

Meeting	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
Time/Day/Date	6.30 pm on Wednesday, 13 July 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**

<b>Item</b>	<b>Pages</b>
<b>1. APOLOGIES FOR ABSENCE</b>	
<b>2. DECLARATION OF INTERESTS</b>	
Under the Code of Conduct members are reminded that in declaring disclosable interests you should make clear the nature of that interest and whether it is pecuniary or non-pecuniary.	
<b>3. MINUTES</b>	
To confirm and sign the minutes of the meeting held on 23 March 2016.	<b>3 - 8</b>
<b>4. TECHNICAL UPDATE INCLUDING THE PROGRESS REPORT AND ANNUAL AUDIT FEE LETTER 2016/17</b>	
Report of the Financial Planning Manager	<b>9 - 40</b>
<b>5. INTERNAL AUDIT PROGRESS REPORT - MAY 2016</b>	
Report of the Senior Auditor	<b>41 - 54</b>



<b>6.</b>	<b>INTERNAL AUDIT ANNUAL REPORT 2015/16</b>	
	Report of the Senior Auditor	<b>55 - 68</b>
<b>7.</b>	<b>TREASURY MANAGEMENT STEWARDSHIP REPORT 2015/16</b>	
	Report of the Financial Planning Manager	<b>69 - 76</b>
<b>8.</b>	<b>STANDARDS AND ETHICS - QUARTER 4 REPORT</b>	
	Report of the Head of Legal and Support Services	<b>77 - 86</b>
<b>9.</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 (Chairman)  
 Councillor F Fenning  
 Councillor D Harrison (Deputy Chairman)  
 Councillor G Houlton  
 Councillor G Jones  
 Councillor P Purver  
 Councillor A C Saffell  
 Councillor S Sheahan

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 23 MARCH 2016

Present: Councillor J Cotterill (Chairman)

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

In Attendance: Councillors R Johnson

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

External Audit: Mr T Crawley

### **32. APOLOGIES FOR ABSENCE**

Apologies for absence have been received from Councillors J Clarke, K Merrie and A C Saffell.

### **33. DECLARATION OF INTERESTS**

There were no declarations of interest.

### **34. MINUTES**

Consideration was given to the minutes of the meeting held on 9 December 2015.

The Monitoring Officer referred Members to minute number 31 entitled 'Committee Work Plan' in which it stated that a report regarding Information Management would be considered at the meeting. She explained that officers felt that updates on the progress of the implementation of the information management health check be included within the internal audit report and therefore was not on the agenda as an individual item.

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

RESOLVED THAT:

The minutes of the meeting held on 9 December 2015 be approved and signed by the Chairman as a correct record.

### **35. EXTERNAL AUDIT PLAN 2015-16 & ANNUAL REPORT ON GRANTS AND CLAIMS 2014/15**

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

As a new member of the External Auditing Team, Tony Crawley introduced himself and presented the report to Members. He highlighted the new guidance for the Value for Money Arrangements issued by the National Audit Office and each section of the plan including the audit fee.

The following questions were asked by Councillor S Sheahan and responses given:

- What was the significance of the materiality figure as it seemed high and would it be set lower? The External Auditor explained that it was a value judgement figure based on the financial position of the Council and it was lower than the benchmark figure. Members could put forward a figure as long as it was in line with the Code of Practice. He suggested that Members get advice from officers if they wanted to submit their

own judgement figure as any changes would result in implications to the Council. The Financial Planning Manager commented that the Council's figure had not been set yet as it was something that was considered at the financial year end.

- How common in the Public Sector was the use of management override controls? The framework that Local Authorities operated under meant that it was highly unlikely to be used but it still had to be tested. The important issue to look out for was any considerable difference in figures.
- Should Members be concerned of the impact on finances if the valuation of property plant and Equipment was wrong? The main focus of the valuation was the value of physical assets and management information, there were lots of angles to consider and it was external audit's job to assess if as an Authority, the Council was making the best use of it. Members should not be concerned.

In response to a question from Councillor G Jones, the External Auditor explained that the materiality figure was a judgement made by using the appropriate framework and was typical for a Council of its size. Councillor G Jones went on to ask how many officer hours were used for the audit fee paid by the Council. The External Auditor explained that it varied on the level of officer involved so it was not calculated by officer time, it was a scale fee set by PSAA.

Councillor F Fenning expressed his interest in the total expenditure figure; he believed that members of the public would not appreciate how much the Council was spending. He commented that the term 'fair value' used when discussing the value of property plant and equipment was not clear. The External Auditor explained that it was financial terminology and effectively was the market value. Councillor F Fenning also expressed concerns that the level of service from the external auditors could decrease as the audit fee had been reduced. The External Auditor reassured Members that efficiencies had been implemented to provide a quality service and these cost savings were being passed on to Local Authorities, it would not lead to a reduction in service.

In response to a question from Councillor S Sheahan, it was confirmed that the materiality figure did include the money that was collected and passed onto the County Council, Parish Council's and the public. It was calculated in relation to the total amount of money over which the Council needed to exercise stewardship rather than simply expenditure. Councillor S Sheahan commented that as we were actually spending a lot less than what it seemed, it would be easier to understand if the figures were broken down. The Financial Planning Team Manager confirmed that was something that could be provided in future. Following some further discussion about the materiality figure, the Monitoring Officer commented that the Council still needed to be accountable for the total amount of money which passed through it, as a conduit and expenditure.

The External Auditor then went on to present the Grants and Claims section of the report.

It was moved by Councillor R Adams , seconded by Councillor S Sheahan and

RESOLVED THAT:

- a) The External Audit Plan 2015-16 be approved.
- b) The Annual Report on Grants and Claims 2014/15 be noted.

### **36. INTERNAL AUDIT PROGRESS REPORT - FEBRUARY 2016**

The Senior Auditor presented the report to Members, drawing attention to the Executive Summary at appendix B. She referred to the overdue recommendations detailed at

appendix C and the explanations included. Regarding the leisure centre recommendations that had been discussed at the previous committee meeting, the Senior Auditor explained that she had carried out follow up checks in February and there were still some housekeeping issues. She assured Members that it was not a serious weakness but it had been reported to managers to highlight the importance of the process. She added that she would carry out further follow up checks.

Councillor D Harrison raised his concerns regarding the leisure centre issue as he felt that people being clumsy could leave the Council open to fraud and it should be looked at more seriously. He also asked if the leisure centres used CCTV cameras at the payment areas. It was confirmed that they did.

The Chairman hoped that the issues for the leisure centre would be resolved by the next meeting and be appropriately addressed by senior management. The Senior Auditor confirmed that the Head of Service was very keen to resolve the matter and she would pass on the feelings of the Committee.

In response to a question from Councillor S Sheahan, the Senior Auditor explained that the internal audit plan was set each year and was flexible in order to respond to emerging risk, therefore she was constantly making assessments for the allocation of resources and it did mean that some audits were removed or postponed to a later date. Councillor S Sheahan commented that he expected more information on why the audits had been removed or delayed within the plan. He also asked why the fraud arrangements had been removed. The Senior Auditor explained that it was ongoing and she would report back at a later date.

In response to a query from Councillor S Sheahan, the Senior Auditor clarified that the reference to 'DR plan' in the ICT key controls audit meant Disaster Recovery plan.

At the request for more information regarding the Human Resources and Payroll audit from Councillor S Sheahan, the Senior Auditor reported that as they were high risk recommendations with lots of improvements required, she had allowed the service more time to respond to the recommendations. She would therefore be undertaking another full audit to ensure she was satisfied. Members would be fully informed of the outcome.

In response to a request from Councillor F Fenning, the Senior Auditor agreed to report the cost of using external experts outside of the meeting.

In response to a request from Councillor R Ashman, the Senior Auditor agreed to report at the next meeting the progress against the recommendations for exchequer services to get up to date with reconciliations.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

### **37. 2016/17 INTERNAL AUDIT ANNUAL AUDIT PLAN**

The Senior Auditor presented the report to Members.

Councillor F Fenning commented that he appreciated the work undertaken by the internal officers but asked the External Auditor to give his opinion on the quality of the internal audit team as he had concerns due to the small number of staff. The External Auditor explained that he did not work directly with the internal audit team but only used some of

their work to assist with the external audits. He stated that he was happy that the Senior Auditor was satisfied that the resources were adequate.

Councillor S Sheahan referred to the risk registers as mentioned within the report and asked why there was not more detail. The Senior Auditor explained that there was a corporate risk register which she reviewed but was not involved in rating the risk as this was a service function. She added that there was usually a quarterly report relating to corporate risks but due to the current absence of the Head of Finance it was not included. At the request of Councillor S Sheahan, the Senior Auditor agreed to obtain and circulate the corporate risk register outside of the meeting.

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

RESOLVED THAT:

- a) The report be noted.
- b) The 2016/17 Internal Audit Annual Audit Plan be approved.

