

Meeting	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
Time/Day/Date	6.30 pm on Wednesday, 23 March 2016
Location	Council Chamber, Council Offices, Coalville
Officer to contact	Democratic Services (01530 454512)

All persons present are reminded that the meeting may be recorded and by attending this meeting you are giving your consent to being filmed and your image being used. You are kindly requested to make it known to the Chairman if you intend to film or record this meeting.

The Monitoring Officer would like to remind members that when they are considering whether the following items are exempt information under the relevant paragraph under part 1 of Schedule 12A of the Local Government Act 1972 they must have regard to the public interest test. This means that members must consider, for each item, whether the public interest in maintaining the exemption from disclosure outweighs the public interest in making the item available to the public.

## AGENDA

Item	Pages
<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 9 December 2015.	<b>3 - 6</b>
<b>4. EXTERNAL AUDIT PLAN 2015-16 &amp; ANNUAL REPORT ON GRANTS AND CLAIMS 2014/15</b>	
Report of the Financial Planning Manager	<b>7 - 34</b>
<b>5. INTERNAL AUDIT PROGRESS REPORT - FEBRUARY 2016</b>	
Report of the Senior Auditor	<b>35 - 52</b>



<b>6.</b>	<b>2016/17 INTERNAL AUDIT ANNUAL AUDIT PLAN</b>	
	Report of the Senior Auditor	<b>53 - 60</b>
<b>7.</b>	<b>TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO FEBRUARY 2016</b>	
	Report of the Financial Planning Manager	<b>61 - 68</b>
<b>8.</b>	<b>DRAFT MEMBER CONDUCT ANNUAL REPORT 2015/16</b>	
	Report of the Head of Legal and Support Services	<b>69 - 76</b>
<b>9.</b>	<b>STANDARDS AND ETHICS - QUARTER 3 REPORT</b>	
	Report of the Head of Legal and Support Services	<b>77 - 86</b>
<b>10.</b>	<b>COMMITTEE WORK PLAN</b>	
	To note the Committee's Work Plan	<b>87 - 88</b>

Circulation:

Councillor R Adams  
Councillor R Ashman  
Councillor J Clarke  
Councillor J Cotterill (Chairman)  
Councillor F Fenning  
Councillor D Harrison (Deputy Chairman)  
Councillor G Jones  
Councillor K Merrie MBE  
Councillor A C Saffell

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 9 DECEMBER 2015

Present: Councillor J Cotterill (Chairman)

Councillors R Adams, R Ashman, J Clarke, F Fenning, D Harrison, G Jones and K Merrie MBE

In Attendance: Councillors R Canny

Officers: Mr S Barrett, Mr R Bowmer, Ms L Cotton, Mr D Gill and Mrs R Wallace

External Audit: Mr J Cornett

**22. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor A C Saffell.

**23. DECLARATION OF INTERESTS**

There were no interests declared.

**24. MINUTES**

Consideration was given to the minutes of the meeting held on 23 September 2015.

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

RESOLVED THAT:

The minutes of the meeting held on 23 September 2015 be approved and signed by the Chairman as a correct record.

**25. ANNUAL AUDIT LETTER 2014/15**

The Head of Finance introduced the report to Members and invited the External Auditor to address the Committee.

The External Auditor presented the report to Members, drawing their attention to the headline messages which were summarised within the report. He referred to the Audit fee detailed within appendix 2 and highlighted the additional work completed which was over the planned fee.

By affirmation of the meeting it was

RESOLVED THAT:

The 2014/15 Annual Audit Letter be noted.

**26. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE**

The Head of Finance introduced the report to Members and invited the External Auditor to address the Committee.

The External Auditor presented the report to Members and confirmed that the certification work on the Authority's housing benefit grant claim was now complete. He explained that the National Audit Office was now responsible for the Code of Audit Practice and

supporting guidance with regards to the Value for Money programme, and further information would be provided to officers once the revised guidance had been received.

The External Auditor reported to Members that the Department for Communities and Local Government (DCLG) have announced that the audit contracts for large local government bodies would be extended to include the audit of the 2017/18 financial statements, after that point local government bodies would need to appoint their own auditors. Members were informed that other Local Authorities were looking at joining together for the procurement of this service and a report with further information would be sent to the next committee meeting.

Councillor G Jones asked if the Government's suggestion for all Local Authorities to increase their Council Tax by two percent to fund social care would be sufficient. The External Auditor commented that the announcement made was very general and further detail would be needed before an opinion could be formed.

Councillor F R D Fenning referred Members to page 24 of the agenda, which detailed a KPMG/Shelter report regarding the housing shortage and possible rising house prices in the future. He felt that the information included was too general as the house prices and figures were much higher than actual prices in the District, therefore it should not have been included within the report. He believed that the report did not take into account the average wage, did not have any relevance and should not be used to justify anything for this Local Authority, especially the relaxation of planning rules. The External Auditor explained that the report was intended to be general and to promote debate amongst the Committee Members. With regards to the housing price figures, the External Auditor stated that he could not provide an explanation for the calculations as it was done by a housing specialist within the team. He added that the report only contained recommendations for information and he was not suggesting that they were accepted.

Councillor D Harrison felt that the report had provoked debate. He commented that all members knew that more housing was needed as there had been considerable growth nationally. He agreed with Councillor F R D Fenning that the housing prices within the report were a little high for the area but he felt Members needed to consider it for what it was meant to be, for information only.

Councillor J Clarke commented that the key to the issue was to look at why there was a housing shortage to come to a resolution.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

## **27. INTERNAL AUDIT PROGRESS REPORT - NOVEMBER 2015**

The Senior Auditor presented the report to Members, drawing attention to the Executive Summary at appendix B. She referred to the overdue recommendations at appendix C and was confident that the revised dates were achievable. She concluded that the focus would be moving to completing more key financial systems earlier in the year rather than leaving them all until quarter four.

Councillor K Merrie asked for clarification regarding the improvement of cash collection for the Leisure centres as detailed in appendix B. The Senior Auditor explained that it related to the cashing up at the end of each day as the figures were sometimes inaccurate in some of the written records.

In response to a further question from Councillor K Merrie, the Senior Auditor stated that the full audit reports were available on the Members section on the intranet. She also added that all recommendations were included in appendix D.

In response to a question from Councillor J Clarke, the External Auditor confirmed that the training on fraud prevention and detection to be given by external audit as mentioned in appendix C, would be going ahead in April.

In response to a question from Councillor F R D Fenning regarding the staffing of the Internal Audit Service, the Senior Auditor reported that she was a full time member of staff split between North West Leicestershire District Council and Blaby District Council. There was also a part time member of staff that worked a total of 25 hours per week and a contingency fund for additional help during busy periods if needed. She confirmed that it was sufficient staffing levels for the service now and for the foreseeable future.

It was moved by Councillor R Ashman, seconded by Councillor R Adams and

RESOLVED THAT:

The report be noted.

## **28. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO OCTOBER 2015**

The report was presented by the Head of Finance.

It was moved by Councillor K Merrie, seconded by Councillor J Clarke and

RESOLVED THAT:

The report be approved.

## **29. CHANGES TO THE COUNCIL'S REGULATION OF INVESTIGATORY POWERS ACT (RIPA) POLICY**

The Legal Team Manager presented the report to members.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

## **30. STANDARDS AND ETHICS - QUARTER 2 REPORT**

The Legal Services Team Manager presented the report to Members, highlighting the Member complaints received that were currently at the informal resolution stage. He also advised of a two per cent increase in freedom of information requests and a 12 per cent increase in corporate complaints.

Regarding freedom of information requests, Councillor G Jones referred to the 'number withheld due to exemption/fees applied' as detailed within page 89 of the report as asked for an explanation. The Legal Services Team Manager explained that there were a number of exemptions within the Act which meant that the information did not have to be supplied, this was generally regarding sensitive information, for example, legal advice given to Members. Also if the information requested would take more than 18 hours to collate then this falls under an exemption which stated that a charge could be applied to provide the information. In cases such as this the request was often withdrawn.

Councillor D Harrison commented that he understood the importance of being cost effective but he felt that it was not quite freedom of information if requests were refused or a charge applied. The Legal Team Manager stated that the information that was often requested was readily available on the Council's website but would take a considerable amount of time to collate, this was often the reason freedom of information requests were made.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

**31. COMMITTEE WORK PLAN**

The Legal Team Manager advised that an additional report would be brought to Committee in March 2016 regarding Information Management.

By affirmation of the meeting it was

RESOLVED THAT:

The Committee Work Plan be noted.

The meeting commenced at 6.30pm

The Chairman closed the meeting at 7.25 pm

## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE – 23 MARCH 2016

Title of report	<b>EXTERNAL AUDIT PLAN 2015-16 &amp; ANNUAL REPORT ON GRANTS AND CLAIMS 2014/15</b>
Contacts	<p>Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Interim Director of Resources 01530 454833 <a href="mailto:andrew.hunkin@nwleicestershire.gov.uk">andrew.hunkin@nwleicestershire.gov.uk</a></p> <p>Financial Planning Manager 01530 454707 <a href="mailto:pritesh.padaniya@nwleicestershire.gov.uk">pritesh.padaniya@nwleicestershire.gov.uk</a></p>
Purpose of report	To approve the External Audit Plan for 2015-16 & Note the Annual Report on grants and claims 2014/15
Council Priorities	Value for Money
Implications:	
Financial/Staff	No direct implications.
Link to relevant CAT	None
Risk Management	The External Audit is an essential part of the Council's arrangements for compliance with laws and regulations, as well as maintaining good Value for Money.
Equalities Impact Screening	Not applicable
Human Rights	No direct implications.
Transformational Government	No direct implications.
Consultees	None
Background papers	None
Recommendations	<b>THE AUDIT &amp; GOVERNANCE COMMITTEE IS ASKED TO APPROVE THE ATTACHED EXTERNAL AUDIT PLAN FOR 2015-16 AND NOTE THE ANNUAL REPORT ON GRANTS AND CLAIMS 2014/15</b>

## **1.0 BACKGROUND**

- 1.1 The 2015/16 Financial Year is drawing to a close. Each year the External Auditor provides the Audit Plan for the forthcoming audit of the Council's accounts. This is presented at Appendix A for approval by this Committee. Representatives of the Council's External Auditors, KPMG will attend the meeting to answer the Committee's questions.
- 1.2 The Council's grants and claims are audited on an annual basis. External Auditors completed the Audit by 30 Nov 15. The Annual report at Appendix B summarises the findings and recommendations of this Audit.





# External Audit Plan 2015/2016

6

North West Leicestershire District Council

March 2016

## Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority need to comply with.

### Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£900,000**, which equates to 1.4% percent of gross expenditure.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£45,000**.

### Significant risks

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

- Valuation of PPE;
- Management override of controls; and
- Fraudulent revenue recognition.

**See pages 3 to 5 for more details.**

## Value for Money Arrangements work



The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

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

- **Future savings plans:** The Medium Term Financial Strategy 2016/17- 2019/20 highlights ongoing savings of £1.9m will be required to achieve budget shortfalls for financial years 2017/18 to 2019/20. This could have a potential impact on the financial standing of the Authority in future years.

**See pages 6 to 9 for more details.**

## Logistics



Our team is:

- Tony Crawley – Director
- Sundeep Gill – Audit Manager
- Lawrence Perrett – Audit In-charge

More details are on **page 12**.

Our work will be completed in four phases from December to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 11**.

Our planned fee for the audit is £50,522 + VAT (£67,362 2014/2015), see **page 10**.

