balance for some assets once the detailed work has been completed.
- 3.6 This position does not affect the Housing Revenue Account (or the General Fund) or the amount of useable reserves we hold. The errors are in relation to the revaluation reserve, which is an "unusable reserve" of unrealised gains and is reflected in our annual accounts in the Balance Sheet, Movement in Reserves Statement and Comprehensive Income and Expenditure Statement.

#### **4.0 CONSEQUENCES OF CURRENT POSITION**

- 4.1 Given the materiality of the technical issue, the Head of Finance and Section 151 Officer has proposed to delay the publication of the final and audited accounts due to the time it will take to correct the accounts. This is on the basis that publishing the accounts without the error corrected would not represent a true and fair view of the council's financial position.
- 4.2 The remedial action has an estimated timescale of 2 months and work commenced in mid-June following discussion with the council's external auditors, KPMG.
- 4.3 The work requires reinstatement of the HRA asset register as it existed in 2007 for the council's circa. 4,500 council houses and information concerning their valuations at each year end, depreciated value, level of capital expenditure to be known alongside records of properties that were disposed (i.e. sold under the Right to Buy scheme) and those acquired to the period of March 2018 to be accounted for. The exercise then needs to re-run the accounting transactions for these properties each year between 2007 and 2018 before the accounts can be revised and presented to external audit for inspection.
- 4.4 Should the council have pursued publishing its statements by the statutory deadline without the error corrected, it is highly likely that the external auditors would have given a qualified audit opinion meaning that the accounts do not give a true and fair view. The consequence of this is likely a long-term reputational damage and a long-term impact on our ability to borrow.
- 4.5 There are no penalties for missing the statutory deadline, but likely consequences include reputational issues and an impact on the council's ability to borrow during the time period between statutory deadline and date of actual publication/issue. The council does not have an identified borrowing need during this time period and to mitigate any negative reputational impact, the Head of Finance will publish a statement explaining the issue on our website as detailed in Appendix 1.

## **5.0 CONCLUSION**

- 5.1 The council's external auditors, KPMG, have supported the approach to correcting the error on the basis that this material issue may lead to their issuing of a qualified audit opinion in respect of the council's capital accounting.
- 5.2 The Leader of the council, the Audit and Governance Committee Chair and the portfolio holder for Finance have each been consulted along with members of the Audit and Governance Committee and there is support for delaying the issue of the final accounts whilst these necessary and remedial works are completed.





**Finance**

Please ask for: Tracy Bingham

Telephone: 01530 454707

Email: [tracy.bingham@nwleicestershire.gov.uk](mailto:tracy.bingham@nwleicestershire.gov.uk)

Date: 26 July 2018

**AUDITED FINAL STATEMENT OF ACCOUNTS,**  
**ANNUAL GOVERNANCE STATEMENT AND NARRATIVE REPORT**  
**2017/18**

North West Leicestershire District Council apologises that the final, audited Statement of Accounts, Annual Governance Statement and Narrative for financial year 2017-18 are not yet available for review.

Technical accounting issues relating to the valuation of Property, identified following the publication of our draft 2017/18 Statement of Accounts have had an impact on the program for the production of the final and audited Statement of Accounts.

We anticipate that the final and audited accounts, along with the Annual Governance Statement and Narrative Report will be published by 28 September 2018.

**Tracy Bingham**  
**Head of Finance and Section 151 Officer**  
**North West Leicestershire District Council**

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**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL****AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 25 JULY 2018**

Title of report	<b>STANDARDS AND ETHICS - QUARTER 4 REPORT</b>
Contacts	Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a>  Head of Legal and Commercial Services and Monitoring Officer 01530 454701 <a href="mailto:elizabeth.warhurst@nwleicestershire.gov.uk">elizabeth.warhurst@nwleicestershire.gov.uk</a>
Purpose of report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 4 of 2017/18.
Council priorities	Value for Money
Implications:	
Financial/Staff	N/A
Link to relevant CAT	N/A
Risk Management	By receiving this information members will be able to manage risks.
Equalities Impact Screening	N/A
Human Rights	N/A
Transformational Government	This relates to the new ways in which Councils are being asked to deliver their services
Consultees	N/A
Background papers	None.
Recommendations	<b>THAT THE REPORT BE RECEIVED AND NOTED</b>

**1.0 STANDARDS AND ETHICS Q4 REPORT**

1.1 Enclosed is the Standards and Ethics – Quarter 4 Report for the committee's review.

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# STANDARDS AND ETHICS QUARTER 4 REPORT 2017/2018

**Page 1** Introduction

**Page 2** Local Determination of Complaints

**Page 3** Part 2 – Ethical Indicators

**Page 4** Stage 1 Complaints

**Page 5** Stage 2 Complaints

**Page 6** MP Enquiries

**Page 7** Ombudsman (Complaints)

**Page 8** Total Number of Complaints

**Page 9** Freedom of Information (FOI)

**Page 10** Regulation of Investigatory Powers Act Indicators

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 2017/18.