### **38. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO FEBRUARY 2016**

The Financial Planning Team Manager presented the report to Members

In response to a question from Councillor S Sheahan, the Financial Planning Team Manager confirmed that the Council did operate from a list of non UK counter parties with regards to investments and he would make the list available to Members. He added that all the Council's investments were detailed within the report.

It was moved by Councillor J Cotterill, seconded by Councillor G Jones and

RESOVLED THAT:

The Treasury Management Activity Report be approved.

### **39. DRAFT MEMBER CONDUCT ANNUAL REPORT 2015/16**

The Monitoring Officer presented the report and referred Members to the additional papers which detailed the parish representatives which needed appointing as part of the final report when considered by Council in May. She also gave the following updates to section six of the report due to a complaint being received after the report had been printed:

- The number of complaints made increased from six to seven.
- The number of complaints made by District Councillors increased from one to two.
- The number of complaints against a District Councillor increased from five to six.
- The number of complaints still at informal resolution stage increased from one to two.

In response to a question from Councillor R Adams, the Monitoring Officer explained that the process for obtaining parish representatives included canvassing Parish Council's for interested nominations. On this occasion the number of nominations received was the same as the number of seats available, which included two nominations from Whitwick Parish Council.

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

RESOLVED THAT:

- a) The Draft Member Conduct Annual Report 2015/16 be noted.
- b) The following parish councillors be appointed as Parish Representatives with effect from 7 May 2016 for the remainder of the Administration (May 2019):

Mr Peter Moulton – Whitwick Parish Council  
Mr David Gothard – Appleby Magna Parish Council  
Mr Ray Woodward – Whitwick Parish Council  
Ms Pat Thomas – Ashby Woulds Town Council

- c) Authority be delegated to the Monitoring Officer to make any further amendments to the report following comments made by the Audit and Governance Committee

RECOMMENDED THAT:

Council endorse the Member Conduct Annual Report 2015/16.

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

The Monitoring Officer presented the report to Members.

Councillor S Sheahan asked if reports from the Ombudsman were still considered by a committee. The Monitoring Officer believed that the way the Ombudsman reported to the Council had changed but would check and confirm the process to Councillor S Sheahan outside the meeting.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

**41. COMMITTEE WORK PLAN**

By affirmation of the meeting it was

RESOLVED THAT:

The Committee Work Plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.40 pm

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## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE – 13 JULY 2016

Title of report	<b>TECHNICAL UPDATE INCLUDING THE PROGRESS REPORT AND ANNUAL AUDIT FEE LETTER 2016/17</b>
Contacts	<p>Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Chief Executive 01530 454500 <a href="mailto:christine.fisher@nwleicestershire.gov.uk">christine.fisher@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 note the Technical Update including the progress report and Annual Audit Fee 2016/17
Council Priorities	Value for Money
Implications:	
Financial/Staff	No direct implications.
Link to relevant CAT	None
Risk Management	The Technical Updates as part of 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 Assessment	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 NOTE THE TECHNICAL UPDATE INCLUDING THE PROGRESS REPORT (APPENDIX 1) AND THE ANNUAL AUDIT FEE LETTER 2016/17 (APPENDIX 2)</b>

## **1.0 BACKGROUND**

- 1.1 The Document attached on Appendix 1 (Technical Update including progress report) provides the committee with a high level overview on the progress in delivering their responsibilities as our External Auditors.
- 1.2 The letter attached on Appendix 2 shows the proposed Annual Audit Fee for the 2016/17.



# Technical update

Incorporating the External Audit Progress Report

North West Leicestershire District Council

June 2016

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The contacts at KPMG in connection with this report are:

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This report provides the Audit and Governance Committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

-  High impact
-  Medium impact
-  Low impact
-  For information



# External audit progress report

# External audit progress report

This document provides the Audit and Governance Committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Area of responsibility	Commentary
14 Financial statements	<p>We met with officers across the organisation to understand how the key financial systems operated. We then evaluated the design and implementation of the controls and tested selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.</p> <p>We will assess the controls over the Council Tax, NNDR and Housing Benefit systems during the month of July, while the key controls in respect of Plant, Property and Equipment are operated during the closedown process and our testing will be supplemented by further work during our final accounts visit.</p> <p>Based on our work, the controls over the majority of the key financial systems are sound. We noted one weakness in respect of cash system in which the monthly bank reconciliations were not completed on a timely basis. At the time of this report the Authority have brought up to date the bank reconciliations. We will review these during our final accounts visit.</p> <p>The Authority relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations. Our testing of IT will be completed in July.</p> <p>During August we will complete our final accounts visit.</p>
Value for Money	<p>We have completed our initial VFM risk assessment. We identified one significant risk that we will follow up as part of our work:</p> <ul style="list-style-type: none"> <li>■ Future savings plans</li> </ul> <p>We have commenced our work on future savings plans, and at this stage we do not have any matters to report to members.</p> <p>We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260 report. This summaries any specific matters arising, and the basis for our overall conclusion.</p>
Certification of claims and returns	<p>We are in the process of planning the Housing Benefits grant's audit and we will discuss the audit approach with officers at the Hinckley Partnership during June.</p>



# KPMG resources

# Local government budget survey

KPMG has recently published the results of its Local Government Budget Survey. The survey collated data from 97 KPMG local authority clients on topics including:

- The content of budget monitoring reports;
- Savings plans;
- Invest-to-save projects
- The type of savings being made;
- Assumptions underlying the medium term financial plan; and
- Reserve movements.

The Survey also poses questions for management and Members to consider when reviewing their budget setting and budget monitoring processes.

We produced this report in February 2016 to the Head of Finance.

For more information, and a copy of the report, please contact **Sundeep Gill**, details on page 2.



# Publication 'Value of Audit – Perspectives for Government'

## What does this report address?

This report builds on the Global Audit campaign – *Value of Audit: Shaping the future of Corporate Reporting* – to look more closely at the issue of public trust in national governments and how the audit profession needs to adapt to rebuild this trust. Our objective is to articulate a clear opinion on the challenges and concepts critical to the value of audit in government today and in the future and how governments must respond in order to succeed.

Through interviews with KPMG partners from nine countries (Australia, Canada, France, Germany, Japan, the Netherlands, South Africa, the UK and the US) as well as some of our senior government audit clients from Canada, the Netherlands and the US, we have identified a number of challenges and concepts that are critical to the value of audit in government today and in the future.

## What are the key issues?

- The lack of consistent accounting standards around the world and the impacts on the usefulness of government financial statements.
- The importance of trust and independence of government across different markets.
- How government audits can provide accountability thereby enhancing the government's controls and instigating decision-making.
- 17 — The importance of technology integration and the issues that need to be addressed for successful implementation
- The degree of reliance on government financial reports as a result of differing approaches to conducting government audits

The *Value of Audit: Perspectives for Government* report can be found on the KPMG website at <https://home.kpmg.com/xx/en/home/insights.html>

The *Value of Audit: Shaping the Future of Corporate Reporting* can be found on the KPMG website at [www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx](http://www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx)

# Publication 'Reimagine – Local Government'

KPMG have published a number of reports under the headline of *Reimagine – Local Government*. These are summarised below:

## **Council cash crunch: New approach needed to find fresh income**

- By 2020, councils must generate all revenue locally.
- More and more are looking towards diversifying income streams as an integral part of this.
- Councils have significant advantages in becoming a trusted, independent supplier.
- To succeed, they must invest in developing commercial capability and capacity.

## **Councils can save more than cash by sharing data**

- Better data sharing in the public sector can save lives and money.
- The duty to share information can be as important as the duty to protect it.
- Local authorities are yet to realise the full value of their data and are wary of sharing information.
- Cross-sector structures and the right leadership is the first step to combating the problem.

## **English devolution: Chancellor aims for faster and more radical change**

- Experience of Greater Manchester has shown importance of strong leadership.
- Devolution in areas like criminal justice will help address complex social problems.
- Making councils responsible for raising budgets locally shows the radical nature of these changes.
- Cuts to business rates will stiffen the funding challenge, even for the most dynamic councils.

## **Senior public sector pensions**

- Recent changes to pensions taxation have particularly affected the public sector, with fears senior staff may quit as pension allowances bite.
- 'Analyse, control, engage' is the bedrock of an effective strategy.

## **Time for the Care Act to deliver**

- Momentum behind last year's Care Act risks stalling.
- Councils are struggling to create an accessible care market with well-informed consumers.
- Local authorities must improve digital presence and engage providers.
- Austerity need not be an impediment to progress. It could be an enabler.

The publications can be found on the KPMG website <https://home.kpmg.com/uk/en/home/insights/2016/04/reimagine-local-government.html>

# Publication 'The future of cities'

We are delighted to share *The future of cities*, a report that helps local government leaders build and evaluate sustainable cities for their current and future generations.

## What is *The future of cities*?

*The future of cities* is a global report that follows from the UK firm's thought leadership partnership with the City of Bristol and the work surrounding its European Green Capital 2015 designation. The report is broken into two modules that draw on the expertise of KPMG practitioners around the world and includes a range of case studies to ensure you find approaches relevant to your context.

