

Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 6 December 2017
Location	Council Chamber, Council Offices, Coalville
Officer to contact	Democratic Services (01530 454512)

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

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

AGENDA

Item	Pages
1. APOLOGIES FOR ABSENCE	
2. DECLARATION OF INTERESTS	
Under the Code of Conduct members are reminded that in declaring disclosable interests you should make clear the nature of that interest and whether it is pecuniary or non-pecuniary.	
3. MINUTES	
To confirm and sign the minutes of the meeting held on 27 September 2017.	3 - 8
4. ANNUAL AUDIT LETTER 2016/17	
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5. INTERNAL AUDIT PROGRESS REPORT - OCTOBER 2017	
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6.	TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO OCTOBER 2017	
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7.	PROGRESS MADE IN RESPECT OF IMPROVEMENT IDENTIFIED THROUGH THE REVIEW OF THE ANNUAL GOVERNANCE STATEMENT	
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	Review of the Financial Planning Team Manager	53 - 58
9.	STANDARDS AND ETHICS – QUARTER 2 REPORT 2017/18	
	Report of the Head of Legal and Support Services	59 - 78
10.	AUDIT AND GOVERNANCE COMMITTEE MEMBER TRAINING	
	Report of the Financial Planning Team Manager	79 - 80
11.	COMMITTEE WORK PLAN	
	To note the Committee's work plan	81 - 82

Circulation:

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

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 27 SEPTEMBER 2017

Present: Councillor J Cotterill (Chairman)

Councillors R Ashman, F Fenning, D Harrison, G Houlst, S McKendrick, P Purver and S Sheahan

Officers: Mr A Hunkin, Mrs L Marron, Mr I Nelson, Mr J Newton, Ms A Onwuchekwa, Mrs R Wallace and Miss E Warhurst

External Audit: Mr T Crawley

9. APOLOGIES FOR ABSENCE

There were no apologies for absence.

10. DECLARATION OF INTERESTS

There were no declarations of interest.

11. MINUTES

Consideration was given to the minutes of the meeting on 21 June 2017.

By affirmation of the meeting it was

RESOLVED THAT:

The minutes of the meeting held on 21 June 2017 be approved as a correct record and signed by the Chairman.

12. REPORT TO THOSE CHARGED WITH GOVERNANCE 2016/17

The Interim Director of Resources welcomed the External Auditors to the meeting. He added that as the Financial Planning Manager was unfortunately not in attendance, any technical answers would be addressed outside of the meeting.

Mr S Gill, External Auditor, presented his report to Members highlighting the audit risks, judgements, key issues and recommendations. He also informed Members that from the year 2017/18 there would be a new statutory requirement to produce a draft set of accounts earlier, this shortened the amount of time available to audit and would impact on the current accounting practices. He concluded by thanking the Financial Planning Manager and her team for the work undertaken.

Councillor S Sheahan referred to the key issues within appendix one of the report and asked what the issue was regarding the cash flow. He was concerned as it had been an issue for the past two years. The Interim Director of Resources responded that he was unsure of the exact issue but he was aware that the Financial Planning Manager had taken steps to manage the cash flow but further information would be provided outside of the meeting.

Councillor F R D Fenning referred to recommendation three within appendix two of the report and questioned if the service was appropriately staffed due to the number of mistakes being made. The Interim Director of Resources agreed to circulate information regarding how the overpayments of benefits was being addressed. He added that recovery of overpayments were difficult for a number of reasons and there were also legal restrictions. Councillor D Harrison also raised concerns as tax payers money was being

mistakenly given away. He asked for assurances that serious work was being undertaken to prevent this in the future. The Interim Director of Resources reported that a large part of the overpayments was due to changes in claimants' personal circumstances rather than errors being made by staff and once again referred to the further information he would be circulating.

Councillor S Sheahan questioned when Universal Credit would be introduced in the district and asked for assurances that the authority was prepared. The Interim Director of Resources responded that preparations were being made and there was a session planned with the Department of Work and Pensions to assist with dealing with the change. He confirmed that it would be introduced in parts of the district in 2018, with full implementation in 2019. He also suggested that a report considered by the Revenues and Benefits Joint Committee on this matter be circulated to Members.

Councillor D Harrison commented that people were now worried about the pension deficit and asked how the authority was planning on dealing with the issue. The Interim Director of Resources reported that the authority had recently received information to confirm that there were pressures but it was being managed and therefore no action was required at the moment.

Councillor S McKendrick referred to the coming changes in accounting practices for the year 2017/18 and asked if the staff were prepared. The Interim Director of Resources explained that staff would receive additional training and the Financial Planning Manager was currently looking at best practice as other authorities were already working to the new timescales.

At the request of Councillor G A Allman, the Interim Director of Resources agreed to provide a percentage figure for housing benefit in proportion to the overall budget outside of the meeting.