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

79

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.

The Monitoring Officer received 2 complaints in Quarter 4 of 2017/18 relating to 2 District councillors.

## **2.1 Assessment Sub-committee Decisions**

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

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

**2 complaints have been resolved informally in Quarter 4.**

## **2.2 Timeliness of Decision**

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

## **2.3 Review Requests**

There have been no review requests in Quarter 4. Review requests can only be made following a decision of ‘No further Action’ by the Assessment Sub-committee where there is submission of new evidence or information by the complainant.

## **2.4 Subsequent Referrals**

None to report – see above.

## **2.5 Outcome of Investigations**

There were no investigations concluded in this period.

## **2.6 Parts of the Code Breached**

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

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

N/A



REF	Performance Indicator Description	Officer Responsible For Providing Information	Q1		Q2		Q3		Q4	
			Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18
1.0	Objections to the councils accounts	Financial Planning Team Manager	0	0	0	0	0	0	0	0
1.1	Follow up action relating to breaches of the Member/Officer Protocol (Members)	Head of Legal And Support Services	0	0	0	0	0	0	0	0
1.2	Disciplinary action relating to breaches of the Member/Officer Protocol (staff)	Human Resources Team Manager	0	0	0	0	0	0	0	0
1.3	Public interest reports	Senior Auditor	0	0	0	0	0	0	0	0
1.4	Number of whistle blowing incidents reported		0	0	0	0	0	0	0	0
1.5	No. of recommendations made to improve governance procedures/policies		11	17	3	19	9	22	17	15
1.6	No. Of recommendations implemented		8	12	18	16	12	17	9	20

81

## Definition of a Stage 1 complaint:

First stage of a formal complaint. A formal complaint can be made if a customer believes a service within the Council has let them down, we did something wrong or a service we provided was unfair. We have 10 working days to provide to response to the complaint.

Complaints responded to on time in Q4 **82%**

We received an average of **13** Complaints a month in Q4

Our average response time was **15 days**

## Top 3 types of Stage 1 complaints Q3

- Housing repairs
- Planning and Development
- Revenues and Benefits

The average response time in Q4 was slightly higher due to several ongoing long-term Housing Repairs and one difficult case for Housing Management being brought to a close. There was also a complaint with Planning & Development which whilst there was constant contact with the complainant throughout the process, did take an extended amount of time to conclude. If you were to take away these long-term and complex cases from Q4, the average response time for the remaining Stage 1 complaints then drops back to within the acceptable timescale of 10 working days.

**31** Stage 1 complaints were resolved in Q4. This is an increase of **32%** from Q4 16/17

REF	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18
<b>Stage 1 Complaints Received</b>			Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18
2.0	Total no. of Stage 1 complaints received	Corporate Complaints Officer	70	28	82	31	37	30	37	38
2.1	No. of Stage 1 complaints Resolved		39	26	70	14	24	26	21	31
2.2	No. of customers who raised their Stage 1 complaint to a Stage 2		10	5	10	3	8	4	9	5
2.3	No. of Stage 1 complaints still open and within 10 days		31	2	12	17	13	4	16	7

## Definition of a Stage 2 complaint:

If the customer is dissatisfied with our response to their Stage 1 complaint, they can ask for this to be raised to a Stage 2 for further investigation. These investigations are carried out by Heads of Service. We have 10 working days to provide a response to the complaint.

5 Stage 2 complaints were received in Q4. All were resolved in Q4

We received an average of 2 complaints a month in Q4

Our average response time was 19 days. This was due to 2 cases with Planning and Development. Both were for issues where the complainant was unhappy with planning permission being granted and these cases required thorough investigation prior to our response

## Top types of Stage 2 complaints Q4

- Customer Service
- Planning and Development
- Revenues and Benefits
- Housings Asset Management

5 Stage 2 complaints were resolved in Q4. This is an increase of 40% from 16/17

The decrease in Stage 2 complaints can be attributed to two key points.

- Stage 1 responses have provided a satisfactory answer to the complainant.
- Any actions that formed part of the Stage 1 response have fully resolved their complaint.