The first module, *The future of cities: creating a vision*, explains the central role of vision in the success of second cities, identifying seven guiding principles to make cities more attractive. Examples are provided of various cities around the globe that are putting some of these principles into action.

The second, *The future of cities: measuring sustainability*, discusses some of the ways in which cities are being measured and how these metrics could evolve. More important, it provides practical examples of what leading cities are doing, the lessons to be learned and how these can be applied to other cities.

This content is now featured on [kpmg.com/futurecities](https://kpmg.com/futurecities) where readers can access a broader collection of reports and shorter opinion pieces from KPMG's leading thinkers on different aspects on how to create better, more sustainable places to live and work.

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# Technical developments

# New local audit framework

Level of impact: ● (Medium)	KPMG perspective
<p>The <i>Local Audit and Accountability Act 2014</i> included transitional arrangements covering the audit contracts originally let by the Audit Commission in 2012 and 2014. These contracts covered the audit of accounts up to 2016/17, and gave the Department for Communities and Local Government (DCLG) the power to extend these contracts to 2019/20.</p> <p>DCLG have now announced that the audit contracts for principal local government bodies (including district, unitary and county councils, police and fire bodies, transport bodies, combined authorities and national parks) will be extended to include the audit of the 2017/18 financial statements. From 2018/19, local government bodies will need to appoint their own auditors; currently, there is nothing definite in place whether there will be a sector-led body that is able to undertake this role on behalf of bodies. However the Local Government Association (LGA) has been seeking views and expressions of interest to gauge the appetite in the sector for this approach.</p> <p>CIPFA have now issued guidance that was commissioned by DCLG on the creation of Auditor Panels. The guidance is available at <a href="http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf">www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf</a>. The guidance provides options on establishing an Auditor Panel, and the roles and responsibilities the panels will have once established.</p> <p>NHS and smaller local government bodies (town and parish councils, and internal drainage boards), will not have their contracts extended, and will have to appoint their own auditors for 2017/18, one year earlier than for larger local government bodies.</p>	<p><i>Members may wish to discuss the options open to them on how to procure their auditor for 2018/19 and beyond and ensure they formulate a timetable for making this decision.</i></p>

# Exercising electors' rights - 2015/16 changes

Level of impact: ● (Low)	KPMG perspective
<p>Authorities may be aware that the <i>Accounts &amp; Audit Regulations 2015</i> have introduced new arrangements for the exercise of electors' rights, which take effect from the 2015/16 financial statements. One of the most significant changes is that the auditor is no longer required to 'call the audit' and specify a date upon which electors can meet with the auditor and ask questions about the accounts.</p> <p>Regulation 15 requires the Responsible Financial Officer (RFO), after signing and dating the draft accounts on behalf of the Authority, to commence the period for the exercise of electors' rights. This period is limited to 30 working days, and for 2015/16 must include the first 10 working days of July.</p> <p>22 Authorities should also note that Regulation 9(2) is clear that the authority's meeting to consider and approve the accounts should take place after the period for the exercise of electors' rights has ended. Due to the requirement in Regulation 15 for a common inspection period during July, the inspection period this year cannot end before 14 July 2016. This means that authorities should not approve and publish their accounts before 15 July 2016.</p> <p>Electors' rights are important, and the courts have in the past been critical of those who have not ensured that adequate provision for the exercise of these rights is made.</p> <p>Auditors are mindful that they may be contacted by electors or their representatives during the 30 working day inspection period. Given the limited time available, auditors will ensure that they have adequate arrangements in place during the prescribed period for receiving and identifying promptly whether any correspondence received includes formal questions under the <i>Local Audit and Accountability Act 2014</i>, and/or objections to the accounts.</p>	<p><i>The Committee may wish to seek assurances that the impact for their Authority is understood.</i></p>

# Councillors' travel expenses

Level of impact: ● (Low)		KPMG perspective
<p>HM Revenue and Customs (HMRC) are in the process of contacting Local Authorities to commence PAYE and NIC compliance reviews focusing on the historic treatment of councillors' mileage expenses. Those authorities that are unable to demonstrate they have reported payments correctly face a tax and NIC charge, with interest and potentially penalties applying.</p> <p><b>The previous rules</b></p> <p>Up until 5 April 2016, HMRC could agree that for some councillors, home is a place of work and therefore the cost of journeys to council offices could be paid free of tax and NIC. This could have been the case where, for example, councillors were required to see constituents at home. HMRC do not accept however that working from home out of choice makes home a place of work and in these cases, any expenses reimbursed in respect of travel to council offices should have been subject to tax and NIC.</p> <p><b>HMRC Compliance Reviews</b></p> <p>Those local authorities that are unable to support their historic treatment of councillor mileage expenses face a liability to unpaid PAYE, NIC, interest and potentially penalties going back four, and possibly six years. It will be important for local authorities to review their expenses records to determine how travel expenses have been treated and the processes and rationale behind that treatment. Given that different councillors can have different working patterns it will be important to review the treatment on a case by case basis.</p> <p><b>The new rules</b></p> <p>With effect from 6 April 2016, a new exemption has been introduced for councillors' travel expenses. From this date, a councillor's journey between their home and their office will be treated as 'business travel' which means that any mileage expenses reimbursed for this journey will, up to certain limits, be free of tax and NIC (subject to their home not being more than 20 miles outside the relevant authority boundary).</p> <p><b>How KPMG can help</b></p> <p>KPMG's public sector Employment Tax specialists provide practical advice on dealing with HMRC Employer Compliance reviews. We regularly assist local authorities in liaising with HMRC and staying ahead of legislative and practice developments. If you would like to speak to one of our specialists please contact your normal KPMG contact.</p>		<p><i>The Committee may wish to seek assurances how their Authority is progressing with the new requirements.</i></p>

# Capital receipts flexibility

Level of impact: ● (Low)	KPMG perspective
<p>In March 2016 the government issued further guidance to support its Autumn Statement announcement of planned changes to the rules for use of 'capital receipts'. For a 3-year period from the 1 April, local authorities will be able to spend any revenues they generate from selling surplus assets – like property or shares and bonds - to fund the costs of improvements to services. Examples of things capital receipts could be used on improving include:</p> <ul style="list-style-type: none"> <li>• shared back office, restructuring and admin work with other councils</li> <li>• counter fraud programmes</li> <li>24 public facing services which straddle more than one body, like children's services or trading standards</li> </ul> <p>The guidance requires that if councils are to use these flexibilities they should develop a dedicated strategy document to go alongside or as part of their annual budget. As a minimum, strategies should list each project that plans to use revenues from capital receipts to improve and state details of the expected savings or service transformation. From 2017 to 2018 strategies will also be required to review whether planned savings outlined in previous years are being achieved.</p> <p>The guidance can be found at the link below:</p> <p><a href="https://www.gov.uk/government/publications/final-guidance-on-flexible-use-of-capital-receipts">https://www.gov.uk/government/publications/final-guidance-on-flexible-use-of-capital-receipts</a></p>	<p><i>The Committee may wish to seek assurances how their Authority is planning to use the new flexibility.</i></p>



# 2015/16 Code of Practice Update

Level of impact: ● (Low)		KPMG perspective
<p>CIPFA/LASAAC has issued an update to the <i>2015/16 Code of Practice on Local Authority Accounting in the United Kingdom</i> (the Code) following its consultation process. The 2015/16 Code update should be read alongside the 2015/16 Code published in April 2015.</p> <p>Authorities should note that the update confirms the transitional reporting requirements for the measurement of the Highways Network Asset. The Code does not require a change to the preceding year information for the move to measuring the Highways Network Asset at current value (and under that provision would not require a change to the balance sheet information at 1 April 2015). It also does not require a restatement of the opening 1 April 2016 information but there will need to be an adjustment to those balances.</p> <p>The Code update also includes amendments as a result of legislative changes and particularly the <i>Accounts and Audit Regulations 2015</i> for English authorities. It specifies the principles for narrative reporting which CIPFA/LASAAC considers should be used to meet the new requirements of those regulations.</p>		<p><i>The Committee may wish to seek assurances that their Authority is aware of the update to the 2015/16 Code</i></p>

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# 2016/17 Work Programme and Scale of Fees

Level of impact: ● (For Information)

Following consultation, Public Sector Audit Appointments Ltd (PSAA) has published the work programme and scale fees for the audits of the 2016/17 accounts of principal audited bodies. There are no changes to the overall work programme for 2016/17.

The 2016/17 work programme documents and scale fees for individual audited bodies are now available to view on the PSAA website at <http://www.psaa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees>

# NAO report 'English devolution deals'

Level of impact: ● (For Information)

Published on 20 April, this report finds that devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended.

The report is available free of charge and the full version or a summary can be accessed at <https://www.nao.org.uk/report/english-devolution-deals/>

# Greater Manchester Combined Authority'

### Level of impact: ● (For Information)

Greater Manchester Combined Authority (GMCA) has pioneered the concept of local devolution within England. 'Devo Manc' encompasses a broad range of proposals to address the challenges and opportunities GM is facing:

#### Health and Social Care

Greater Manchester is facing an estimated financial deficit of c. £2 billion by 2020/21. A Memorandum of Understanding was signed in February 2015 between all partners in GM, committing the region to produce a comprehensive Strategic and sustainable Plan for health and social care.