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

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

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

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

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

## Acknowledgements

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

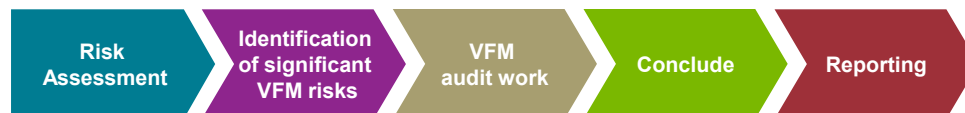
## Financial Statements Audit

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



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16 and the findings of our VFM risk assessment.



## Financial Statements Audit Planning

Our planning work takes place during December 2015 to February 2016. This involves the following key aspects:

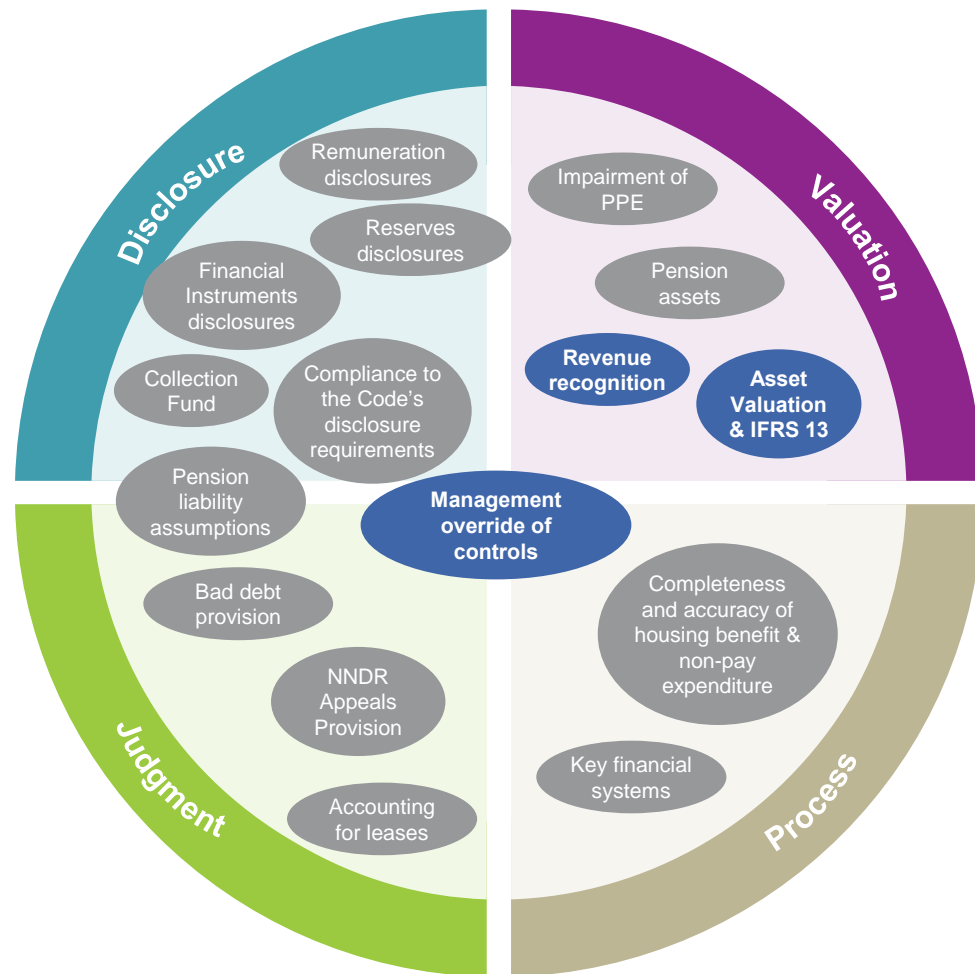
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

### Risk assessment

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

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

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



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



### Significant Audit Risk

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

#### Valuation of Property Plant and Equipment

- In 2014/15 the Authority reported a net book value of Property, Plant and Equipment of £181m. Due to the inherent risk associated with the estimation of assets, the implementation of IFRS 13 which potentially requires surplus assets to be measured at fair value for 2015/16 and the level of amendments required in this area of the financial statements in the previous two years, we consider this to be a significant risk.
- We will undertake the following procedures over this significant risk:
  - Review the terms of engagement with the valuer to ensure compliance with the Authority's accounting policies.
  - Review the revaluation basis and consider its appropriateness with CIPFA Code of Practice and the underlying IFRS accounting standards.
  - Undertake appropriate work to understand the basis upon which any impairments have been calculated.

## Materiality

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

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

Materiality for planning purposes has been set at £900,000 for the Authority's accounts, which equates to 1.4 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

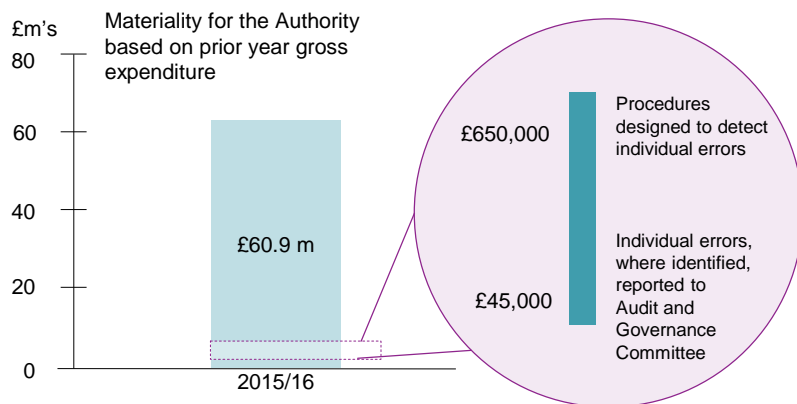
## Reporting to the Audit and Governance Committee

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

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

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

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

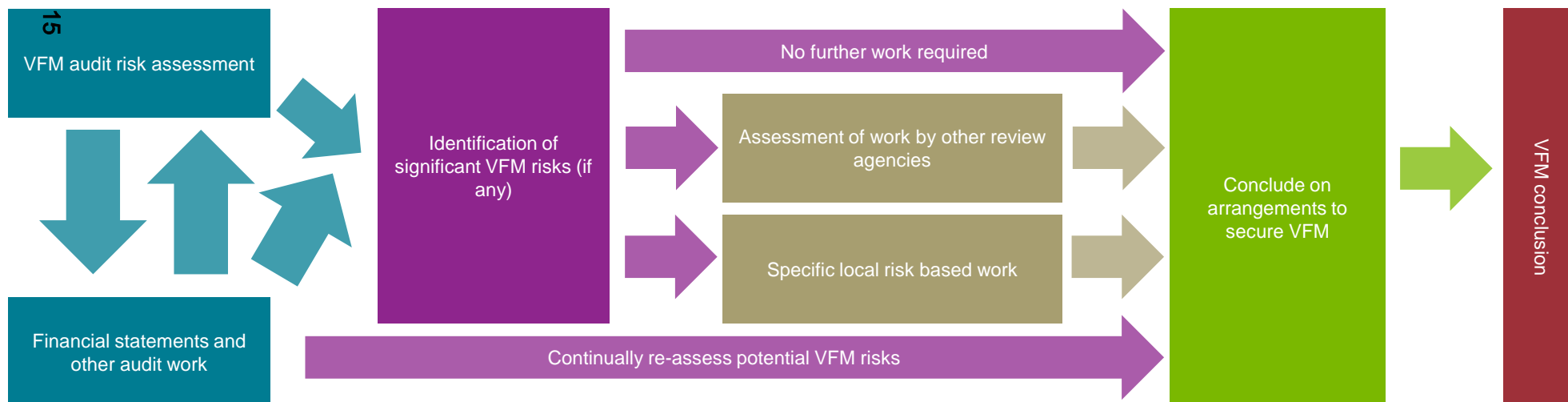
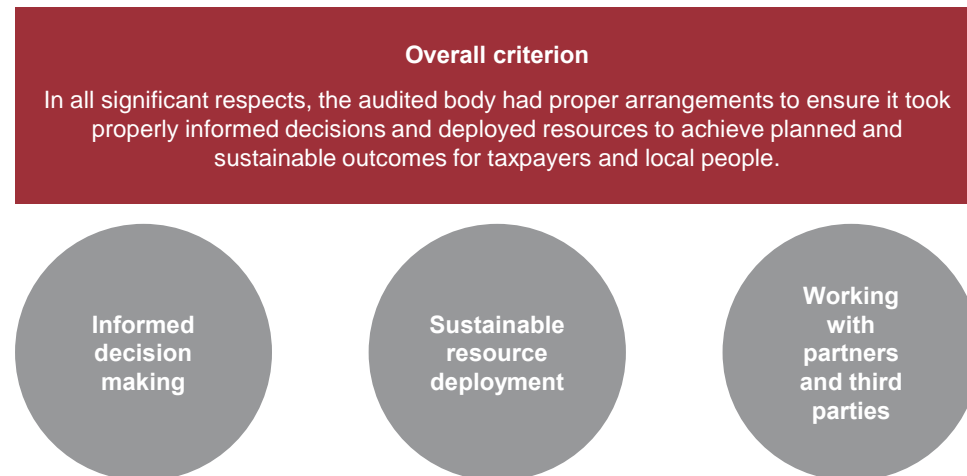


## Background to approach to VFM work

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

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

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Authority. The diagram to the right shows the details of this criteria.





VFM audit stage	Audit approach
<p>VFM audit risk assessment</p> <p>16</p>	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> <li>■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li> <li>■ Information from the Public Sector Auditor Appointments Limited VFM profile tool;</li> <li>■ Evidence gained from previous audit work, including the response to that work; and</li> <li>■ The work of other inspectorates and review agencies.</li> </ul>
<p>Linkages with financial statements and other audit work</p>	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
<p>Identification of significant risks</p>	<p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> <li>■ Considering the results of work by the Authority, inspectorates and other review agencies; and</li> <li>■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>





VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> <li>■ Meeting with senior managers across the Authority;</li> <li>■ Review of minutes and internal reports;</li> <li>■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.</li> </ul>
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will also update our assessment throughout the year should any issues present themselves and report against these in our ISA260.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>



### Significant VFM Risks

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

#### Future Savings Plans

- **Risk**

The Authority set balanced budgets for 2015/16 and 2016/17 by continuing to make efficiency savings in response to a number of pressures on services, and grant funding reductions from central government. Strong financial oversight will be required to ensure budgets are delivered as planned. Additionally, the Medium Term Financial Strategy 2016/17- 2019/20 highlights that ongoing savings of £1.9m will be required to achieve budget shortfalls for financial years 2017/18 to 2019/20, which could have a potential impact on the financial standing of the Authority in future years.
- **Approach**

We will assess whether the 2015/16 budget has been achieved as planned including any actions taken by the Authority where they are not achieved in line with the budget. We will also review arrangements the Authority has in place to identify further savings for future years.

### Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

### Electors challenge

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

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

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

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

### Our audit team

Our audit team will be led by Tony Crawley. Day to day operation of the audit will be the responsibility of Sundeep Gill, and the on-site audit team will be led by Lawrence Perrett. This provides continuity from last year. Appendix 2 provides more details on specific roles and contact details of the team.