REF	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18
<b>Stage 2 Complaints Received</b>			Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18
3.0	Total no. of Stage 2 complaints received	Corporate Complaints Officer	13	5	10	3	8	4	9	5
3.1	No. of Stage 2 complaints Resolved		6	3	7	1	3	1	3	5
3.2	% of stage 2 complaints answered on time		53	60	30	0	63	75	67	100
3.3	No. of Stage 2 complaints still open and within 10 days		7	2	3	3	5	3	6	0

## Definition of an MP Enquiry:

These are enquiries sent in from local MP's on behalf of their constituent. These can be independent enquiries or could be linked to an earlier complaint which we may not have resolved to the customer's satisfaction. We have 10 working days to provide a response to the enquiry.

MP enquiries responded to within 10 days  
**83%**

Our average response time was **12 days**. This was slightly above average due to compensation being agreed in order to close one case.

We received an average of **8 MP enquiries per month in Q4**

## What the MP Enquiries were about:

- Housing Asset Management
- Planning and Development
- Environmental Protection
- Housing Choices

20 MP enquiries were resolved in Q4. This is an increase of **45%** from 16/17. This can be attributed to more efficient logging of MP enquiries from Feedback and staff resources within the departments preparing the MP responses.

REF	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18
<b>MP Enquiries received</b>			Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18
4.0	Total no. of MP enquiries (req) received	Head of Legal and Support Services	28	19	31	32	23	19	20	24
4.1	% of req responded to on time		64	63	63	44	52	58	45	83

## Definition of an Ombudsman complaint:

If the customer has followed our Stage 1 and Stage 2 complaints procedure and is still unhappy with the outcome, they are entitled to take their complaint to the Local Government Ombudsman for independent judgement. They will review the details and decide whether we, as a Council, have a case to answer in respect of the complainant.

We received an average of **less than 1** Complaint a month in Q4

Ombudsman Complaints received in Q1 was 1

Ombudsman complaints resolved in Q4 were 0

## What the Ombudsman complaints were/are about:

- Issues regarding alleged maladministration involving Planning

We currently have one Ombudsman case now outstanding. This is a case which is planning related and therefore has some complex questions which require answering. We have received the pre-determination from the Ombudsman and they have asked for clarification on some further points before issuing a final determination on the case.

REF	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18
<b>Ombudsman Complaints received</b>			Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18
5.0	Total no. of Ombudsman Complaints received	Head of Legal and Support Services	2	0	6	2	4	0	2	1
5.1	No of req still open and within 10 working days		NA	0	NA	2	NA	2	2	1



The breakdown of Service Areas that received 1 or more complaints in Q4 are:

- Customer Services
- Environmental Health
- Environmental Protection
- Housing Asset Management
- Housing Choices
- Housing Management
- Leisure Services
- Planning and Development
- Planning Policy
- Property Services
- Revenues and Benefits
- Waste

Total number of complaints responded to in Q4  
**36**

We received an average of 14 Complaints per month in Q4

Our average response time was  
**15 days**

**36** complaints were resolved in Q4. This is a increase of **57%** from the same period in 16/17

## What we do differently as a result of the complaints received:

- Ensure that when investigating a complaint, we cover all the points that the complainant has included in their correspondence to us. This will ensure that when preparing the response, we answer their questions/complaint fully and to the best of our knowledge. This will possibly then avoid a raise to a Stage 2.
- Keep the working relationships between Feedback and the teams around the business open and supportive. We have had several new members of staff and it is important that they understand the process of complaints and their part in providing a satisfactory response.
- Services are engaging with Feedback process, seeing complaints as an opportunity to do things differently so that complaints are not arising from repeated failures.



## Type of FOI requests received:

### Business as usual (BAU) requests:

If the requested information can be quickly and easily sent to the requester then it may be dealt with within the normal course of business and treated as BAU.

**Total number of BAU requests in Q4 24**

### Transfers:

Are FOI requests received by us but do not fall within our remit– i.e. Adult Social Care, Children’s Services or Highways are a few examples.

**Total number of Transfers in Q4 11**

### Subject Access Requests (SAR):

A SAR is a request from an individual to see information an organisation holds on them.

**Total number of SAR received in Q4 0**

### Land charges (LC) searches:

Specific information about a particular property and the surrounding area for buyers and sellers.