As part of the Plan, GM is seeking to use its share of the £8 billion promised to the NHS in the CSR to support new recurrent costs and protect social care budgets, closing over a quarter of the funding gap. A further investment by the partners of £500 million, phased over three years, will release future recurrent savings with a likely payback of £3 for every £1 invested.

#### GM proposals

In addition, GM has made a number of proposals to reform the way public services work together and deliver services within the region:

- Investment in transport infrastructure
- New funding mechanisms to support site remediation and infrastructure provision
- Making better use of Social Housing Assets to support growth
- Locally led low carbon
- A scaled-up GM Reform Investment Fund
- Devolution of decision making for apprenticeships and training, and reform to careers advice and guidance
- Fundamental review of the way services to children are delivered
- Research and innovation funding
- Investment in integrated business support to drive growth and productivity
- Reform of the New Homes Bonus
- Further employment and skills reform
- GM approach to data sharing across public agencies
- Fiscal devolution, including reform to Business Rates, Council Tax, Stamp Duty Land Tax and a Hotel Bed Tax

All of these proposals involve joint working, not just with other GM agencies, but also central government departments. This allows the existing financial resources provided to the region to be redeployed more efficiently to maximise the benefits to GM.

# Proposed changes to business rates and core grants

### Level of impact: ● (For Information)

The Chancellor of the Exchequer has proposed some radical reforms of local government finance. The proposals are that by the end of the decade, councils will retain all locally raised business rates but will cease to receive core grant from Whitehall.

Under the proposals, authorities will be able to keep all the business rates that they collect from local businesses, meaning that power over £26 billion of revenue from business rates will be devolved.

The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Cities that choose to move to systems of combined authorities with directly elected city wide mayors will be able to increase rates for specific major infrastructure projects, up to a cap, likely to be set at £0.02 on the rate.

The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state.



# Appendix

## Appendix 1

# 2015/16 audit deliverables

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	April 2015	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2016	Complete
<b>Substantive procedures</b>			
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2016	TBC
<b>Completion</b>			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2016	TBC
<b>Certification of claims and returns</b>			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	February 2017	TBC



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**Private & confidential**

Christine Fisher  
 Chief Executive  
 North West Leicestershire District Council  
 Whitwick Road  
 Council Offices  
 Coalville  
 Leicestershire, LE67 3FJ

Our ref tc/dc/AFL 16-17

21 April 2016

Dear Christine

**Annual audit fee 2016/17**

I am writing to confirm the audit work and fee that we propose for the 2016/17 financial year at North West Leicestershire District Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Ltd's (PSAA's) published work programme and fee scales.

***Planned audit fee***

The planned audit and certification fees for 2016/17 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

<b>Audit area</b>	<b>Planned fee 2016/17</b>	<b>Planned fee 2015/16</b>
Code of Audit Practice audit fee – North West Leicestershire DC	<b>£50,522</b>	£50,522
Certification of housing benefit grant claims	<b>£TBC</b>	£9,128

PSAA has set the 2016/17 Code of Audit Practice audit scale fees at the same level as for 2015/16, thereby preserving the 25 per cent reductions that were applied that year which in turn was in addition to the savings of up to 40 per cent in scale audit fees. The planned audit fee is in line with the scale fee.

The 2016/17 certification fees have not yet been set by PSAA. However, they will be based on the 2014/15 final fees, and cover certification of housing benefit subsidy claims only. For North

West Leicestershire District Council the 2014/15 fee was £20,245. We estimate that this will be the fee for 2016/17. If we are informed of any changes to this by PSAA we will update you.

As we have not yet completed our audit for 2015/16 the audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

### ***Redistribution of Audit Commission surplus***

Following completion of the Audit Commission's 2014/15 accounts, PSAA received a payment in respect of the Audit Commission's retained earnings. PSAA will distribute this and any other surpluses from audit fees to audited bodies, on a timetable to be established by the PSAA Board.

This distribution will be made directly by PSAA and not via KPMG. Based on current information, PSAA anticipates that the amount of the redistribution is likely to be in the order of 15% of the scale fee.

### ***Factors affecting audit work for 2016/17***

We plan and deliver our work to fulfil our responsibilities under the Code of Audit Practice (the Code) issued by the National Audit Office (NAO). Under the Code, we tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting our audit responsibilities or financial reporting standards.

CIPFA/LASAAC has confirmed that the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom* will adopt the measurement requirements of the CIPFA *Code of Practice on Transport Infrastructure Assets* for highways network assets. CIPFA/LASAAC has indicated that it is unlikely that these changes will apply to district councils as it is unlikely that they hold assets which form part of the highways network, however this will need to be assessed by the Authority. If the Authority does hold material highways network assets then this change will require additional work in 2016/17, but PSAA has indicated that it is not appropriate to increase the scale fees to cover the costs of this work because the amount of work required at individual authorities will vary based on local circumstances. The fees for this additional work will therefore be discussed and agreed with you in due course and will be subject to PSAA's normal fee variation process. PSAA expects that the additional fees for a non-highways authority to be up to £5,000, where authorities are able to provide the information required and the auditor is able to rely on central assurance of the valuation models in use. This amount is indicative and therefore higher costs may be necessary.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources and to do this we will undertake

appropriate value for money (VFM) audit work. The 2016/17 fees have been set on the basis that the NAO's Code and supporting guidance does not change the level of work required on the VFM audit. Should this not be the case, or if new or increased significant VFM audit risks arise that require further audit work, additional fees will be necessary over and above the scale fee. Any such additional fees will be subject to approval through PSAA's fee variation process.

### ***Certification work***

As well as our work under the Code, we will certify the 2016/17 claim for housing benefit subsidy to the Department for Work & Pensions.

There are no longer any other claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

### ***Assumptions***

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued early next year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with Ray Bowmer, Head of Finance and then prepare a report for the Audit and Governance Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2. A statement of our independence is included at Appendix 3.

The proposed fee excludes any additional work we may agree to undertake at the request of North West Leicestershire District Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

### ***Our team***

The key members of our audit team for the 2016/17 audit are:

<b>Name</b>	<b>Role</b>	<b>Contact details</b>
Tony Crawley	Director	Tony.Crawley@kpmg.co.uk 07966 184819
Sundeep Gill	Manager	Sundeep.Gill@kpmg.co.uk 07798 572337

### ***Quality of service***

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 me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Andy Sayers ([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

Yours sincerely

Tony Crawley  
Director, KPMG LLP

cc: Ray Bowmer (Head of Finance)

## **Appendix 1 – Audit fee assumptions**

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2015/16;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2016/17 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by KPMG, PSAA, the NAO or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

## **Appendix 2: Planned outputs**

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit and Governance Committee.

<b>Planned output</b>	<b>Indicative date</b>
External audit plan	February 2017
Report to those charged with governance (ISA260 report)	September 2017
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2017
Opinion on Whole of Government Accounts return	September 2017
Annual audit letter	November 2017
Certification of grant claims and returns	November 2017

### **Appendix 3 – Independence & objectivity requirements**

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 NAO'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.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

**Confirmation statement**

We confirm that as of April 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.



## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE – 13 JULY 2016

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

Recommendations	<b>MEMBERS NOTE THE CONTENTS OF THE REPORT</b>
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## **1. INTRODUCTION**

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

## **2. TERMS OF REFERENCE**

- 2.1 Section 5 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 31 May 2016 is attached at Appendix 1.



## INTERNAL AUDIT SHARED SERVICE

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



## **1. Introduction**

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

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

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

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

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

## **4 Responsibility of Internal Audit**

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

## **5 Independence of Internal Audit**

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

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

- 5.2 If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to senior management and the Audit and Governance Committee. One part time member of the Internal Audit team works in Housing Business Support 1.5 days per week. The impairment is managed by the auditor having no involvement in the audit of this service area.

## **6 Internal Audit Plan Update**

- 6.1 A progress report against the 2016/17 Internal Audit plan is documented in Appendix A. The Internal Audit plan needs to be flexible in order to respond to current risks and resource requirements. There have been a small number of changes to the Internal Audit plan approved in March 2016 and details are documented in the 'comments' column in Appendix A.
- 6.2 Three final reports have been issued since the last update report, two audits are at the report drafting stage and one is in progress. Internal Audit resources have been used in April and May to complete audits from the 2015/16 audit plan as well as working on audits from the 2016/17 plan.
- 6.3 The executive summaries of the three final reports issued are included 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. Internal Audit does not have any significant concerns at this time.
- 7.2 Internal Audit carried out follow up testing at the Leisure Centres focussing on the cashing up arrangements and completion of cashing up forms. Weaknesses had been identified during the original audit in August 2015 and during follow up in January 2016 (as reported to December 2015 and March 2016 Audit and Governance Committee). Internal Audit can now conclude that this recommendation has been adequately implemented as testing results were satisfactory.
- 7.3 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.