### Reporting and communication

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

### Independence and Objectivity

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

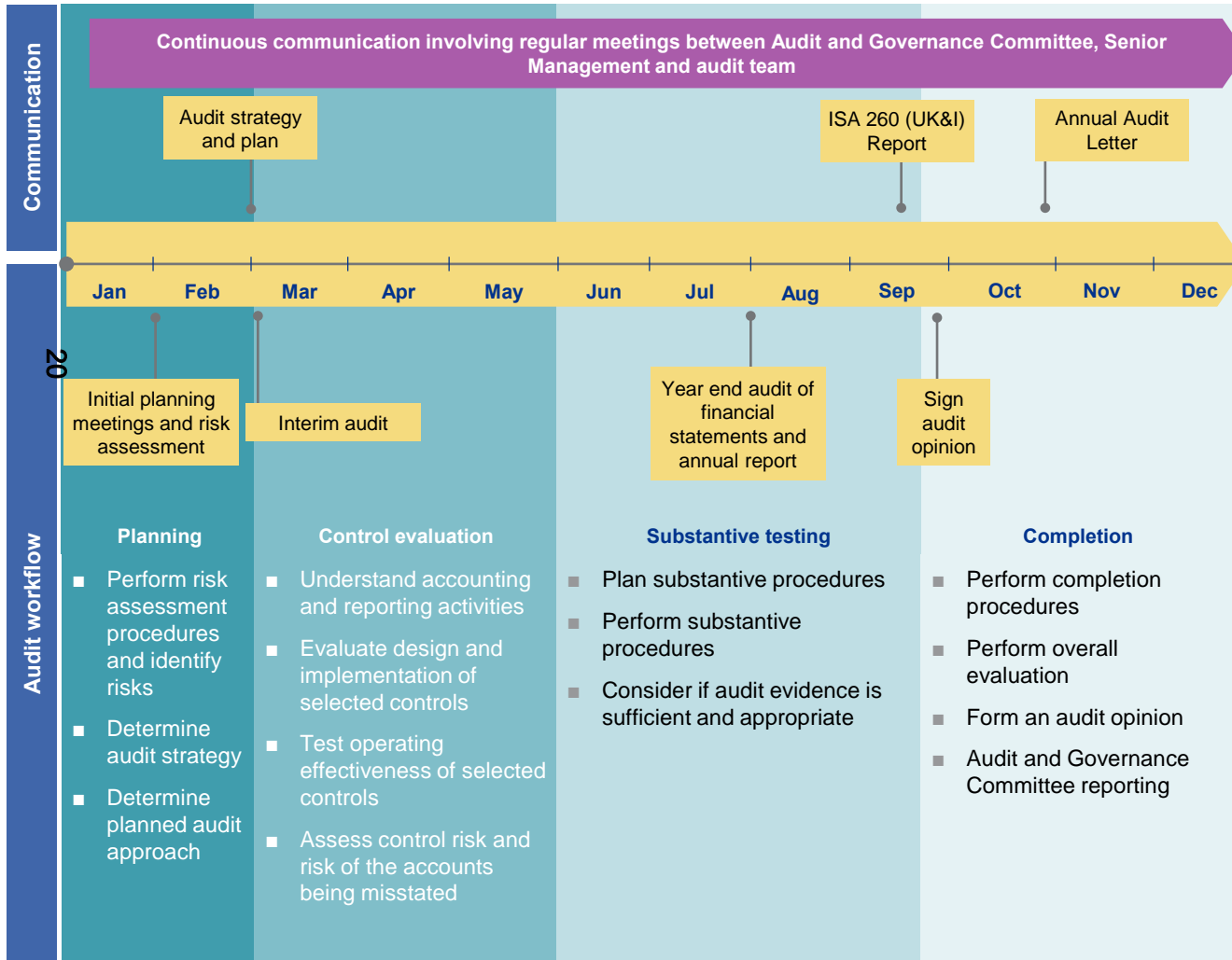
### Audit fee

*Our Audit Fee Letter 2015/2016* presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2015/16 is £50,522 + VAT (2014/15 £67,362). This is a reduction in audit fee, compared to 2014/2015, of £16,840 (25%).

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

The planned certification fee for 2015/16 is £9,128.



## Driving more value from the audit through data and analytics

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

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

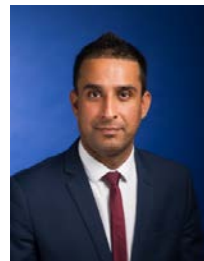
We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.



Your audit team has been drawn from our specialist public sector assurance department. Tony Crawley brings a fresh perspective to the audit this year while Sundeep Gill and Lawrence Perrett were part of the audit team last year.



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



<b>Name</b>	Sundeep Gill
<b>Position</b>	Audit Manager
<b>Role</b>	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Tony to ensure we add value.</p> <p>I will liaise with the Head of Finance and other Executive Directors.'</p>
<b>Contact</b>	<p><a href="mailto:sundeep.gill@kpmg.co.uk">sundeep.gill@kpmg.co.uk</a></p> <p>07798 572337</p>

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<b>Name</b>	Lawrence Perrett
<b>Position</b>	Audit In-charge
<b>Role</b>	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>
<b>Contact</b>	<p><a href="mailto:Lawrence.Perrett@kpmg.co.uk">Lawrence.Perrett@kpmg.co.uk</a></p> <p>07468 367314</p>

### Independence and objectivity

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

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

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

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

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

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

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

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

### Confirmation statement

At the time of writing we have delivered some non audit work in relation to the certification of 2014/15 Pooling of Housing Capital Receipts return and HCA Decent Homes Backlog Grant. We have considered the threats to our independence and do not consider this to have an impact on our independence.

We confirm that as of March 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [Andrew.Sayers@kpmg.co.uk](mailto:Andrew.Sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk) by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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# KPMG Annual Report on grants and returns work 2014/15

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North West Leicestershire District Council

March 2016

APPENDIX B

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

**John Cornett**

*Director*

Tel: 0116 2566064

[john.cornett@kpmg.co.uk](mailto:john.cornett@kpmg.co.uk)

**Deborah Stokes**

*Manager*

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**Sundeep Gill**

*Assistant Manager*

Tel: 07798 572337

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■ Headlines	2
■ Summary of certification work outcomes	4
■ Fees	6
■ Recommendations	7

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We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk) After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

<p>Introduction and background</p>	<p><b>This report summarises the results of work we have carried out on the Council's 2014/15 grant claims and returns. This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2014/15 is:</b></p> <ul style="list-style-type: none"> <li>■ Under the Public Sector Audit Appointment arrangements we certified one claim – the Council's 2014/15 Housing Benefit Subsidy claim. This had a value of £19 million.</li> <li>■ Under separate assurance engagements we certified 2 claims/returns as listed below:             <ul style="list-style-type: none"> <li>■ Pooling of Housing Capital Receipts with the value of £1.2m.</li> <li>■ HCA Decent Homes Backlog Grant with the value of £7.3m.</li> </ul> </li> </ul>	
<p>Certification results</p> <p style="text-align: center;">27</p>	<p><b>Our work on the Council's Housing Benefit Subsidy claim was subject to a qualification letter.</b></p> <ul style="list-style-type: none"> <li>■ A qualification letter was required, due to a number of issues including:             <ul style="list-style-type: none"> <li>■ Inclusion of incorrect earnings and self-employed earnings in the benefit entitlement calculations;</li> <li>■ Incorrect calculation of rent cost; and</li> <li>■ Incorrect application of LHA rate for a number of cases due to benefit software issue.</li> <li>■ Omission of 14% under occupancy rate from claimant's rent costs.</li> </ul> </li> <li>■ This result is in line with those of 2013/14 where the Council's Housing Benefit Subsidy claim was qualified.</li> </ul> <p><b>Our work on the other grant assurance engagements resulted in the following reports:</b></p> <ul style="list-style-type: none"> <li>■ Pooling of Housing Capital Receipts Assurance Report; and.</li> <li>■ HCA Decent Homes Backlog Grant factual finding Report.</li> </ul>	<p style="text-align: center;">Page 5</p>
<p>Audit adjustments</p>	<p><b>Two adjustments were necessary to two of the Council's grants and returns as a result of our work this year.</b></p> <ul style="list-style-type: none"> <li>■ Our certification work on Housing Subsidy Benefit claim resulted in a small amendment of £29 due to the correction of errors relating to the assessment of Rent Allowance and Rent Rebates modified scheme cases and Non-Housing Revenue Account figure. This compares to adjustment of £12 in 2013/14.</li> <li>■ Our work on Pooling of Housing Capital Receipts resulted in minor adjustments to the return due to rounding of figures, but had a nil impact on the total value of the return. No adjustments were necessary to this return in 2013/14.</li> </ul>	<p style="text-align: center;">Page 5</p>

<p>Fees</p> <p style="text-align: right; font-weight: bold; margin-top: 100px;">28</p>	<p><b>The indicative fee for our work on the Council’s 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments at £16,270. The actual fee for this work was £20,245.</b></p> <ul style="list-style-type: none"> <li>■ The actual fee of £20,245 was higher than the indicative fee due to the additional testing completed as a result of the errors discovered.</li> <li>■ The fee variation request of £3,975 is currently with the Public Sector Audit Appointments for approval so the fee is still an estimate rather than an agreed final fee.</li> </ul> <p><b>Our fees for the other ‘assurance’ engagements were subject to agreement directly with the Council and were:</b></p> <ul style="list-style-type: none"> <li>■ £3,000 for Pooling of Housing Capital Receipts return.</li> <li>■ £4,600 for HCA Decent Homes Backlog grant.</li> </ul> <p>Fees above are shown net of VAT.</p>	<p><b>Page 6</b></p>
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Overall, we carried out work on 3 grants and returns:

- 1 was unqualified with no amendment;
- 1 was unqualified but required some minor amendment to the final figures; and
- 1 required a qualification to our audit certificate and some minor amendment to the final figures.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council's 2014/15 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

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

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
<b>Public Sector Audit Appointments arrangements</b>					
■ Housing Benefit Subsidy	1				
<b>Other assurance engagements</b>					
■ Pooling of Housing Capital Receipts	2				
■ HCA Decent Homes Backlog grant.	3				
		1	0	2	2

## Summary of certification work outcomes

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

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Ref	Summary observations	Amendment
1	<p><b>Housing Benefit Subsidy</b></p> <ul style="list-style-type: none"> <li>■ A qualification letter was required, due to a number of issues including:                             <ul style="list-style-type: none"> <li>■ Rent Allowance                                     <ul style="list-style-type: none"> <li>■ Inclusion of incorrect earnings and self-employed earnings in the benefit entitlement calculations;</li> <li>■ Incorrect calculation of rent cost; and</li> <li>■ Incorrect application of LHA rate for a number of cases due to benefit software issue.</li> </ul> </li> <li>■ Rent Rebate                                     <ul style="list-style-type: none"> <li>■ Omission of 14% under occupancy rate from claimant's rent costs.</li> </ul> </li> </ul> </li> </ul> <p>This qualification letter trigger's the Department for Work and Pensions to recover overpaid subsidy to the Council. This result is in line with those of 2013/14 where the Council's Housing Benefit Subsidy claim was qualified.</p> <ul style="list-style-type: none"> <li>■ Our certification work on Housing Subsidy Benefit claim resulted in a small amendment of £29 due to the correction of errors relating to:                             <ul style="list-style-type: none"> <li>■ Rent Allowance and Rent Rebates - Incorrect assessment of modified scheme cases after 100% testing was completed by the Council.</li> <li>■ Non HRA Rent Rebates – difference in figure between the claim and subsidy report.</li> </ul> </li> </ul> <p>This compares to adjustment of £12 in 2013/14.</p>	+£29
2	<p><b>Pooling of Housing Capital Receipts</b></p> <ul style="list-style-type: none"> <li>■ Our work on the Pooling of Housing Capital Receipts found the Quarterly Attributable Debt cells on the return were incorrectly rounded to the nearest pound. As a result adjustments were required to these cells to show the actual figures. These adjustments had a nil impact on the total value of the return.</li> </ul> <p>No adjustments were necessary to this return in 2013/14.</p>	£0

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2014/15 was £27,845

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### Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2014/15 (£)	2013/14 (£)
Housing Benefit Subsidy claim	20,245	12,170
Pooling of Housing Capital Receipts	3,000	271
HCA Decent Homes Backlog grant	4,600	4,600
<b>Total fee</b>	<b>27,845</b>	<b>17,041</b>

### Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2014/15 of £16,270. Our actual fee of £20,245 was higher than the indicative fee, and this compares to the 2013/14 fee for this claim of £12,170. The fee variation request of £3,975 is currently with PSAA for approval, and so the fee is still an estimate rather than an agreed final fee.