Councillor F R D Fenning referred to the current work being undertaken around the leisure service which would involve the transfer of a proportion of council employees, he asked if this had been considered by the external auditors. Mr T Crawley, External Auditor, explained that they did not get involved with Council decision making and were only looking at the current accounts, therefore this area of work was not yet included. However, he did keep in regular contact with the Financial Planning Manager to have an idea of what was coming in the future.

Councillor S Sheahan commented that there seemed to be a lot of budget surplus which was not being spent. The Interim Director of Resources explained that the surplus was being put into reserves in accordance with the Council's current strategy to safeguard for the future. He reported that a surplus had been growing due to planning and recycling income, investments, plus collection of business rates. He added that it would all be detailed within the budget report for Cabinet and the surplus was reviewed regularly. Councillor S Sheahan was frustrated that money was being put into reserves when it could be used towards some of the Council's deficit. The Interim Director of Resources reiterated that surplus was dealt with in accordance with the current budgeting strategy.

Councillor S Sheahan also raised concerns regarding the surplus in the Housing Revenue Account due to underspend on cyclical repairs in housing and asked if there was an issue in getting work completed. The Interim Director of Resources agreed to provide the information outside of the meeting.

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

RESOLVED THAT:

- a) The content of the External Auditor's Report be noted.
- b) The letter of representation be approved.
- c) The External Auditor's recommendations and the management comments as set out in appendix one be noted.

13. ANNUAL GOVERNANCE STATEMENT 2016/2017

The Interim Director of Resources presented the report. He informed Members that the External Auditors had reviewed the Annual Governance Statement and had confirmed that it complied with the CIPFA/SOLACE framework and that it was not misleading or inconsistent with any other information they were aware of from their audit of the financial statements.

Councillor S Sheahan referred to the recommendation to review the equality policy and asked when the current policy had been written. The interim Director of Resources reported that the policy was last reviewed in 2011 and it would be reviewed again in the coming months.

Regarding the training for Audit and Governance Committee Members, Councillor F R D Fenning felt that it was important to ask Members what they would like to be trained on. He understood that Members did not need to be trained as accountants but he would personally like to understand more about how the council operates in certain areas such as Housing. The Interim Director of Resources responded that he was happy to listen to any training needs from Members. He agreed that Members did not need to become trained accountants as they brought a unique outside perspective on the accounts. He also felt that the briefing Members attended regarding the statement of accounts was useful and similar sessions should be available in the future.

Councillor S Sheahan welcomed the commitment to assess risks on a regular basis.

By affirmation of the meeting it was

RESOLVED THAT:

The Annual Governance Statement 2016/17 be approved.

14. LOCAL CODE OF CORPORATE GOVERNANCE

The Interim Director of Resources presented the report to Members.

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

RESOLVED THAT:

The Local Code of Governance be approved.

15. ANNUAL STATEMENT OF ACCOUNTS 2016/17

The Interim Director of Resources presented the report to Members, highlighting the main changes to the accounts as detailed within the report.

In the absence of the Financial Planning Manager, the Interim Director of Resources agreed to supply the following information outside of the meeting:

- The detail behind the 'Rents – Other' income within the Housing Revenue Account for Councillor S McKendrick.
- Information regarding the re-evaluation of the Housing Stock in relation to the decent home standard for Councillor J Cotterill.
- A response regarding any adjustments required due to the pensions liability increase for Councillor S Sheahan. Mr T Crawley, External Auditor explained that it was more of an indication as to the position of the authority rather than a liability and was based on bond rates going forward.

Councillor R Ashman thanked officers for the member briefing held recently to look at the Statement of Accounts as he found it very useful and he hoped that the same would be done in the future.

Councillor D Harrison referred to the long term pension liability and raised concerns of how the council would deal with such a large amount of money to pay. The Interim Director of Resources believed that it was a very important topic and agreed to discuss the possibility of another member briefing with the Financial Planning Manager. Mr T Crawley, External Auditor, informed Members that the figure did fluctuate from year to year and although it looked high, it was in line with other authorities.

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

RESOVLED THAT:

- a) The Annual Statement of Accounts be approved.
- b) The Chairman of the Audit and Governance Committee be authorised to sign the accounts as approved.
- c) The authority to approve any minor non material amendments to the accounts as agreed by the Auditor, be delegated to the Chairman of the Audit and Governance Committee and the Deputy Section 151 Officer.

16. INTERNAL AUDIT PROGRESS REPORT - AUGUST 2017

The Audit Manager presented the report to Members, highlighting the executive summaries of the three final reports issued since the last meeting. She drew Members attention to the Section 106 audit which in her opinion was a grade three and therefore required significant improvement. Follow up work during September found that progress had been made and regular reviews would continue to be undertaken. The Audit Manager also referred to a number of weaknesses identified during an investigation in the Housing Repairs Service and advised that a full audit would be carried out in quarter four.