## 2016/17 AUDIT PLAN PROGRESS: MAY 2016

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
Cash and Bank	Key Financial System	6	-	Schedule for Q4						
Creditors	Key Financial System	6	-	Schedule for Q4						
Sundry Debtors	Key Financial System	6	-	Scheduled for Q4						
HR and Payroll	Key Financial System	10	-	Scheduled for Q3						
Main Accounting	Key Financial System	5	-	Scheduled for Q4						
Rent Accounting	Key Financial System	6	-	Scheduled for Q2						
Treasury Management	Key Financial System	4	-	Scheduled for Q2						
ICT Key Controls	Key Financial System	-	-	Scheduled for Q3						This audit will be undertaken by ICT audit specialists.
Car parking and enforcement	Risk Based	7	-	Scheduled for Q2						
47 Enterprising NWLDC Grants	Risk Based	4	7	Report drafting						Actual days greater than planned due to broader scope.
Fuel servicing and repair contracts	Risk Based	10	-	Scheduled for Q3/Q4						
Housing Management - Mobile Working	Risk Based	7	-	Scheduled for Q2						
Housing – In House Repairs	Risk Based	10	-	Scheduled for Q4						
Planning Enforcement	Risk Based	7	-	Scheduled for Q4						
Section 106	Risk Based	10	-	Scheduled for Q3/Q4						
Trade Refuse and Recycling	Risk Based	10	6	In progress						
Welfare Provision	Risk Based	3	0.5	Engagement Planning						
Asset Performance Calculator – NPV	Advisory	4	-	As required						
CCTV	Advisory	4	-	Scheduled for Q4						
Coalville Project	Advisory	5	-	As required						
New financial systems	Advisory	5	-	As required						

**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:**

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



## Appendix B

### EXECUTIVE SUMMARY OF IN HOUSE INTERNAL AUDIT FINAL REPORTS ISSUED BETWEEN MARCH 2016 AND MAY 2016

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations			
					H	M	L	A
2015/16 Audits								
13 – ICT User Accounts	Corporate Portfolio Holder	Director of Resources ICT Team Manager and HR Manager	Grade 2	The arrangements for ensuring that ICT are notified of leavers and, once notified, their user accounts are appropriately deactivated and deleted.	4	-	-	-
14 – HR and Payroll	Leader	Director of Resources HR Manager	Grade 2	Procedure notes for the monthly process for overtime and timesheets.  Checking all key elements of the first and final payslips for employees prior to payment.  Ensuring appropriate adjustments are made to essential car users on maternity leave to avoid overpayments.	4	3	1	-
15 – Sundry Debtors	Corporate Portfolio Holder	Director of Resources Financial Services Team Manager	Grade 1	The approach to recovery action once the automatic reminders stages have been completed.	-	1	-	-

See Appendix A for Key.

## Recommendations Tracker – Overdue Recommendations

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
2014/15 Reports								
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	Not implemented	Member training is being reviewed by the Director of Resources. Audit and Governance Committee Members to receive training on role and functions of an Audit Committee following new/re appointments in May 2016.
2015/16 Reports								
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  Revised date: June 2016	Not implemented	This has not been implemented yet. Now that the reconciliation completion process has been brought up to date this will be implemented immediately.

## Recommendations Tracker – Outstanding Recommendations

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
2015/16 Reports							
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
11	Safeguarding	2	Attendance at training events and completion of mandatory training modules should be monitored. Non attendance or non completion should be followed up so that alternative arrangements can be made as necessary.	Medium	Senior HR Adviser (L1) Designated Safeguarding Officers (DSO) Group (L2-9)	September 2016	Testing scheduled October 2016
51		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
		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
13	ICT User Accounts	1	The ICT Team Manager should remind all managers of the need to complete the ICT leavers form on the intranet. This is particularly important for non permanent staff.	High	ICT Team Manager	May 2016	Testing scheduled June 2016

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
		2	The ICT Team Manager should consider amending the on-line ICT new user form to cater for the different types of staff requiring access to the network.	High	ICT Team Manager	May 2016	Testing scheduled June 2016
		3	The ICT Team Manager should ensure that all leaver notification emails from HR are acted upon.	High	ICT Team Manager	August 2016	Testing scheduled June 2016
		4	The HR Manager should ensure that the names of all leavers that they are aware of are passed to ICT.	High	HR Manager	Immediate	Testing scheduled June 2016
14	HR and Payroll	1	The monthly process for collecting and collating paper overtime forms and timesheet spreadsheets from across the Council to send to the payroll provider should be documented.	Medium	Exchequer Services Assistant	June 2016	Testing scheduled September 2016
52		2	Following confirmation from the payroll provider as to their application of the automatic enrolment rules, consideration should be given as to what action should be taken for existing employees who may be affected.	Medium	HR Manager	August 2016	Testing scheduled September 2016
		3	HR should confirm that all key elements of a starter's first payslip have been set up correctly, including pension contribution rates if applicable.	High	HR Manager	Immediate	Testing scheduled September 2016
		4	HR should confirm with the payroll provider the method that they should be using to calculate outstanding holiday pay due for all leavers.	High	HR Manager	Immediate	Testing scheduled September 2016
		5	HR and Exchequer Services should confirm that all key elements of a leaver's final payslip have been calculated correctly and processed using the correct element code.	High	HR Manager and Financial Services Team Manager	Immediate	Testing scheduled September 2016
		6	When an employee starts to receive maternity benefits HR should check whether essential car allowance is also in payment and make the appropriate adjustment to avoid an overpayment.	High	HR Manager	Immediate	Testing scheduled September 2016

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
		7	Consideration should be given as to what action should be taken with regards to recent maternity overpayments i.e. whether they should be recovered.	Medium	HR Manager	June 2016	Testing scheduled September 2016
15	Sundry Debtors	1	Invoices that have been at the investigation stage for some time (including those relating to previous years) should be reviewed and prioritised so that appropriate action taken.	Medium	Senior Exchequer Services Officer	September 2016	Testing scheduled for October 2016

Performance Measure	2016/17 Quarter 1 Target	Position as at 31.05.16	Comments
Delivery of 2016/17 Audit Plan	20%	6%	Two 2016/17 audits in progress, one at report drafting stage. 2015/16 audits have been completed during April and May 2016.
Percentage of time spent on audit work	80%	89%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	-	Surveys sent out at the end of each quarter therefore will be sent out in July 2016.
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 1 Milestone	Position as at 31.05.16
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	Health and Safety risk assessment review in progress.
Undertake audits as per agreed Audit Plan.	Complete 20% of audit plan.	On track, two audits will start in June.
Provide the Audit and Governance Committee with quarterly reports on the work and performance of internal audit.	Progress report to June Audit and Governance Committee	On target
Achievement of the PSAIS	Internal review of effectiveness of Internal Audit reported to June A&GC.	On target
Annual Audit Opinion delivered by 30 <sup>th</sup> June 2016 deadline.	Prepare Annual Report for presentation to June A&GC.	On target
Risk based annual audit plan for 2017/18 approved by 31 March 2017.	No action	

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL****AUDIT AND GOVERNANCE COMMITTEE – 13 JULY 2016**

Title of report	<b>INTERNAL AUDIT ANNUAL REPORT 2015/16</b>
Contacts	<p>Councillor Nicholas Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@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	<p>To present the annual internal audit opinion on the overall adequacy and efficiency of the Council's framework of governance, risk management and control.</p> <p>This is required by the Public Sector Internal Audit Standards and should be used to inform the Annual Governance Statement.</p>
Reason for Decision	To comply with the Public Sector Internal Audit Standards.
Council Priorities	Value for Money
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	A negative internal audit opinion would cast doubt on the Council's governance arrangements and could impact on the audit of the Statement of Accounts.
Equalities Impact Assessment	N/A
Human Rights	N/A
Transformational Government	No direct implications.
Consultees	<p>Interim Director of Resources</p> <p>Financial Planning Manager (Deputy Section 151)</p>
Background papers	Public Sector Internal Audit Standards
Recommendations	<b>THAT THE COMMITTEE NOTES THIS REPORT AND COMMENTS AS APPROPRIATE.</b>

## 1. INTRODUCTION

- 1.1 This is the annual report of the Chief Audit Executive (Senior Auditor) as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2015 to 31 March 2016.
- 1.2 This report includes the Senior Auditor's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.3 This report also includes:
- A summary of internal audit work carried out during 2015/16 which supports the opinion.
  - Issues relevant to the preparation of the Annual Governance Statement.
  - Internal Audit's Quality Assurance and Improvement Programme (QAIP).
  - A statement on conformance with the Public Sector Internal Audit Standards.