### Grants subject to other assurance engagements

The fees for our assurance work on other grants/returns are agreed directly with the Council. Our fees for 2014/15 were more than those in 2013/14. The reason for the increase is due to Pooling of Housing Capital Receipts return no longer falling under the PSAA regime.

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

### Priority rating for recommendations

<p><b>1</b> Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p><b>2</b> Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p><b>3</b> Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
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32	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p><b>Theme heading</b></p>					
<p><b>Incorrect claimant's data</b> The inclusion of incorrect claimant's data included in the benefit entitlement calculations. This is a recurring issue from 2013/14 relating to Self employed earnings.</p>	<p>This leads to errors in the Housing Benefit Subsidy that is claimed by the Council, which can be clawed back by Department for Work and Pensions.</p>	<p><b>1</b> Review and improve the process for the inclusion of claimant's data in the benefit entitlement calculations to reduce the level of errors being repeated in subsequent years.</p>	<p><b>2</b></p>		





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**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – 23 MARCH 2016**

Title of report	<b>INTERNAL AUDIT PROGRESS REPORT – FEBRUARY 2016</b>
Contacts	<p>Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Interim Director of Resources 01530 454833 <a href="mailto:andrew.hunkin@nwleicestershire.gov.uk">andrew.hunkin@nwleicestershire.gov.uk</a></p> <p>Senior Auditor 01530 454728 <a href="mailto:lisa.cotton@nwleicestershire.gov.uk">lisa.cotton@nwleicestershire.gov.uk</a></p>
Purpose of report	To inform the committee of the progress against the Internal Audit plan for 2015/16 and to highlight incidences of any significant control failings or weaknesses.
Reason for Decision	To comply with the Public Sector Internal Audit Standards.
Council Priorities	Value for Money
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	The Internal Audit planning process is based on a risk assessment methodology
Equalities Impact Screening	Not Applicable
Human Rights	None
Transformational Government	Not Applicable
Consultees	Financial Planning Manager Interim Director of Resources Monitoring Officer
Background papers	<a href="#">Public Sector Internal Audit Standards</a>

**1. INTRODUCTION**

- 1.1 The Public Sector Internal Audit Standards require the authority's Audit Committee to approve the audit plan and monitor progress against it. They should also receive periodic reports on the work of internal audit. The Audit and Governance Committee approved the 2015/16 Audit Plan on 25 March 2015. They receive quarterly progress reports.

**2. TERMS OF REFERENCE**

- 2.1 Section 3 of Part 3 of the Constitution sets out the Terms of Reference of the Audit and Governance Committee, as set out at the extract below:  
'To act as the Authority's Audit Committee, to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to be responsible for the financial reporting process'.

**3. PROGRESS REPORT**

- 3.1 The Internal Audit Progress Report for the period to the end of February 2016 is attached at Appendix 1.



## **INTERNAL AUDIT SHARED SERVICE**

**North West Leicestershire District Council**  
Internal Audit Progress Report: February 2016

## **1. Introduction**

- 1.1 The assurances received through the Internal Audit programme is a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to highlight the progress against the Internal Audit Plan up to 29 February 2016.

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

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

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

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

## **4 Responsibility of Internal Audit**

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

## **5 Independence of Internal Audit**

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

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

- 5.2 If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to senior management and the Audit and Governance Committee. There are no impairments to report to senior management and the Audit and Governance Committee for the current financial year.

## **6 Internal Audit Plan Update**

- 6.1 A progress report against the 2015/16 Internal Audit plan is documented in Appendix A. The Internal Audit plan needs to be flexible in order to reflect current issues and resource requirements. There have been a number of changes to the Internal Audit plan approved in March 2015 and details are documented in the 'comments' column in Appendix A.
- 6.2 Two final reports have been issued since the last update report and two audits are in progress. An Executive Summary of the two final reports issued is documented in Appendix B. The Senior Auditor does not consider it necessary to draw attention to any specific control weaknesses at this time.

## **7 Internal Audit Recommendations**

- 7.1 Internal Audit monitors and follows up all medium and high risk recommendations. Appendix C lists overdue recommendations along with a status update. During February Internal Audit followed up progress against the recommendations made following the Leisure Centre Audits carried out earlier in the year. It was pleasing to note that the majority had been implemented satisfactorily however there were still some minor issues with the completion of cashing up forms. Officers will be reminded again to take care and complete all information on the forms. Internal Audit will repeat the follow up work later in the year to confirm this has been effective.
- 7.2 All outstanding recommendations i.e. those not yet due, are included in Appendix D for information.

## **8 Internal Audit Performance Indicators**

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

## **9 Information Governance Health Check Update**

- 9.1 Internal Audit had identified Information Management as a risk as the Council had self-reported a number of breaches to the Information Commissions Office. As a result it was included in the 2015/16 Annual Audit Plan. The Corporate Leadership Team was also concerned and the Senior Auditor agreed with the Monitoring Officer that, given the recent breaches, it would be more useful for the Council to proactively engage experts to undertake a health check of its information management procedures. The Monitoring Officer approached the Senior Auditor at an early stage in the process which meant that internal audit control objectives could be included in the review. This enabled Internal Audit to place reliance on this source of assurance and to avoid duplication of effort.

- 9.2 The health check concluded that the Council shows a good awareness of the issues it faces in meeting compliance requirements and has demonstrated a desire to move onwards past this towards best practice. Recommendations were made around i) enhancing existing processes to facilitate full compliance with the Data Protection Act and Freedom Of Information Act and reduce the risk of any further data breaches, and ii) introducing a number of new processes which will move NWLDC towards best practice in its management of information.
- 9.3 A detailed action plan has been produced to address the recommendations and this is being monitored by the Corporate Leadership Team. Whilst Internal Audit have not formally tested progress against all of the recommendations we have received update reports which are consistent with corporate developments and have no concerns at this point.



## 2015/16 Audit Plan Progress: February 2016 (In-house Audit Team Audits)

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
Cash and Bank (10)	Key Financial System	6	6	Final Report Issued	Grade 2	2	-	-	-	
Creditors (8)	Key Financial System	8	6.3	Final Report Issued	Grade 1	-	-	1	-	
Debtors	Key Financial System	8	-	Scheduled for Quarter 4						
Main Accounting (9)	Key Financial System	8	5	Final Report Issued	Grade 1	-	-	-	-	
HR and Payroll	Key Financial System	10	4	In progress						
Rent Accounting (7)	Key Financial System	8	8.4	Final Report Issued	Grade 2	2	-	1	-	
Treasury Management (1)	Key Financial System	6	4	Final Report Issued	Grade 1	-	-	-	1	
ICT Key Controls	Key Financial System	5	1	In progress						This work will take the form of following up recommendations from the LCC 2014/15 audit and a focused audit testing high risk objective.
Risk Management	Assurance	5	-	Remove from plan						Will keep under review during 2016/17.
Governance and Ethics – New Members (6)	Assurance	10	6.5	Final Report Issued	Grade 2	3	2	-	-	
Performance Management (4)	Assurance	6	10	Final Report Issued	Grade 1	-	-	-	-	
Fraud	Assurance	6	-	Removed from plan.						Will keep under review during 2016/17.
Information Sharing and Data Protection	Risk Based	8	-	Removed from plan						Assurance will be taken from Information Governance Health Check see section 9 of report.
Housing - Other Capital Works/Non DHIP	Risk Based	8	-	Removed from plan						Removed from plan as Senior Auditor analysis of the remaining capital work does not present a significant risk at this time.
Responsive Housing	Risk Based	8	-	Removed from plan						This has been put on to

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
Repairs & Voids										2016/16 plan as service review underway.
Safeguarding (11)	Risk Based	5	8	Final Report Issued	Grade 2	2	4	-	-	
Disabled Facilities Grants (advisory)	Risk Based	5	6.5	Memo issued	N/A					Memo issued rather than formal report to reflect transition status of service. A formal audit may be carried out later in the year.
Leisure Centres (2 and 3)	Risk Based	12	23	Final Reports Issued: Hood Park Leisure Centre	Grade 2	3	1	-	1	Planned days exceeded due to sickness issues, absences over summer and some additional testing.
				Hermitage Leisure Centre	Grade 2	5	1	-	1	
Building Control (5)	Risk Based	6	8.5	Final Report Issued	Grade 2	4	-	-	-	
Expenses/mileage claims	Risk Based	5	-	Removed from plan						No longer required. New system is not being implemented.
Green & Decent (advisory)	Risk Based	5	0.5	Advisory						Given the nature of the project this is likely to be an advisory piece of work.
DHIP	Risk Based	5	10	In progress						Planned days exceeded due to time involved in detailed testing.
Disabled Facilities Grant (audit)	Additional Audit	6	-	Scheduled for Quarter 4						The need for this audit remains under review.
ICT User Account Administration	Additional Audit (Key system)	5	0.5							Requested by ICT Team Manager.

## KEY

### Assurance Levels:

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

**Recommendations:**

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

**EXECUTIVE SUMMARY OF IN HOUSE INTERNAL AUDIT FINAL REPORTS ISSUED BETWEEN DECEMBER 2015 AND FEBRUARY 2016**

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations			
					H	M	L	A
(10) Cash and Bank	Corporate	Head of Finance Financial Services Team Manager	Grade 2	<p>Ensuring there are sufficient resources to complete key tasks.</p> <p>Performing the monthly bank reconciliation within a reasonable time period after month end.</p>	2	-	-	-
(11) Safeguarding	Community Services	Head of Community Services Stronger and Safer Team Manager	Grade 2	<p>The identification and management of risks relating to Safeguarding.</p> <p>Monitoring and follow up of attendance and completion of training.</p> <p>A consistent approach to filing and recording key information about cases.</p> <p>Clarification around reporting requirements for senior management and Members.</p> <p>Updating the Disclosure and Barring Service Policy (DBS).</p> <p>Verifying additional key information about leisure centre block bookings.</p>	2	4	-	-

## Appendix C

### Recommendations Tracker – Overdue Recommendations

Report		Recommendation	Rating	Officer Responsible	Target Date	Status	Management Comments
<b>2014/15 Reports</b>							
6	Fraud Prevention and Detection	2	Members (in particular, the Audit and Governance Committee) should be provided with training to ensure they can effectively consider the effectiveness of the Authority's Anti-Fraud and Corruption Arrangements.	Medium	Head of Finance	June 2015 Revised Date: Sep 2016	In progress  Head of Finance plans to arrange for external auditors to deliver training.
LCC	ICT Key Controls Audit	2	ICT Management should give consideration to producing a detailed DR plan and process. Once this has been completed consideration should be given to undertaking a full end to end DR test to ensure that data and systems can be	High	Head of Finance/ICT Team Manager	December 2015  Revised Date: February 2016	In progress  DR plan updated and testing planned for after email upgrade.
LCC 45	ICT Key Controls Audit	6	Consideration should be given to formalising systems ownership for all applications in use at NWLDC and the associated roles and responsibilities. This should include the:- Senior Management Owner (Usually at Assistant Director Level) Name of the Systems Owner Name of the Deputy Systems Owner Main Systems Administrator	Medium	Head of Finance/ICT Team Manager	September 2015  Revised March 2016	In progress  In order to implement this recommendation fully this has become part of a bigger project and will take longer than originally planned.
2&3	Leisure Centres	2	Senior Management should remind all staff with cash collection responsibilities of the need for accuracy in all aspects of their work, and to closely follow all procedures.	High	Commercial Manager and Facilities Manager	October 2015	Tested in February however quite a high number of forms not being fully completed – will follow up again during 2016/17.  Issue to be raised with officers again.