Councillor S Sheahan asked for further details regarding the weaknesses in the control systems of Housing Repairs. The Audit Manager explained that it would not be appropriate to go into the full details due to the nature and approach of the investigation but it included controls around purchases and management of stock and assets.

Councillor S Sheahan asked what the issue was regarding Section 106 contributions. The Head of Planning and Regeneration explained that when responsibility for administration and monitoring of Section 106 agreements moved into Planning & Regeneration, the whole administrative process was not working as there were no systems, no consistent or centralised records and no controls in place at all. He had requested help from audit as he had recognised that there was a problem, and welcomed the rigorous audit and its

findings, which had greatly assisted to focus actions to bring it under control. He went on to explain that there was now a dedicated resource to administer the process and they were approximately half way through compiling details of all Section 106 agreements together into a single database. All records included a summary for each agreement and, once complete and published on-line, would be able to be viewed by all. He added that there was now an improved form for when Section 106 money contributions were requested which ensured that the right checks were made for compliance before any money was released. Councillor S Sheahan asked if there was a risk of developers trying to claim back unspent money. The Head of Planning and Regeneration responded that it was hard to calculate but believed there was a reasonably low risk due to the good relationship that was had with the developers.

In response to a request from Councillor R Ashman, the Head of Planning and Regeneration agreed to provide an update at the next meeting to highlight any areas of concern regarding unspent S106 money.

In response to a question from Councillor P Purver, the Head of Planning and Regeneration stated that he was unsure of the exact number of Section 106 agreements that had expired but would provide it at the next meeting as part of the update.

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

RESOLVED THAT:

The report be noted.

17. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO AUGUST 2017

The Interim Director of Resources presented the report to Members.

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

RESOVLED THAT:

The report be noted.

18. STANDARDS AND ETHICS - QUARTER 1 REPORT

The Head of Legal and Support Services presented the report to Members and drew attention to the new format to make the information easier to read and highlight issues.

Regarding the number of stage one complaints responded to on time in quarter one, Councillor G Hoult commented that 64 per cent seemed low. The Head of Legal and Support Services agreed that it was low but ensured Members that work was being done with officers to make improvements and this should be reflected in reports over time.

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

RESOLVED THAT:

The report be noted.

19. COMMITTEE WORK PLAN

RESOLVED THAT:

The Committee Work Plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.44 pm

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE - 6 DECEMBER 2017**

Title of report	ANNUAL AUDIT LETTER 2016/17
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Chief Executive 01530 454500 bev.smith@nwleicestershire.gov.uk</p> <p>Financial Planning Manager/Deputy S151 Officer 01530 454707 tracy.ashe@nwleicestershire.gov.uk</p>
Purpose of report	To report the receipt of the Annual Audit Letter.
Reason for Decision	To receive a report from the External Auditor.
Council Priorities	Value for Money.
Implications:	
Financial/Staff	None.
Link to relevant CAT	None.
Risk Management	Not required.
Equalities Impact Assessment	Not required.
Human Rights	None identified.
Transformational Government	Not applicable.
Consultees	None
Background papers	None.
Recommendations	THAT THE 2016/17 ANNUAL AUDIT LETTER BE NOTED

1.0 BACKGROUND

- 1.1 Our External Auditor, KPMG, was responsible for the external audit of the Council's financial statements and Value for Money arrangements for 2016/17.
- 1.2 The External Auditor has already reported the findings of the audit and issued an unqualified audit opinion on the 2016/17 Financial Statements and confirmed that the Council's arrangements for providing Value for Money are satisfactory.
- 1.3 KPMG have provided the Annual Audit letter for consideration by the Committee. The letter provides a summary of the audit work undertaken for the 2016/17 year.
- 1.4 The report also details the fees for undertaking the annual audit for 2016/17 which was £51,869 against the planned fee of £50,522. The additional costs totalling £1,347 were incurred as a result of inadequate supporting working papers and errors identified in the Expenditure and Funding Analysis statement and revaluation of Property, Plant and Equipment. Work is currently underway to ensure that these issues are rectified and not repeated in the audit of 2017/18 which will take place in June 2018.
- 1.5 The Annual Audit Letter is contained within Appendix A.