## 2. CHIEF AUDIT EXECUTIVE (SENIOR AUDITOR) OPINION 2015/16

- 2.1 I am satisfied that sufficient internal audit work has been undertaken to allow me to give an opinion on the adequacy and effectiveness of the framework of governance, risk management and control. In giving this opinion it should be noted that assurance cannot be absolute and the most that Internal Audit can provide is reasonable assurance that there are no major weaknesses in the system of internal control.
- 2.2 For the 12 months ended 31 March 2016, I have formed the opinion that the Council's overall internal control arrangements are a **Grade 2**. In line with our Internal Audit opinion grade definitions, this means that I consider that the internal control arrangements require improvement in some areas.
- 2.3 My opinion is based on the following:
- All internal audit work undertaken during the year.
  - Assurance provided by the auditors of the Leicestershire Revenues and Benefits Partnership.
  - Follow up audit work in respect of audit recommendations.
  - My knowledge of the Council's governance and risk management structure and processes.

## 3. SUMMARY OF INTERNAL AUDIT WORK DURING 2015/16

- 3.1 The risk based internal audit plan for 2015/16 was presented and approved by the Audit and Governance Committee on 25 March 2015. The plan was developed to provide assurance on the adequacy and effectiveness of internal controls across a range of financial and organisational areas that were identified as part of the risk based planning process. Progress against the plan has been reported to Audit and Governance Committee throughout the year as part of the quarterly Internal Audit progress reports.
- 3.2 A summary of the audit opinions given in 2015/16 is detailed in Table 1 below. The opinion for individual audits is included in Appendix A for information.

Table 1



<b>Audit Opinion</b>	<b>Number</b>
Grade 1 – Internal controls are adequate in all important aspects	5
Grade 2 – Internal controls require improvement in some areas	9
Grade 3 – Internal controls require significant improvement	0
Grade 4 – Internal controls are inadequate in all important aspects	0
<b>Total</b>	<b>14</b>

- 3.3 Three of the Council's key financial systems (Benefits, Business Rates and Council Tax) are provided by the Leicestershire Revenues and Benefits Partnership. For 2015/16 the internal audit service at the Partnership was provided by PwC. They reported their findings at the Leicestershire Partnership Revenues and Benefits Joint Committee held on 28<sup>th</sup> January 2016. I have reviewed their report which included two areas of concern relating to Council Tax:

- No detailed procedure notes available for staff working in Council Tax.
- Discounts and exemptions are not always reviewed within an appropriate time frame and evidence to support them is not always held on file.

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

- 3.4 Internal Audit follow up progress against recommendations in line with the timescales agreed at the time of issuing reports. The Audit and Governance Committee is updated on the Council's progress against the recommendations as part of the quarterly Internal Audit progress reports. A summary of the recommendation tracking results is included at Appendix B.

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

- 4.1 It is my opinion that the audit work we have undertaken during 2015/16 has not identified any significant control weaknesses that would require disclosure in the Annual Governance Statement. The Section 151 Officer (or Deputy in his absence) receives all Internal Audit reports issued therefore he is also able to review them and make his own assessment when he is completing the Statement should he be of a different opinion.
- 4.2 The lack of detailed procedure notes for staff working in Council Tax at the Leicestershire Partnership Revenues and Benefits as reported by the Partnership Internal Auditors may be something that the Section 151 Officer wishes to consider for inclusion.

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

- 5.1 The Public Sector Internal Audit Standards require the QAIP to include internal and external assessments.
- 5.2 The internal assessments applicable to 2015/16 comprise of the following:

- The Senior Auditor set up all audit engagements and carried out documented reviews of working papers and draft reports prior to issue.
- Quarterly customer satisfaction surveys were sent out to all Heads of Service and Team Managers who had an audit in their service area. The results of which are included in the monthly performance review meetings and quarterly progress reports to Audit and Governance Committee.
- Monthly performance review meetings which are attended by the Senior Auditor and the Head of Finance/Director of Resources.
- Quarterly progress reports to Audit and Governance Committee which include monitoring of activity and performance.
- The Senior Auditor has undertaken a review to ensure continuing compliance with the recently updated PSIAS (see section 6).

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

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

6.1 The external assessment conducted in April 2015 concluded that there were no significant gaps in compliance. An action plan was produced in response to the recommendations and suggestions made. The completed action plan is included at Appendix C.

6.2 As we were found to be compliant with the PSIAS in April 2015 and our key processes remain the same, I do not consider it necessary to undertake a full self assessment against the PSIAS for 2015/16. However, the PSIAS were updated in April 2016 therefore I have carried out a review against the additions to ensure we remain compliant from April 2016. This review is included at Appendix D.

## RESULTS OF INDIVIDUAL AUDIT ASSIGNMENTS 2015/16

Audit Report	Grade	Number of recommendations				Date reported to Audit and Governance Committee
		High	Medium	Low	Advisory	
1 – Treasury Management	1	-	-	-	-	December 2015
2 – Hood Park Leisure Centre	2	3	1	-	1	December 2015
3 – Hermitage Leisure Centre	2	5	1	-	1	December 2015
4 – Corporate Performance Management	1	-	-	-	-	December 2015
5 – Building Control	2	4	-	-	-	December 2015
6 – Governance and Ethics (Member Training)	2	3	2	-	-	December 2015
7 – Rent Accounting	2	2	-	1	-	December 2015
8 – Creditors	1	-	-	1	-	December 2015
9 – Main Accounting System	1	-	-	-	-	December 2015
10 – Cash and Bank	2	2	-	-	-	March 2016
11 – Safeguarding	2	2	4	-	-	March 2016
12 – Planned Investment – Asset Management System	N/A					This audit was at the management review stage at the time of writing the report.
13 – ICT User Accounts	2	4	-	-	-	June 2016
14 – HR and Payroll	2	4	3	1	-	June 2016
15 – Debtors	1	-	1	-	-	June 2016

Members are able to view copies of all Internal Audit reports in full on iNet.

## Appendix B

### SUMMARY OF INTERNAL AUDIT RECOMMENDATIONS 2015/16

Recommendation Priority	Recommendations Made	Recommendations Implemented	Recommendations Not Yet Due	Recommendations Overdue
High	29	18	10	1
Medium	12	6	6	0
Low	3	2	1	0
Total	44	26	17	1

The quarterly progress reports to Audit and Governance Committee give details of the outstanding and overdue high or medium priority recommendations.

There is one overdue recommendation that has been carried forward from 2014/15 which relates to anti fraud and corruption training for Members.

#### Recommendations Key:

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

## PUBLIC SECTOR INTERNAL AUDIT STANDARDS EXTERNAL ASSESSMENT (APRIL 2015) ACTION PLAN

Standard	Action	Response	Target Date	Status
1000	Consider specifying who receives a report of insufficient resources and what they should do about it (S1).	If this situation was to occur the Senior Auditor would draw this to the attention of all relevant individuals.	N/A	
1200	Consider keeping meeting and planning papers with the relevant audit files (S2).	This is now being applied to 'new' audits and the engagement plans now detail the date of the set up meeting and the attendees.	Immediate	Implemented
1300	Consider involving non-audit staff in the annual self-assessment processes or rule this out in the QAIP procedure (S3).	This will be considered on an annual basis therefore will not rule it out of the QAIP procedure explicitly as it remains an option for the periodic internal assessments.	May 2016	Implemented
1300	Consider including the results of the satisfaction survey in the annual report (S4).	The results are included as part of the evidence to show compliance with the updated PSIAS as at April 2016.	N/A	Implemented
1300	Discussions about the external assessment should take place during formal Audit Committee meetings and the decisions should be minuted (R1).	The assessment was discussed at the March 2015 Audit Committee as part of the Internal Audit Progress Report. Within this report the Senior Auditor recommended that the external assessment be carried out and the Committee agreed, indicated by their acceptance of the report. In future the Senior Auditor will ensure all important decisions are minuted explicitly.	Next external assessment not required until 2020 however this approach will be applied at all Audit Committees.	Implemented
1300	Ensure the QAIP is reported in the annual report when the programme is in place (R2).	2014/15 and 2015/16 Annual Report include the QAIP.	May 2015	Implemented
2201	Consider filing working drafts of engagement plans with audit papers (S5).	This is now being applied to 'new' audits and the engagement plans now detail the date of the set up meeting and the attendees.	Immediate	Implemented
2210	Include overt references to fraud, error and value	This is now being included overtly as part of the	Immediate	Implemented

	for money in planning documents (S6).	audit objectives.		
2210	Ensure that risks are listed in engagement plans for all audits, including non-risk-based audits (S7).	Risks will be included on all engagement plans.	Immediate	Implemented
2330	Introduce the testing schedule at NWL (R3).	Testing schedules were already being used at NWL however we have improved them.	Immediate	Implemented
2330	Include any handwritten working papers, e.g. interview notes, in the audit file by scanning if necessary (R4).	I do not accept this recommendation. We write up notes after any meetings in the compliance testing schedule record and we will make clearer reference to dates/times of interviews in our working papers. We retain our hardcopy handwritten notes until the final report is issued however as an audit team we do not feel keeping all of our handwritten notes on audit files would add value.	N/A	Not accepted
2330	Agree a retention policy (R5).	Agreed – in line with LGA guidance it will be 6 years. This will be included in the corporate policy when it reviewed and was added to the Internal Audit Charter at the August 2015 review.	Immediate	Implemented
2340	Include the senior auditor's name on engagement plans and reports (R6)	Agreed.	Immediate	Implemented
2340	Continue to explore ways to supervise and review audit work undertaken by senior auditor (S8).	Agreed.	Immediate and ongoing	Implemented
2410	Consider if it would be appropriate to include or offer more details on more critical reports (S9).	Report templates are already amended on an audit by audit basis.	N/A	
2450	Revise the opinion so that they are consistent with each other (R7).	Agreed. Annual opinion now based on assurance model used for all audits.	May 2015	Implemented
2450	Make it clear that the opinion reflects governance, risk and control, either in the definitions or in the text preceding the definitions and control (R8).	Agreed.	May 2015	Implemented
Code of Ethics	Consider developing a training needs assessment (S10).	Training needs are considered as part of the BEE Valued Reflection process. The development element is considered at Q3 meeting and there is a training log for the team.	December 2015	Implemented