**Total number of LC Searches in Q4 16**

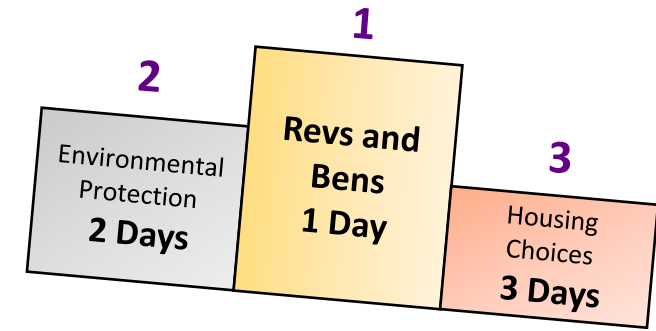
25 unique visitors to the council’s open data page

We received an average of **18** FOI’s a month in Q4

Our average response time was **10** days

We had a decrease of 50% compared to Q4 (16/17) for number of FOI’s received

## Top 3 service areas with the quickest response times FOI’s



REF	Performance Indicator Description	Officer Responsible for providing information	Q1		Q2		Q3		Q4	
			Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18
Freedom of Information Act Indicators			Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18
6.0	Total no. of requests (req) received	Records Management Officer	143	120	170	82	172	40	111	55
6.1	% req answered on time		%	100	100	100	100	95	100	100
6.2	No. of non compliant req		9	9	13	2	31	0	0	0
6.3	No of FOI appeals		0	0	0	0	0	1	2	0
6.4	Number withheld due to exemptions/fees applied		10	5	13	0	1	1	3	6

REF	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18	Actual 2016/17	2017/18
7.0	No. of directed surveillance authorisations granted during the quarter	Senior Auditor	0	0	0	0	0	0	0	0
7.1	No. in force at the end of the quarter		0	0	0	0	0	0	0	0
7.2	No. of CHIS recruited during the quarter		0	0	0	0	0	0	0	0
7.3	No. ceased to be used during the quarter		0	0	0	0	0	0	0	0
7.4	No. active at the end of the quarter		0	0	0	0	0	0	0	0
7.5	No. of breaches (particularly unauthorised surveillance)		0	0	0	0	0	0	0	0
7.6	No. of applications submitted to obtain communications data which were rejected		0	0	0	0	0	0	0	0
7.7	No. of notices requiring disclosure of communications data		0	0	0	0	0	0	0	0
7.8	No. of authorisations for conduct to acquire communications data		0	0	0	0	0	0	0	0
7.9	No. of recordable errors		0	0	0	0	0	0	0	0

88



**AUDIT AND GOVERNANCE COMMITTEE – WORK PROGRAMME (as at 16/07/18)**

<b>Issue</b>	<b>Details</b>	<b>Report Author</b>	<b>Meeting at which will be reported</b>
<b>September</b>			
Internal Audit Progress Report	To receive and note the report.	Sharon Harrison-Bowler, Interim Audit Manager	26 September 2018
Corporate Risk Update	To receive and note the report.	Tracy Bingham, Head of Finance	26 September 2018
Treasury Management Activity Report	To receive and note the report.	Tracy Bingham, Head of Finance	26 September 2018
Standards and Ethics - Quarter 1 Report	To receive and note the report.	Elizabeth Warhurst, Head of Legal and Commercial Services	26 September 2018
<b>December</b>			
Internal Audit Progress Report	To receive and note the report.	Sharon Harrison-Bowler, Interim Audit Manager	5 December 2018
Annual Audit Letter	To receive and note the report.	Tracy Bingham, Head of Finance	5 December 2018
Corporate Risk Update	To receive and note the report.	Tracy Bingham, Head of Finance	5 December 2018
Treasury Management Activity Report	To receive and note the report.	Tracy Bingham, Head of Finance	5 December 2018
Standards and Ethics - Quarter 2 Report	To receive and note the report.	Elizabeth Warhurst, Head of Legal and Commercial Services	5 December 2018

8

Issue	Details	Report Author	Meeting at which will be reported
<b>March</b>			
External Audit Plan	To receive and note the report.	Tracy Bingham, Head of Finance	20 March 2019
Internal Audit Progress Report	To receive and note the report.	Sharon Harrison-Bowler	20 March 2019
Internal Audit Annual Plan	To approve the annual plan.	Sharon Harrison-Bowler	20 March 2019
Treasury Management Activity Report	To receive and note the report.	Tracy Bingham, Head of Finance	20 March 2019
Grants and Claims Annual Report	To receive and note the report.	Tracy Bingham, Head of Finance	20 March 2019
Standards and Ethics - Quarter 3 Report	To receive and note the report.	Elizabeth Warhurst, Head of Legal and Commercial Services	20 March 2019
Draft Member Conduct Annual Report	To receive and note the report prior to consideration by Council.	Elizabeth Warhurst, Head of Legal and Commercial Services	20 March 2019