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
7	Rent Accounting	1	Reconciliations should be completed in a timely fashion.	High	Finance Systems Team Leader	November 2015	In progress	This has been delayed by information not being received from Exchequer Services due to staffing issues.
7	Rent Accounting	2	Monthly reconciliations between the housing rents system and the cash receipting system should be reviewed by an appropriate officer who signs and dates the reconciliations. The reconciliation procedure notes should be updated to reflect this.	High	Finance Systems Team Leader	November 2015	In progress	This will be implemented once the reconciliations are caught up with.

## Recommendations Tracker – Outstanding Recommendations

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
<b>2014/15 Reports</b>							
14	Human Resources and Payroll	3	HR staff should ensure that all personnel files are securely held whether in paper or electronic format.	High	Human Resources Team Manager	Immediate and ongoing	Compliance testing is being undertaken as part of the 2015/16 HR and Payroll audit which is currently in progress.
14	Human Resources and Payroll	4	All new employees should complete the starter form that should then be held on their HR file.	High	Human Resources Team Manager	Immediate and ongoing	As above
14	Human Resources and Payroll	5	HR should verify the Offer Letter to the payslip prior to payment for all starters. The verification should be completed by a person different to the originator of the data input and a record maintained.	High	Human Resources Team Manager	Immediate and ongoing	As above
14	Human Resources and Payroll	6	All new starters should have their identity verified and recorded as such.	High	Human Resources Team Manager	Immediate and ongoing	As above
14	Human Resources and Payroll	7	Team managers should ensure that all staff leaving NWLDC complete a leaver form and this should be provided to HR in sufficient time for them to make accurate final payments. The leaver form should be held on the HR file together with supporting documentation.	High	Team Managers	Immediate and ongoing	As above
14	Human Resources and Payroll	8	HR should verify the details from the Leaver Form to the payslip prior to payment for all leavers. The verification should be completed by a person different to the originator of the data input and a record maintained.	High	Human Resources Team Manager	Immediate and ongoing	As above
14	Human Resources and Payroll	9	The Human Resources Team Manager should review the functionality made available to Managers and staff in the self serve system to ensure that appropriate 'training notes' are issued prior to full implementation of the system.	High	Human Resources Team Manager	Immediate and ongoing	As above
14	Human	10	When an employee starts to receive	High	Human Resources	Immediate and	As above

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
	Resources and Payroll		maternity benefits HR should check whether essential car allowance is also in payment and make the appropriate adjustment to avoid an overpayment.		Team Manager	ongoing	
14	Human Resources and Payroll	11	The Human Resources Team Manager should periodically circulate to Chief Officers the current establishment list for their area of responsibility to enable verification of the staffing structure and current employees.	High	Human Resources Team Manager	Immediate and ongoing	As above
14	Human Resources and Payroll	12	The HR database should be checked to ensure that the correct coding has been entered for the relevant service area and that the manager shown is correct as the self service authorisation system will not operate correctly with incorrect managers shown.	High	Human Resources Team Manager	Part of project	As above
14	Human Resources and Payroll	13	A schedule of under and overpayments generated by the payroll process should be compiled with the proposals for full recovery of the overpayment that will be updated with repayment transactions as they occur.	High	Human Resources Team Manager	Immediate and ongoing	As above
48	Human Resources and Payroll	14	Bulk amendments, such as increments, should be subject to sample testing of the resulting payslips and all other amendments verified to the payslip.  The verification should be completed by a person different to the originator of the data input and a record maintained.	High	Human Resources Team Manager	June 2015	As above
15	Aids and Adaptations	3	The longstanding arrangement currently in place for the provision of goods and services for adaptations through Leicestershire County Council should be formalised in accordance with the council's procurement procedures.	High	Planned Investment Team Manager	31 <sup>st</sup> March 2016	Testing scheduled April 2016.
LCC	ICT Key Controls Audit	7	Consideration should be given to developing and rolling out key ICT related policies.	Medium	Head of Finance/ICT Team Manager	March 2016	Testing scheduled April 2016
		16	Consideration should be given to reviewing the password configurations within key	Medium	Head of Finance/ICT Team Manager	February 2016	Testing scheduled March 2016



Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
			applications to either ensure that they comply with best practice or that a conscious decision has been made to accept any residual risk of non-compliance (once other controls such as lock out settings have also been taken into account)				
<b>2015/16 Reports</b>							
5	Building Control	4	Senior Management should arrange for suitable secure fire resistant storage to be made available for the storage of Building Control application files.	High	Building Control and Land Charges Team Manager	Q1 2016 financial year	Testing scheduled June 2016
6	Governance and Ethics – Member Training	1	Training materials should be available on the intranet for Members to refer back to.	Medium	Democratic Services Officers	Immediate and Ongoing	Testing scheduled March 2016
		3	Promote the upcoming Planning Forum training events to encourage take-up and engagement.	High	Head of Planning and Regeneration	November 2015	Testing scheduled March 2016
49		5	Democratic Services chase up attendance records from officers delivering compulsory training if it is not provided in a timely fashion so that they can make appropriate alternative arrangements.	High	Democratic Services Officers	Immediate and Ongoing	Testing scheduled March 2016
10	Cash and Bank	1	Ensure that there are sufficient resources to complete key tasks.	High	Financial Services Team Manager	March 2015	Testing scheduled April 2016
		2	Reconciliations are brought up to date as soon as staffing issues allow.	High	Financial Services Team Manager	March 2015	Testing scheduled April 2016
11	Safeguarding	1	The Corporate Risk Scrutiny Group should consider risks facing the Council in relation to Safeguarding and whether these need to be included in the corporate risk register and/or appropriate service risk registers.	High	Chair of Corporate Risk Scrutiny Group (Director of Services)	March 2016	Testing scheduled May 2016
		2	Attendance at training events and completion of mandatory training modules should be monitored. Non attendance or non completion should be followed up so that alternative arrangements can be made	Medium	Senior HR Adviser (L1) Designated Safeguarding Officers (DSO) Group (L2-9)	September 2016	Testing scheduled October 2016

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
			as necessary.				
		3	The approach for receiving and dealing with concerns and referrals should be reviewed and documented and made available to all DSOs to follow, including data retention and security. If appropriate this procedure should also be made available to officers who make direct referrals to Adult or Children's Social Care. As part of reviewing the approach consideration should be given as to what information should be recorded and where, so that, if required, evidence can be provided that referrals are dealt with promptly and appropriately and are subject to a robust decision process. This is particularly important if the decision is not to make any onward referral.	High	Stronger and Safer Communities Team Manager and the DSO Group	May 2016	Testing scheduled July 2016
50		4	Reporting requirements should be agreed with senior management with consideration given to reporting to Members.	Medium	Head of Community Services	June 2016	Testing scheduled July 2016
		5	Review and update the DBS policy in order to meet the Code of Practice requirements.	Medium	Senior HR Adviser	February 2016	Testing scheduled May 2016
		6	Review the conditions of hire and amend them to obtain information regarding the sports association/governing body the hirer is a member of. Reasonable, further checks, should then be performed to confirm the appropriateness of the booking.	Medium	Leisure Services Team Manager	March 2016	Testing scheduled May 2016

## Internal Audit Performance: November 2015

## Performance Measures:

Performance Measure	2015/16 Target	Position as at 29.02.16	Comments
Delivery of 2015/16 Audit Plan – Key Financial Systems	100%	63%	Three key systems outstanding - one in progress and two due to commence in March.
Delivery of 2015/16 Audit Plan – Non Key Financial Systems	100%	86%	
Percentage of time spent on audit work	80%	83%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	Based on 6 responses so far this year. Survey link is sent out at end of each quarter.
Compliance with the Internal Audit Standards	Full	No significant gaps in compliance	
Compliance testing of completed recommendations	90%	100%	

## Service Plan Actions:

Key Deliverables (Action)	Quarter 4 Milestone	Position as at 29.02.16
Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Set action plan and timescale to deliver improvements where highlighted in reviews	On target – no actions.
Undertake audits as per agreed Audit Plan.	Complete audits of 4 systems to enable the completion of the audit plan	Temporary resources used in Quarter 3 which allowed us to catch up on audit plan.
Provide the Audit and Governance Committee with quarterly reports on the work and performance of internal audit.	Progress report to March Audit and Governance Committee	On target
Achievement of the PSAIS	External assessment of compliance with PSIAS	On target
Annual Audit Opinion delivered by 30 <sup>th</sup> June 2015 deadline.	N/A	Completed in June 2015.
Produce and have approved the 2016/17 Internal Audit Plan by 31 <sup>st</sup> March 2016.	No action	Plan circulated to Corporate Management Team for comment. Plan is ready to take to March Audit and Governance Committee.

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## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE - 23 MARCH 2016

Title of report	<b>2016/17 INTERNAL AUDIT ANNUAL AUDIT PLAN</b>
Contacts	<p>Councillor Nicholas Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Interim Director of Resources 01530 454833 <a href="mailto:andrew.hunkin@nwleicestershire.gov.uk">andrew.hunkin@nwleicestershire.gov.uk</a></p> <p>Senior Auditor 01530 454728 <a href="mailto:lisa.cotton@nwleicestershire.gov.uk">lisa.cotton@nwleicestershire.gov.uk</a></p>
Purpose of report	To inform the committee of the proposed Internal Audit Programme of Work for 2016/17
Reason for Decision	To comply with the Public Sector Internal Audit Standards.
Council Priorities	Value for Money
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	Not Applicable
Equalities Impact Screening	Not Applicable
Human Rights	None
Transformational Government	Not Applicable
Consultees	Corporate Management Team
Background papers	<a href="#">Public Sector Internal Audit Standards</a> Internal Audit Charter
Recommendations	<p><b>THAT THE COMMITTEE</b></p> <ol style="list-style-type: none"> <li><b>1. NOTES THIS REPORT AND COMMENTS AS APPROPRIATE.</b></li> <li><b>2. APPROVES THE 2016/17 INTERNAL AUDIT ANNUAL AUDIT PLAN.</b></li> </ol>