Key

S – Suggestion

R - Recommendation

Additional Requirement	Current Position	Action Required
<p>Section 3 Mission of Internal Audit:</p> <ul style="list-style-type: none"> <li>Mission statement for Internal Audit</li> </ul>	The Internal Audit Charter states our purpose however it does not include a mission statement.	A mission statement will be prepared by the Senior Auditor and included in the Charter when it is reviewed in August 2016.
<p>Section 4 Core Principles for the Professional Practice of Internal Audit:</p> <p>a) Demonstrates integrity.</p> <p>b) Demonstrates competence and due professional care.</p>	<p>a) Confirmed by April 2015 external assessment as this is a component of the Code of Ethics in the existing PSIAS. The Internal Audit team always work to high professional standards which is confirmed through informal feedback and customer satisfaction survey results which have 100% satisfaction.</p> <p>b) Confirmed by external assessment as this was considered as PSIAS 1200. The Senior Auditor is suitably experienced and qualified and reviews all work. Training needs are assessed for each team member as part of the</p>	<p>a) No action required.</p> <p>b) No action required.</p>

<p>c) Is objective and free from undue influence (independent).</p> <p>d) Aligns with strategies, objectives and risks of the organisation.</p> <p>e) Is appropriately positioned and adequately resourced.</p> <p>f) Demonstrates quality and continuous improvement.</p>	<p>corporate performance management system.</p> <p>c) Confirmed by external assessment as this was considered as PSIAS 1100. The Senior Auditor has direct access to the Audit and Governance Committee and the Chief Executive if required.</p> <p>d) The annual planning process ensures that the audit plan is risk based and aligns with Council priority areas. Individual audit engagements consider specific risks to services.</p> <p>e) The Senior Auditor job title sometimes causes confusion, usually externally, as this role is the Chief Audit Executive which is more commonly titled Head of Internal Audit. The Senior Auditor title could be perceived to be diminishing the status of Internal Audit in the organisation. As part of the annual planning process resources are considered and they are currently adequate.</p> <p>f) Internal Audit is subject to both internal and external assessment of quality. Continuous improvement is</p>	<p>c) No action required.</p> <p>d) No action required.</p> <p>e) Senior Auditor to discuss job title with Director of Resources.</p> <p>f) No action required.</p>
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	<p>achieved by responding to feedback received informally and formally. The external assessment was positive and found no significant gaps in compliance with the PSIAS.</p>	
g) Communicates effectively.	g) There are specific questions in the customer satisfaction surveys that relate to the quality and clarity of reports and all have received positive responses.	g) No further action.
h) Provides risk based assurance.	h) The annual audit planning process is based on an annual risk assessment of services/functions. Each audit engagement also specifically identifies relevant risks.	h) No further action.
i) Is insightful, proactive and future-focussed.	i) The Senior Auditor is proactive in identifying risks and engaging with management to consider how effectively these risks are being addressed and how an audit may add value. The audit plan is purposefully flexible and is often revised to take account of changes to risks – either increasing or diminishing. Any changes to the plan are reported to Audit and Governance Committee.	i) No further action.
j) Promotes organisational improvement.	j) This is evidenced through our audit reports which identify weaknesses and	j) No further action.

	<p>make useful recommendations for improvement. Internal Audit follow up the progress of the implementation of recommendations (see Appendix B). The value of audit recommendations is a question on the customer satisfaction survey which has only positive responses.</p>	
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**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – 13 JULY 2016**

Title of report	<b>TREASURY MANAGEMENT STEWARDSHIP REPORT 2015/16</b>
	<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 inform Members of the Authority's Treasury Management activity undertaken during the financial year 2015/16.
Reason for Decision	These are statutory requirements
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 Assessment	Not applicable
Human Rights	Not applicable
Transformational Government	Not applicable
Consultees	None

Background papers	<a href="#"><u>Treasury Management Strategy Statement 2015/16 – Council Meeting 24 February 2015 (Appendix 4 in the Budget and Council Tax 2015/16 Report)</u></a>  <a href="#"><u>Treasury Management Strategy Statement 2016/17 – Council Meeting 23 February 2016</u></a>  <a href="#"><u>Treasury Management Activity Report , April 2015 to August 2015 – Audit and Governance Committee 23 September 2015</u></a>  <a href="#"><u>Treasury Management Activity Report , April 2015 to October 2015 – Audit and Governance Committee 9 December 2015</u></a>  <a href="#"><u>Treasury Management Activity Report , April 2015 to February 2016 – Audit and Governance Committee 23 March 2016</u></a>
Recommendations	<b>THAT MEMBERS APPROVE THIS REPORT.</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 This report fulfils the Authority's legal obligation under the Local Government Act 2003, to have regard to both the CIPFA Code and the CLG Investment Guidance.
- 1.3 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."
- 1.4 The Authority's current Treasury Management Strategy Statement, including the Borrowing Strategy, Debt Rescheduling Strategy, Annual Investment Strategy, Prudential Indicators and Annual Minimum Revenue Position Statement for 2015-16 were approved by Council on 24 February 2015.
- 1.5 The Treasury Management Stewardship Report is supplemented by three in-year reports to the Audit and Governance Committee on 23 September 2015, 9 December 2015 and 23 March 2016.

## 2.0 THE U.K. ECONOMY AND GLOBAL EVENTS

- **Growth, Inflation, Employment:** The UK economy slowed in 2015 with GDP falling to 2.3% from a robust 3% the year before. CPI inflation hovered around 0% through 2015 with deflationary spells in April, September and October. The low inflation was attributed to the continued collapse in oil prices (from \$67 a barrel in May 2015 to just under \$28 in January 2016), the

appreciation of sterling since 2013 that pushed down import prices and weaker wage growth. CPI picked up to 0.3% in February.

The labour market continued to improve through 2015 and in Q1 2016. January 2016 showed the employment rate at 74.1% and the unemployment rate at a 12 year low of 5.1%. After a long period of negative real wage growth (i.e. after inflation), real earnings were positive and growing at their fastest rate in eight years, boosting consumer spending power.

- **UK Monetary Policy:** The Bank of England's MPC maintained interest rates at 0.5% and asset purchases (QE) at £375bn.
- **Global Influences:** The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and to prospects for global growth as a whole. As the global economy entered 2016, there was high uncertainty about growth and the outcomes of both the US presidential elections and the UK referendum on Europe. Between February and March 2016, sterling had depreciated by around 3% - a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.  
Interest rates in the United States were raised in December 2015 and indicated further potential raises in 2016. However, central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation, including an increase in asset purchasing (quantitative easing).

### 3.0 THE AUTHORITY'S TREASURY POSITION

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

<b>DEBT</b>	<b>Balance at 31/03/2015 £m</b>	<b>%</b>	<b>Maturing loans £m</b>	<b>New Borrowing £m</b>	<b>Balance at 31/03/2016 £m</b>	<b>%</b>
Long-term fixed rate (PWL & Bonds)	£85.514m		£1.032m	£0.000m	£84.482m	
Long-term variable rate	£0.000m		£0.000m	£0.000m	£0.000m	
Temporary Borrowing	£0.000m		£0.000m	£0.000m	£0.000m	
<b>Total borrowing</b>	<b>£85.514m</b>	<b>99.9</b>	<b>£1.032m</b>	<b>£0.000m</b>	<b>£84.482m</b>	<b>99.9</b>
Other long-term liabilities	£0.126m	0.1	£0.007m	£0.000m	£0.119m	0.1
<b>TOTAL EXTERNAL DEBT</b>	<b>£85.640m</b>	<b>100</b>	<b>£1.039m</b>	<b>£0.000m</b>	<b>£84.601m</b>	<b>100</b>
<b>INVESTMENTS</b>	<b>Balance at 31/03/2015 £m</b>	<b>%</b>	<b>Maturities £m</b>	<b>New Investment £m</b>	<b>Balance at 31/03/2016 £m</b>	<b>%</b>
<b>Internally Managed</b>	<b>£20.755m</b>	<b>97.6</b>	<b>£45.395m</b>	<b>£55.241m</b>	<b>£30.601m</b>	<b>95.9</b>
Investments with maturities up to 1 year,	£15.755	74.1	£45.395m	£50.741m	£21.101m	66.1
Investments with maturities in excess of 1 year	£5.000m	23.5	£0.000m	£4.500m	£9.500m	29.8
<b>Externally Managed Investments</b>	<b>£0.500m</b>	<b>2.4</b>	<b>£96.250m</b>	<b>£97.050m</b>	<b>£1.300m</b>	<b>4.1</b>
<b>TOTAL INVESTMENTS</b>	<b>£21.255m</b>	<b>100</b>	<b>£141.645m</b>	<b>£152.291m</b>	<b>£31.901m</b>	<b>100</b>
<b>NET DEBT</b>	<b>£64.385m</b>				<b>£52.700m</b>	

- 3.2 The 'Maturing Loans' column contains the annual repayments on two PWLB annuity loans that were taken out as part of the self-financing system of Council Housing in 2011/12.
- 3.3 In 2015/16, the capacity for investment has increased by £10.6m.
- 3.4 The capacity for investment can be affected by various factors - for example: Increased income, contribution to/from reserves, setting aside expenditure to repay borrowing (MRP) and fortuitous income. In 2015/16 some of the highlights that have impacted on the increased capacity are: sales of assets - houses under the 'Right to Buy' scheme, other Housing and General Fund property generated approx £2m; MRP is £0.6m; increased income from Planning Fees circa £0.7m and Business Rates £1m (forecasted); and cash flow timing of receipts and payments.

#### **4.0 BORROWING ACTIVITY**

- 4.1 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.
- 4.2 No loans matured in 2015/16 require replacement.
- 4.3 The Authority did not undertake any new long-term borrowing during the year and interest payments totalling £2.82m were made in respect of existing debt.
- 4.4 The Authority's cash flow remained positive during the period. The Authority did not require any temporary loans during the period.
- 4.5 The Authority had approximately £5m of internal debt at 31 March 2016 as this is currently judged to be the most cost effective means of funding the capital programme.
- 4.6 The Estimated Minimum Revenue Provision (MRP) is intended to ensure that the capital financing debt is paid off over the longer term. The MRP charge that was made to the General Fund revenue account for 2015/16 was £0.558m. For Housing, MRP is classed as the principal repayments made in respect of two PWLB annuity loans taken out as part of the Housing self financing in 2011/12. In 2015/16, this repayment was £1.032m

#### **5.0 DEBT RESCHEDULING ACTIVITY**

- 5.1 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.
- 5.2 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.



5.3 The Authority's portfolio of 13 loans - 10 PWLB loans and three market loans - will continue to be monitored for debt rescheduling opportunities that comply with the Authority's Policy and rationale.

## 6.0 INVESTMENT ACTIVITY

6.1 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.

6.2 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.

6.3 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 minimum long term rating for counterparties is A- or equivalent. The counterparties and amounts invested at 31 March 2016 are shown below:

Counterparty	Length of Investment	£m
Lloyds Banking Group / Bank of Scotland	Overnight	1.6
Handelsbanken	Overnight	1.5
Aberdeen Asset Management	Overnight	0.3
CCLA Investment Management Ltd MMF	Overnight	1.0
Lloyds 32 Day Notice Account	32 days	1.0
Santander 95 Day Account	95 Days	1.5
Barclays Treasury Direct	3 Months	1.5
Nationwide Building Society	6 Months	1.5
Lancashire County Council	364 Days	1.5
London Borough of Enfield	364 Days	2.0
West Dunbartonshire Council	364 Days	2.5
North Tyneside Council	364 days	2.0
Fife Council	364 Days	1.0
Salford City Council	364 Days	1.0
Lancashire County Council	18 Months	2.0
Staffordshire Moorlands DC	3 Years	2.0
Greater London Authority	3 Years	3.0
Blaenau Gwent County Borough Council	3 Years	2.5
Newcastle City Council	3 Years	2.5
<b>Total Invested</b>		<b>31.9</b>

6.4 The average rate of return on the Authority's investment balances during the year was 0.618%. For comparison purposes, the benchmark return (average 7-day London Interbank Bid Rate or LIBID rate) for 2015/16 was 0.45%. 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.

- 6.5 The Authority budgeted to achieve £145,000 of income from its investment activity in 2015/16. The average cash balances representing the Authority's reserves, capital receipts and working balances were £35.3m during the year (2014/15 £30.4m). The total interest earned on investments was £249,038 (2014/15 £188,046). Of this total interest, £21,406 is applied to balances held on external income (2014/15 £16,497). This external income represents balances from S106 contributions for schemes such as Healthcare, affordable housing and recreation that have not yet been spent.
- 6.6 The remaining balance of interest (£227,632) received on investment income is budgeted to be apportioned between General Fund and the Housing Revenue Account based on an 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 and the over achievement of interest is apportioned on this basis. The outturn position of investment income achieved for 2015/16 is: £108,486 General Fund and £63,073 HRA.

2014/15	Budget	Actual
General Fund	£92,000	£144,429
HRA	£53,000	£83,203
External Balances	£ 0	£21,406
<b>Total</b>	<b>£145,000</b>	<b>£249,038</b>

## 7.0 COUNTERPARTY LIMITS

- 7.1 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 that the banking provider is included in the limits is because the account attracts interest.
- 7.2 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.
- 7.3 The breaches in the following paragraphs (7.4 and 7.5) 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 March 2016.
- 7.4 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.
- 7.5 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.

- 7.6 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 The Authority can confirm that it has complied with its Prudential Indicators for 2015/16, which were approved on 24 February 2015.
- 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 during 2015/16. 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 2015/16, it has complied with its Treasury Management Strategy Statement, policies and Treasury Management Practices other than the breaches reported above.

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**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – 13 JULY 2016**

Title of report	<b>STANDARDS AND ETHICS – QUARTER 4 REPORT</b>
Contacts	<p>Councillor N Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Head of Legal and Support Services and Monitoring Officer 01530 454701 <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 4 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 Assessment	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 4 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 1 complaint in Quarter 4 of 2015/2016. The complaint related to a District Councillor.

### **2.1 Source of Complaint**

The complaint was received from a District Councillor.

### **2.2 Assessment Sub-committee Decisions**

There has been 0 Assessment Sub-committee meetings in this 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 and Governance Committee to determine where there needs to be further training for councillors. Targeting training in this way makes it more sustainable and, hopefully, more effective.

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

N/A

#### 4. Part 2 – Ethical Indicators

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 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
Freedom of Information Act Indicators										
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	

- 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.

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
Regulation of Investigatory Powers Act Indicators										
SE10	No. of Directed Surveillance authorisations granted during the quarter	Senior Auditor	0	0	0	0	0	0	0	
SE10a	No. in force at the end of the quarter		0	0	0	0	0	0	0	
SE10b	No. of CHIS recruited during the quarter		0	0	0	0	0	0	0	
SE10c	No. ceased to be used during the quarter		0	0	0	0	0	0	0	
SE10d	No. active at the end of the quarter		0	0	0	0	0	0	0	
SE10e	No. of breaches (particularly unauthorised surveillance)		0	0	0	0	0	0	0	
SE10f	No. of applications submitted to obtain communications data which were rejected		0	0	0	0	0	0	0	
SE10g	No of notices requiring disclosure of communications data		0	0	0	0	0	0	0	
SE10h	No of authorisations for conduct to acquire communications data		0	0	0	0	0		0	
SE10i	No of recordable errors		0	0	0	0	0	0	0	

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

Issue	Details	Report Author	Meeting at which will be reported
Standards and Ethics – Quarter 1 Report	To receive the quarterly report.	Head or Legal & Support Services	21 September 2016
Annual Governance Statement 2015 - 2016	To receive the annual statement.	Head of Finance	21 September 2016
Report to Those Charged with Governance 2015/16	To receive the annual report.	Head of Finance	21 September 2016
Annual Statement of Accounts 2015/16	To receive the annual statement.	Head of Finance	21 September 2016
Internal Audit Progress Report	To consider the progress report.	Senior Auditor	21 September 2016
Review of the Internal Audit Charter	To consider the report.	Senior Auditor	21 September 2016
Treasury Management Activity Report	To consider the Treasury Stewardship report	Head of Finance	21 September 2016
Standards and Ethics – Quarter 2 Report	To receive the quarterly report.	Head or Legal & Support Services	7 December 2016
Annual Audit Letter 2015/16	To receive the Annual Audit Letter.	Head of Finance	7 December 2016
External Audit Progress Report	To receive the progress report.	Head of Finance	7 December 2016
Internal Audit Progress Report	To receive the progress report.	Senior Auditor	7 December 2016
Treasury Management Activity Report	To consider the Treasury Stewardship report.	Head of Finance	7 December 2016

Updated: 13/06/16

Agenda Item 9.

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