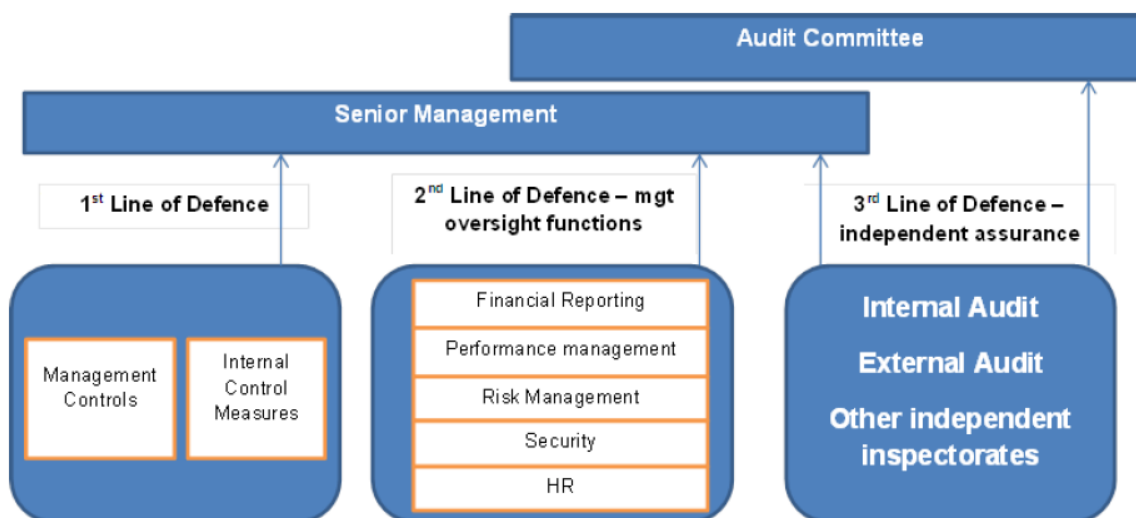


# **INTERNAL AUDIT SHARED SERVICE**

**North West Leicestershire District Council**  
2016/17 Internal Audit Annual Audit Plan

## 1. INTRODUCTION

- 1.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to Internal Audit activity should lead to strengthening of the control environment and therefore contribute to the achievement of the organisation's objectives.
- 1.2 Internal Audit provide a combination of assurance and consulting/advisory activities. Assurance work involves assessing how well the systems are designed and working, with consulting or advisory activities available to help to improve those systems and processes where necessary. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- 1.3 The Internal Audit Charter sets out the purpose, authority and responsibilities of Internal Audit. The Charter:
- establishes Internal Audit's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the Audit and Governance Committee (at North West Leicestershire DC the Chief Audit Executive is the Senior Auditor);
  - authorises access to records, personnel and physical properties relevant to the performance of engagements; and
  - defines the scope of Internal Audit activities.
- 1.4 The Three Lines of Defence Model (below) is a valuable framework that explains Internal Audit's role in providing assurance that the management arrangements over governance, risk and internal control are adequate and effective.



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

## 2. INTERNAL AUDIT PLAN

### 2.1 Overall Strategy

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

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

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

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

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

### 2.2 Resources Available

2.2.1 The Audit Team who deliver the Audit Plan at North West Leicestershire District Council consists of a Senior Auditor (0.6 FTE) and an Internal Auditor (0.49 FTE). Table 1 shows a calculation of the available audit days for 2016/17.

**Table 1: Resources Available**

<b>Total Days</b>	<b>284</b>
<i>Less leave/bank holidays/elections etc</i>	47
<i>Less training and development</i>	12
<b>Available Days</b>	<b>225</b>
Management /Opinion/Plan/Reporting	35
Meetings/Audit Admin/ Minutes Review	25
<b>Available Audit Days</b>	<b>165</b>



## 2.3 Internal Audit Annual Plan 2016/17

- 2.3.1 The proposed 2016/17 Annual Audit Plan is shown in Table 2 below and the detailed plan is shown in Appendix A. The Plan will be subject to ongoing review to ensure that it remains aligned with the Council's objectives and the risks identified by management in the risk registers. Any changes will be reported to the Corporate Leadership Team and the Audit and Governance Committee.

**Table 2: 2016/17 Annual Audit Plan**

Key Financial Systems	48
Risk Based Internal Audits	68
Advisory - Specific	18
<b>Subtotal (Appendix A)</b>	<b>134</b>
Follow up reviews	10
Advisory - Adhoc	5
Contingency	11
National Fraud Initiative	5
<b>Total Audit Days</b>	<b>165</b>

- 2.3.2 Three of the Council's key financial systems (Benefits, Council Tax and NNDR) are provided by the Leicestershire Revenues and Benefits Partnership, and therefore the audits will be undertaken by the internal auditors at Hinckley and Bosworth Borough Council (PwC).
- 2.3.3 The timings shown within the Internal Audit Annual Plan are estimates based on time taken on previous similar audits and a high level consideration of the scope and existing arrangements. As part of the set up process for each audit engagement the scope of the audit will be agreed in detail and a more accurate budget for audit days will be set. A contingency has been included in the plan to allow for variances in planned audits days against actual and for ad-hoc or fraud investigations that may arise during the year. Due to the limited resources available, only 11 days have been included at this time. The quarterly progress reports to Audit and Governance Committee include a comparison of planned to actual days for each audit undertaken.

## 2.4 Limitations

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

## 2.5 Review of the Available Resources

- 2.5.1 The key issue for consideration is whether the Internal Audit Plan has the appropriate high level coverage and is focussed on the key areas of risk facing the Council. The Audit and Governance Committee should ensure that there is adequate coverage to provide appropriate assurance. Key considerations:

- Is the risk appetite and resource allocation appropriate given the level of risk the council is currently facing?
- Are there any high risk areas that are not being covered by the plan?
- Is there an appropriate balance between assurance and advisory work to ensure the effective utilisation of Internal Audit expertise?
- Is there sufficient contingency to enable a flexibility of response to changing needs?

## 2016/17 Internal Audit Plan

Audit Area	Type	Council Priority Area	Auditor	Audit Days	Qtr
Benefits	Key Financial System	1,2,3,5	Revenues and Benefits Partnership Internal Auditors	-	-
Cash and Bank	Key Financial System	1	In house	6	Q4
Council Tax	Key Financial System	1,3	Revenues and Benefits Partnership Internal Auditors	-	-
Creditors	Key Financial System	1,2	In house	6	Q4
Debtors	Key Financial System	1,2	In house	6	Q4
Main Accounting	Key Financial System	1	In house	5	Q4
NNDR	Key Financial System	1,2,5	Revenues and Benefits Partnership Internal Auditors	-	-
HR and Payroll	Key Financial System	1,2	In house	10	Q3
Rent Accounting	Key Financial System	1,3	In house	6	Q2
Treasury Management	Key Financial System	1	In house	4	Q2
ICT General	Key Financial System	1	In house	5	Q3
ICT Key controls	Key Financial System	1	Specialist ICT auditor	-	-
Car Parking and Enforcement	Risk Based Assurance	1,2,3	In house	7	Q2
Enterprising NWLDC Grants	Risk Based Assurance	1,2	In house	4	Q1
Fuel Servicing and Repair Contracts	Risk Based Assurance	1,3	In house	10	Q3/Q4
Housing Mobile Working Project	Risk Based Assurance	1,3,4	In house	7	Q2
In-house Repairs	Risk Based Assurance	1,3	In house	10	Q4
Planning Enforcement	Risk Based Assurance	1,2,3,4	In house	7	Q4

s106	Risk Based Assurance	1,2,3	In house	10	Q1
Trade Refuse and Recycling	Risk Based Assurance	1,2,3,4	In house	10	Q2
Welfare Provision	Risk Based Assurance	1,3	In house	3	Q1 /Q2
Asset Performance Calculator - NPV	Advisory	1,3	In house	4	All
CCTV	Advisory	3	In house	4	Q4
Coalville Project	Advisory	1,2,3,5	In house	5	All
New financial systems	Advisory	1	In house	5	All
			<b>TOTAL</b>	<b>134</b>	

### Key - Council Priority Areas

- 1 - Value for Money
- 2 – Business and Jobs
- 3 – Homes and Communities
- 4 – Green Footprint
- 5 – Building Confidence in Coalville (at the time of preparing the plan this priority remains subject to full Council approval)

## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE – 23 MARCH 2016

Title of Report	<b>TREASURY MANAGEMENT ACTIVITY REPORT – APRIL TO FEBRUARY 2016</b>
Contacts	<p>Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Interim Director of Resources 01530 454833 <a href="mailto:andrew.hunkin@nwleicestershire.gov.uk">andrew.hunkin@nwleicestershire.gov.uk</a></p> <p>Finance Team Manager 01530 454707 <a href="mailto:pritesh.padaniya@nwleicestershire.gov.uk">pritesh.padaniya@nwleicestershire.gov.uk</a></p>
Purpose of Report	To inform Members of the Authority's Treasury Management activity undertaken during the period April to February 2016.
Reason for Decision	To ensure that Members are informed of the Authority's Treasury Management activity during the financial year and have the opportunity to scrutinise that activity.
Council Priorities	Value for Money
Implications:	
Financial/Staff	Interest earned on balances and interest paid on external debt, impact on the resources available to the Authority.
Link to relevant CAT	Could impact upon all Corporate Action Teams.
Risk Management	Borrowing and investment both carry an element of risk. This risk is mitigated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA code of Treasury Management and the retention of Treasury Management Advisors (Arlingclose) to proffer expert advice.
Equalities Impact Screening	Not Applicable
Human Rights	Not Applicable
Transformational Government	Not Applicable

Consultees	None
Background Papers	<p><u>Treasury Management Strategy Statement 2015/16</u> – Council Meeting 24 February 2015 (presented as part of the Budget and Council Tax 2015/16 Report)</p> <p><u>Treasury Management Stewardship Report 2014/15</u> – Cabinet Meeting 16 June 2015</p> <p><u>Treasury Management Activity Report – April to August 2015</u> – Audit and Governance 23 September 2015</p> <p><u>Treasury Management Activity Report – April to October 2015</u> – Audit and Governance 9 December 2015</p> <p><u>Capital Programmes – General Fund, Coalville Special Expenses and Housing Revenue Account (H.R.A). Projected Outturn 2015/16 and Draft Programmes 2016/17 to 2020/21</u> - Cabinet 8 December 2015</p>
Recommendations	<b>THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.</b>

## 1.0 BACKGROUND

- 1.1 The Authority’s Treasury Management activity is underpinned by CIPFA’s Code of Practice on Treasury Management (“the code”), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and Investment activity.
- 1.2 Treasury Management is defined as “the management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.3 The Authority’s current Treasury Management Strategy Statement, including the Borrowing Strategy, Debt rescheduling Strategy, Annual Investment Policy and Strategy, Interest Apportionment Policy, Prudential Indicators and Annual Minimum revenue Position Statement were approved by Council on 24 February 2015.
- 1.4 The code requires that Authorities report on the performance of the Treasury Management function at least twice yearly (mid-year and at year end).
- 1.5 This is the third of three in-year reports to be presented in 2015/16, to inform Members of the Authority’s treasury activity and enable scrutiny of activity and performance. These reports supplement the annual Treasury Stewardship Report, which will be presented to this Committee and Cabinet as soon as possible after the end of the financial year.

## 2.0 SCOPE

2.1 This report:

- Has been prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
- Presents details of capital financing, borrowing, debt rescheduling and investment transactions;
- Gives details of the treasury management transactions for the period April to February 2016;
- Reports on breaches of or compliance with treasury limits and Prudential Indicators.

## 3.0 THE U.K. ECONOMY AND OTHER FACTORS.

- The Consumer Prices Index (CPI) rose by 0.3% in the year to January 2016, compared with a 0.2% increase in the year to December 2015. This figure was in line with market expectations. The main contributors to the rise in the rate were motor fuels, and to a lesser extent food, alcoholic beverages and clothing.
- There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375bn respectively.
- Prospects for continued growth are underpinned by resilience in the UK economy, a labour market with record-high employment, strong private domestic demand and a financial system capitalised sufficiently for severe emerging market stress. However, uncertainty over the outcome of the EU Referendum could put downward pressure on UK GDP growth and interest rates.
- Deteriorating prospects in emerging economies and challenges associated with China's economic rebalancing have increased the risks to growth, this is reflected in the rise in corporate bond yields and the notable increases in market volatility.

## 4.0 THE AUTHORITY'S TREASURY POSITION.

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

	Balance at 01/4/2015 £m	%	Maturing loans £m	Premature redemptions £m	New Borrowing £m	Balance at 29/02/2016 £m	%
<b>DEBT</b>							
Long-term fixed rate	£85.514m		£0.513m	£0.000m	£0.000m	£85.001m	
Long-term variable rate	£0.000m		£0.000m	£0.000m	£0.000m	£0.000m	
Temporary Borrowing	£0.000m		£0.000m	£0.000m	£0.000m	£0.000m	
<b>Total borrowing</b>	<b>£85.514m</b>	99.9	<b>£0.513m</b>	<b>£0.000m</b>	<b>£0.000m</b>	<b>£85.001m</b>	99.9
Other long-term liabilities	£0.126m	0.1	£0.000m	£0.000m	£0.000m	£0.126m	0.1
<b>TOTAL EXTERNAL DEBT</b>	<b>£85.640m</b>	100	<b>£0.513m</b>	<b>£0.000m</b>	<b>£0.000m</b>	<b>£85.127m</b>	100
	Balance at 01/4/2015 £m	%	Maturities £m	Sales £m	New Investments £m	Balance at 29/02/2016 £m	%
<b>INVESTMENTS</b>							
<b>Internally Managed</b>	<b>£20.755m</b>	97.6	<b>£40.520m</b>	<b>£0.000m</b>	<b>£49.064m</b>	<b>£29.299m</b>	73.8
Investments with maturities up to 1 year *	£15.755m*	74.1	£40.520m	£0.000m	£44.564m	£19.799m	49.9
Investments with maturities in excess of 1 year	£5.000m	23.5	£0.000m	£0.000m	£4.50m	£9.500m	23.9

Pooled funds and Externally Managed Investments*	£0.500m*	2.4	£83.650m	£0.000m	£93.550m	£10.400m	26.2
<b>TOTAL INVESTMENTS</b>	<b>£21.255m</b>	100	<b>£124.170m</b>	<b>£0.000m</b>	<b>£142.614m</b>	<b>£39.699m</b>	100
<b>NET DEBT</b>	<b>£64.385m</b>					<b>£45.428m</b>	

\* Investments held in Money Market Funds have been re-categorised under 'Pooled Funds and Externally Managed Investments' from 'Investments with maturities up to 1 year'

- 4.2 The investment position varies throughout the year as it is dependent upon cash flow. Examples of significant areas that can impact on cash flow are collection of Council tax, business rates, grants, and capital receipts, payments to other precepting authorities or central government and interest on treasury activity.
- 4.3 In the period April 2015 to February 2016, the capacity for investment has currently increased by £18.4m. The volatility of balances is normal throughout the year and a number of factors contribute to this:
- a) The Authority traditionally benefits from the receipt of Council Tax and Business Rates during the first ten months of the financial year;
  - b) Revenue expenditure is more evenly weighted throughout the financial year;
  - c) Capital expenditure is more heavily weighted towards the latter part of the financial year due to the time required to schedule programmes of work or award contracts.
  - d) The patterns of income and expenditure are variable and are compared to previous years. The current patterns are in line with the expected trends. These patterns are reflected in the Authority's cash flow projections which is monitored and revised daily as part of the treasury management process.
- 4.4 The current increased capacity for investment is expected to drop towards the end of the financial year and this is in line with the Authority's experience.

## 5.0 BORROWING ACTIVITY.

- 5.1 The Authority's Borrowing Strategy 2015/16, approved by Council on 24 February 2015, incorporates a prudent and pragmatic approach to borrowing to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Authority's Prudential Indicators.
- 5.2 The Authority's estimated borrowing requirement for the current financial year is £1.04m. In the two subsequent financial years this is estimated to be £1.682m in 2016/17 and £0.742m in 2017/18, as presented to Cabinet in the Capital Programme Outturn and Budget report on 9 February 2016.
- 5.3 The Authority has not undertaken any new long-term borrowing during the period.
- 5.4 The Authority has two PWLB annuity loans as part of the self-financing of the HRA. The repayment element for these in 2015/16 is £1.03m.
- 5.5 The Authority's cash flow remained positive during the period. The Authority did not require any temporary loans during the period.



## 6.0 DEBT RESCHEDULING ACTIVITY.

6.1 The Authority's Debt Rescheduling Strategy 2015/16, which was approved by Council on 24 February 2015, establishes a flexible approach where the rationale for rescheduling could be one or more of the following:

- Savings in interest costs with minimal risk.
- Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
- Amending the profile of maturing debt to reduce any inherent refinancing risks.

6.2 No opportunities for debt rescheduling were identified which conformed to the above rationale. Accordingly, the Authority has undertaken no debt rescheduling activity during the period.

6.3 The Authority's portfolio of thirteen loans - ten PWLB loans and three market loans - will continue to be monitored for debt rescheduling opportunities that comply with the Authority's Policy and rationale.

## 7.0 INVESTMENT ACTIVITY.

7.1 The Authority's Investment Policy and Strategy 2015/16, which was approved by Council on 24 February 2015, established that the major policy objective is to invest its surplus funds prudently.

7.2 The Authority's investment priorities are:

- security of the invested capital;
- sufficient liquidity to permit investments; and,
- Optimum yield which is commensurate with security and liquidity.

7.3 To lower the inherent investment risk, the Authority has minimised the use of banks and increased the use of other Local Authorities as investment counterparties. A range of lengths of investment from overnight investments to short and long fixed term, from 32 days to 3 years, are currently utilised to ensure that the principles of security, liquidity and yield are followed.

7.4 The counterparties that the Authority currently utilise all meet the criteria set out in the Treasury Management Strategy Statement 2015/16 and are monitored by the Authority's Treasury Management Advisors. The counterparties and amounts currently invested are shown below:

Counterparty	Length of Investment	Rate*	£m
Lloyds Bank (Current Account)	Overnight	0.40%	0.3
Bank of Scotland	Overnight	0.40%	1.1
Handelsbanken	Overnight	0.40%	1.5
Black Rock MMF	Overnight	0.40%	1.9
Goldman Sachs MMF	Overnight	0.44%	4.4
Aberdeen Asset Management (was SWIP MMF)	Overnight	0.41%	3.1
CCLA Investment Management Ltd MMF	Overnight	0.48%	1.0

Lloyds Bank Notice Account	32 days	0.57%	1.0
Santander 95 Day Notice Account	95 Days	0.9%	1.4
Barclays Treasury Direct	3 Months	0.54%	1.5
National Counties Building Society	77 days	0.57%	1.0
Coventry Building Society	182 days	0.60%	1.5
Nationwide Building Society	182 days	0.66%	1.5
Lancashire County Council	364 days	0.50%	1.5
West Dunbartonshire Council	364 days	0.55%	2.5
London Borough of Enfield	364 days	0.50%	2.0
Salford City Council	364 days	0.60%	1.0
North Tyneside Council	364 days	0.60%	2.0
Lancashire County Council	18 months	0.70%	2.0
Blaenu Gwent County Borough Council	3 years	1.20%	2.5
Staffordshire Moorland District Council	3 Years	1.50%	2.0
Greater London Authority	3 Years	1.50%	3.0
<b>Total Invested</b>			<b>39.7</b>

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

- 7.5 The average rate of return on the Authority's investment balances during the period was 0.62%. For comparison purposes, the benchmark return (average 7-day London Interbank Bid Rate or LIBID rate) at the end of February 2016 was 0.36%. The average 7 day London Interbank Offered Rate (LIBOR) rate at the end of February 2016 was 0.49%. The comparison of rates of return against a benchmark is less relevant when set against the ultimate priority of Security as set out in the Authority's Treasury Management Strategy Statement 2015/16.
- 7.6 There were 172 investments made during the period, totalling £142.6m. The average balance held for the period was £35.1m.
- 7.7 Short term interest rates remain low resulting in a lengthening of investment periods, where cash-flow permits, in order to lock in higher rates of return. Twenty fixed term investments were taken out during the period. These investments were for amounts ranging from £1m to £3m. Fifteen fixed term investments have matured within the period. The Authority and its advisors remain on a state of alert for signs of credit or market distress that may adversely affect the Authority.
- 7.8 The Authority has budgeted to achieve £145,000 of income from its investment activity in 2015/16. Investment activity from April to February 2016 has achieved £225,242 in interest. The current forecast that is estimated to be achieved is £243,000.
- 7.9 Of this total, an element is applied to balances held on external income. This external income represents balances from S106 contributions that have not yet been spent. The estimated amount forecast to be applied is approximately £21,760 subject to the balances remaining at the end of the financial year. There is no budget applied to this element as S106 contributions are only achieved when specific conditions are met and are anticipated to be spent.
- 7.10 The estimated remaining balance of interest (£221,240) received on investment income is budgeted to be apportioned between General Fund and the Housing

Revenue Account based on the estimated cash flow position. For 2015/16, the budgeted investment income is apportioned as follows: £92,000 General Fund and £53,000 Housing Revenue Account. Any over or under achievement of interest is apportioned on this basis and the current forecast is anticipated as follows:

	<b>Budget</b>	<b>Projected</b>
General Fund	£92,000	£140,370
HRA	£53,000	£80,870
<b>Sub-Total</b>	<b>£145,000</b>	<b>£221,240</b>
External Balances	£ 0	£21,760
<b>Total</b>	<b>£145,000</b>	<b>£243,000</b>

- 7.11 The Authority sets maximum investment limits per counterparty in its Investment Policy and Strategy. The Authority's current bank account is now included in these limits. The previous current account was not included in the limits. The banking provider altered from the Co-op to Lloyds in the recent procurement exercise and the reason for the change is because the account attracts interest.
- 7.12 The major income and expenditure streams are accounted for as part of the daily treasury management operational processes. Variations in income are anticipated by ensuring that there is scope to absorb estimated fluctuations in the bank account. Variations in income of up to £100,000 are a prudent estimate based on historical experience.
- 7.13 The breaches in the following paragraphs (7.14 and 7.15) were reported in the Treasury Management Activity Report – April to August 2015 which was presented to Audit and Governance on 23 September 2015. No further breaches have occurred in the period to February 2016.
- 7.14 On 25<sup>th</sup> June, the counterparty limit was breached by £0.9m as a maturity was returned to the Authority by the investment counterparty one day earlier than requested. This is not something the Council could have taken action to avoid.
- 7.15 The Council has also moved its bank account to Lloyds and because the overall investment limit on the counterparty was not increased this has led to the limit being breached by smaller amounts on two occasions - £47,000 (31<sup>st</sup> July) and £131,000 (31<sup>st</sup> August). These breaches occurred because of fluctuations in transactions in the bank account. The counterparty investment limit for our bank account has been reviewed and updated in the Treasury Management Strategy Statement which was presented to Cabinet and Council in February 2016.
- 7.16 All other investments made during the period, complied with the Authority's agreed Annual Investment Strategy, Treasury Management Practices, Prudential Indicators and prescribed limits.

## **8.0 SUMMARY**

- 8.1 For the period April to February 2016, the Authority can confirm that it has complied with its Prudential Indicators, which were approved on 24 February 2015 as part of the Authority's Treasury Management Strategy Statement.
- 8.2 In compliance with the requirements of the CIPFA Code of Practice, this report provides members with a summary report of the Treasury Management activity for the period April to February 2016. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

8.3 The Authority can confirm that during the period April to February 2016, it has complied with its Treasury Management Practices other than the breaches reported above. In light of this the fluctuations in the bank account are now monitored throughout the day to mitigate potential unforeseen high level fluctuations.

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – 23 MARCH 2016**

Title of report	<b>DRAFT MEMBER CONDUCT ANNUAL REPORT 2015/16</b>
Contacts	<p>Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Interim Director of Resources 01530 454833 <a href="mailto:andrew.hunkin@nwleicestershire.gov.uk">andrew.hunkin@nwleicestershire.gov.uk</a></p> <p>Head of Legal &amp; Support Services and Monitoring Officer 01530 454762 <a href="mailto:elizabeth.warhurst@nwleicestershire.gov.uk">elizabeth.warhurst@nwleicestershire.gov.uk</a></p>
Purpose of report	To receive and note the draft Annual Report and authorise the Head of Legal & Support Services and Monitoring Officer to make any minor amendments before being recommended to Council.
Council Priorities	Value for Money
<p>Implications:</p> <p>Financial/Staff</p> <p>Link to relevant CAT</p> <p>Risk Management</p> <p>Equalities Impact Screening</p> <p>Human Rights</p> <p>Transformational Government</p>	<p>N/A</p> <p>N/A</p> <p>By receiving this information members will be able to manage risks of misconduct.</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
Consultees	N/A
Background papers	<p>Localism Act 2011 <a href="http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted">http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted</a></p> <p><a href="#">Current NWL Code of Conduct</a> Available on the Council's website and in the Constitution <a href="http://www.nwleics.gov.uk">www.nwleics.gov.uk</a>.</p>

Recommendations	<p><b>(1) THAT THE DRAFT MEMBER CONDUCT ANNUAL REPORT 2015/16 BE RECEIVED AND NOTED;</b></p> <p><b>(2) THAT AUTHORITY BE DELEGATED TO THE HEAD OF LEGAL &amp; SUPPORT SERVICES AND MONITORING OFFICER TO MAKE ANY MINOR AMENDMENTS TO THE REPORT FOLLOWING COMMENTS FROM THE AUDIT AND GOVERNANCE COMMITTEE;</b></p> <p><b>(3) THAT COUNCIL BE RECOMMENDED TO ENDORSE THE MEMBER CONDUCT ANNUAL REPORT 2015/16.</b></p>
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## **1. INTRODUCTION**

- 1.1 It is important that the work of the Audit and Governance Committee should be visible to the Authority and wider public. It is felt that the annual report acts as a helpful tool in communicating the work undertaken by the Audit and Governance Committee to the public and to Members.
- 1.2 The Committee is recommended to receive and note the draft Member Conduct Annual Report and authorise the Head of Legal and Support Services and Monitoring Officer to make any necessary amendments following comments from this Committee before being recommended to Council for endorsement.



# MEMBER CONDUCT ANNUAL REPORT 2015-16

## 1. Introduction

This is the Member Conduct Annual Report of North West Leicestershire District Council's Audit and Governance Committee and covers the period from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016.

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

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

## 2. Terms of Reference

**Membership:** Ten councillors

**Quorum:** Three District councillors

### **Terms of Reference:**

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

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



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

### **Sub-committees of the Audit and Governance Committee**

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

#### **Assessment Sub-committee**

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

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

#### **Review Sub-committee**

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

#### **Determinations Sub-committee**

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

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

## **3. Composition**

### **District Councillors**

All appointed by Council on 26 May 2015

**Chairman:** Councillor J Cotterill

**Deputy Chairman:** Councillor D Harrison

Councillor R Adams

Councillor R Ashman

Councillor J Clarke

Councillor F Fenning

Councillor G Jones

Councillor K Merrie

Councillor T Neilson (Resigned 4 December 2015)

Councillor S Sheahan (Appointed 23 February 2016)

Councillor A C Saffell

### **Parish Representatives**

Councillor P Thomas

The following were formally appointed at the Audit and Governance Committee on 26 March 2014:

Councillor K Grove

Councillor R Martin

## **Independent Persons**

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

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

Colin Headley  
Christine Howell  
Desmond Henderson  
David Lamb  
Gordon Grimes  
Hugh Pearson  
Lee Hughes  
Ruth Auton  
Richard Gough

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

## **4. Meetings and Work Programme**

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

## **5. Reporting Arrangements**

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

## **6. Procedures and Workloads**

### **(a) Dispensations**

During 2015/16, there were no applications received for a dispensation from either District or Parish members.

The Monitoring Officer was asked for and offered advice to Parishes with regards to the setting of the Parish precept and how that might impact on Member's duty in relation to Disclosable Pecuniary Interests. The advice provided was consistent with the position of local authorities across the County and was confirmed in follow-up guidance issued by Government.

### **(b) Complaints made to the Monitoring Officer under the New Code of Conduct 2015/16**

<u>Complaints made:</u>	6
by Members of the Public	4
by Parish Councillors	0

by District Councillors	1
by Parish Clerk	0
by Council Officer	1

Complaints against:

a Parish Council	1
a District Councillor	5

From the above mentioned complaints:

4 complaints were resolved informally:

All of these complaints related to unprofessional conduct of councillors and the parish council.

2 complaints are still at informal resolution stage:

These complaints also relate to unprofessional conduct of councillors.

**(c) Complaints referred to the Standards Assessment Sub Committee**

From the above-mentioned complaints:- None

**(d) Members' Register of Interests**

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

**7. Policies & Procedures**

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

- the Whistle Blowing Policy
- complaints handling
- Ombudsman investigations.

**Elizabeth Warhurst  
Monitoring Officer**

**Councillor J Cotterill  
Chairman**

**OUR VISION**

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

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

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## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE – 23 MARCH 2016

Title of report	<b>STANDARDS AND ETHICS – QUARTER 3 REPORT</b>
Contacts	<p>Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Interim Director of Resources 01530 454833 <a href="mailto:andrew.hunkin@nwleicestershire.gov.uk">andrew.hunkin@nwleicestershire.gov.uk</a></p> <p>Head of Legal &amp; Support Services and Monitoring Officer 01530 454762 <a href="mailto:elizabeth.warhurst@nwleicestershire.gov.uk">elizabeth.warhurst@nwleicestershire.gov.uk</a></p>
Purpose of report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 3 of 2015/16.
Council Priorities	Value for Money
Implications:	
Financial/Staff	N/A
Link to relevant CAT	N/A
Risk Management	By receiving this information members will be able to manage risks.
Equalities Impact Screening	N/A
Human Rights	N/A
Transformational Government	N/A
Consultees	N/A
Background papers	None.
Recommendations	<b>THAT THE REPORT BE RECEIVED AND NOTED.</b>

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# STANDARDS AND ETHICS

## QUARTER 3 REPORT 2015-2016

## 1. Introduction

This is the quarterly report to the Audit & Governance Committee detailing both the figures for the Ethical Indicators and the figures for the Local Determination of Complaints process for 2015/16.

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

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

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

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

## 2. Part 1 – Local Determination of Complaints

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

### 2.1 Source of Complaint

#### 2. Part 1 - Local Determination of Complaints

The Monitoring Officer received 1 complaint in Quarter 3 of 2015/2016. The complaint related to a District Councillor.

1 Complaint received in Quarter 2 was informally resolved in Quarter 3.

### 2.1 Source of Complaint

The complaint against the District Councillor was received from a member of the public. This complaint is currently at the informal resolution stage.

### 2.2 Assessment Sub-committee Decisions

There have been 0 Assessment Sub-committee meetings in the quarter.

### 2.3 Timeliness of Decision

The Standards for England Guidance stated that the Assessment Sub-committee should complete its initial assessment of an allegation “within an average of 20 working days” to reach a decision on what should happen with the complaint. The



Council has taken this standard and adapted it under the new rules to aim to hold an Assessment Sub-committee within 20 working days of notifying the parties that informal resolution is not possible.

## **2.4 Review Requests**

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

## **2.5 Subsequent Referrals**

None to report – see above.

## **2.6 Outcome of Investigations**

There were no investigations concluded in this period.

## **2.7 Parts of the Code Breached**

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

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

N/A

## 4. Part 2 – Ethical Indicators

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16
SE1	Objections to the Councils Accounts	Financial Planning Team Manager	0	0	0	0	0	0	0	
SE3	Follow up action relating to breaches of the Member/Officer Protocol (Members)	Head of Legal and Support Services	0	0	0	0	1	0	0	
SE3a	Disciplinary action relating to breaches of the Member/Officer Protocol (staff)	Human Resources Team Manager	0	0	0	0	0	0	0	
SE4	District Audit Public Interest Reports	Senior Auditor	0	0	0	0	0	0	0	
SE5	Number of Whistle blowing Incidents reported		0	0	0	0	0	0	0	
SE6	No. of recommendations made to improve governance procedures / policies		5	2	1	0	2	23	0	
SE6a	No. of recommendations implemented		5	1	7	7	10	3	5	

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16
SE7	No. of Ombudsman complaints received	Corporate Complaints Officer	0	0	1	1	2	3	2	
SE7a	No. of Ombudsman complaints resolved		0	0	1	0	2	2	2	
SE7b	No. of Ombudsman complaints where compensation paid		0	0	0	0	0	0	0	
SE8	No. of Corporate Complaints received		75	83	104	116	70	79	94	
SE8a	No. of Corporate Complaints resolved		69	79	113	93	91	52	74	
SE8b	No. of Corporate Complaints where compensation paid		1	0	4	0	4	2	17	

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- A total of 79 corporate complaints were received during Q3 which is an increase of 13% when with the same period for Q2 14/15.
- 50 of all complaints were for the Housing Service. The most common reason for a tenant making a complaint against the Housing Service was delays in carrying out agreed work (41 complaints received, which equates to 82% of all Housing complaints).
- There were 2 corporate complaints received in Q3 that resulted in compensation payments being made, however the payments were made to the complainant in Quarter 4. The total amount of compensation paid was £419.96, with the largest amount being £389.96 and the lowest being £30. £389.96 was paid to a complainant that had a shower poorly installed under the Decent Homes Improvement Project. The shower leaked several times despite numerous returns to the property by the contractor and resulted in damage to the tenants possessions. The £30 payment was made to a complainant that was without heating and hot water for 2 weeks.

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16	Actual 2014/15	2015/16
<b>Freedom of Information Act Indicators</b>										
SE9	Total no. of requests received	Head of Legal and Support Services	178	117	147	150	109	98	138	
SE9a	No. of requests compliant		125	73	83	110	82	85	85	
SE9b	No. of Non compliant requests		45	30	47	40	19	13	45	
SE9c	No of requests still open and within the 20 working days		0	1	3	0	0	0	0	
SE9d	Number withheld due to exemptions/fees applied		10	10	29	17	27	0	18	

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- There has been a 10% reduction in FOI requests during Q3 this year compared to the same period of 2014/15. .
- The sustained stability in exemptions during quarter 1 reflects the fact that more information is being made available via the council's web pages, which are now easier to access following the redesign of our website. Moving forward the amount of information made available via the web pages will continue to increase. There has been an increase in the number of requests we have received that we have transferred to a different authority, and we are hoping that we can reduce this amount by constantly updating the information on our website.



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

Issue	Details	Report Author	Meeting at which will be reported
Standards Quarterly Report	To receive the quarterly report	Head or Legal & Support Services	29 June 2016
Internal Audit Progress Report	To consider the progress report.	Senior Auditor	29 June 2016
Internal Audit Annual Report	To consider the annual report.	Senior Auditor	29 June 2016
Treasury Management Activity Report	To consider the Treasury Stewardship report	Head of Finance	29 June 2016

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