Annual Audit Letter 2016/17

North West
Leicestershire District
Council

October 2017

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

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

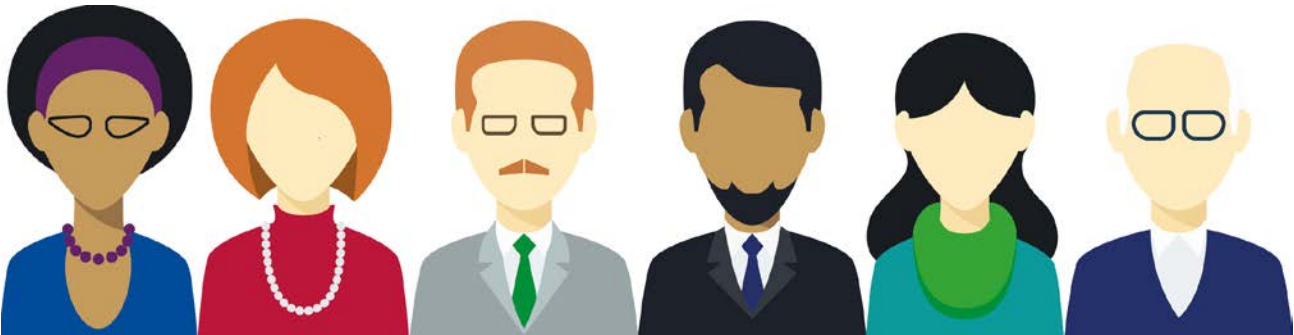
We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your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

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Section one

Summary

This Annual Audit Letter summarises the outcome from our audit work at North West Leicestershire District Council in relation to the 2016/17 audit year. Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.



VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM) for 2016/17 on 29 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources

To arrive at our conclusion we looked at the Authority's arrangements in regard to informed decision making, sustainable resource deployment and working with partners and third parties.

VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate them.

Our work identified the following VFM risk as highlighted in our External Audit Plan 2016/17:

Medium Term Financial Plan

Along with the rest of Local Government, the Authority continues to face significant financial pressures and uncertainties. These include the implications of Brexit, mechanism changes in New Homes Bonus funding, the potential for one hundred percent business rates retention of locally collected rates, and the outcome of outstanding business rates appeals.

We reviewed the Authority's outturn report 2016/17, the 2017/18 Budget, the Medium Term Financial Strategy for 2017 to 2020 and it four-year efficiency plan in order to help us understand the arrangements in place.

The Authority submitted its four-year efficiency plan to the DCLG. This was in response to the invitation from the Secretary of State in March 2016 for local authorities to engage with Government to secure a multi-year settlement for Revenue Support Grant, thus helping the Authority's financial planning. The provisional financial settlement for 2017/18 was announced by the Secretary of State on 15 December 2016 setting the minimum levels of Revenue Support Grant for the following four years.

In 2016/17 the Authority achieved a surplus of £1.825m compared with a budgeted surplus of £1.082m. The additional surplus is mainly due to the Authority receiving higher than anticipated income from planning fees (£0.172m), recycling (£0.316m) and business rates (£0.342m).

We also note that the Authority's Housing Revenue Account (HRA) outturn for 2016/17 was a surplus of £3.234m compared with a budgeted surplus of £2.395m. This is mainly due to £0.308m underspend on cyclical repairs, £0.210m additional rental income and £0.138m savings from corporate recharges.

The Authority's Medium Term Financial Strategy identifies funding gap of £0.372m in 2019/20, which will be funded through either use of reserves or savings generated.

For 2017/18 the Authority has set a General Fund balanced budget of £12.473m including predicted surplus of £0.903m and set a surplus HRA budget for 2017/18 of £0.142m.

Section one

Summary (cont.)

This Annual Audit Letter summarises the outcome from our audit work at North West Leicestershire District Council in relation to the 2016/17 audit year. Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.



Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 29 September 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

Financial statements audit

We did not identify any issues in the course of our audit that were considered to be material. We identified that there were a small number of presentational adjustments required to ensure that the accounts were compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code'), and the Authority amended the statements accordingly.

The Authority's Cash Flow Statement contained a balancing figure of £0.161m to balance the Statement. As a result we raised a medium rating recommendation for the Authority to resolve this issue going forward, which officers have accepted.

The supporting working papers provided did not in all cases meet the requirements of our 'Prepared by Client' list and in some cases were delayed. Therefore there is an opportunity for improvements to be made in providing a clear set of working papers that fully meet our audit requirements at the outset of the audit. Going forward the Authority needs to tighten its financial reporting process to ensure the new 2017/18 deadline of having audited accounts by the end of July is met.

Other information accompanying the financial statements

We review other information that accompanies the financial statements to consider its material consistency with the audited accounts. We reviewed the Annual Governance Statement (that was not received until 23 August 2017, which is after the statutory deadline of 30 June) and Narrative Report. Both of these were revised to reflect our comments in respect of its format, content and the requirements of Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE (2016) and the Code. We concluded that they were consistent with our understanding of the Authority.

Whole of Government Accounts

The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. This pack was provided late to us on 19 October 2017, which is after the submission deadline of 30 June. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.

High priority recommendations

We are pleased to report that there are no high risk recommendations arising from our 2016-17 audit work and there are no outstanding agreed high priority audit recommendations from prior years.

Certificate

We issued our certificate on 29 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

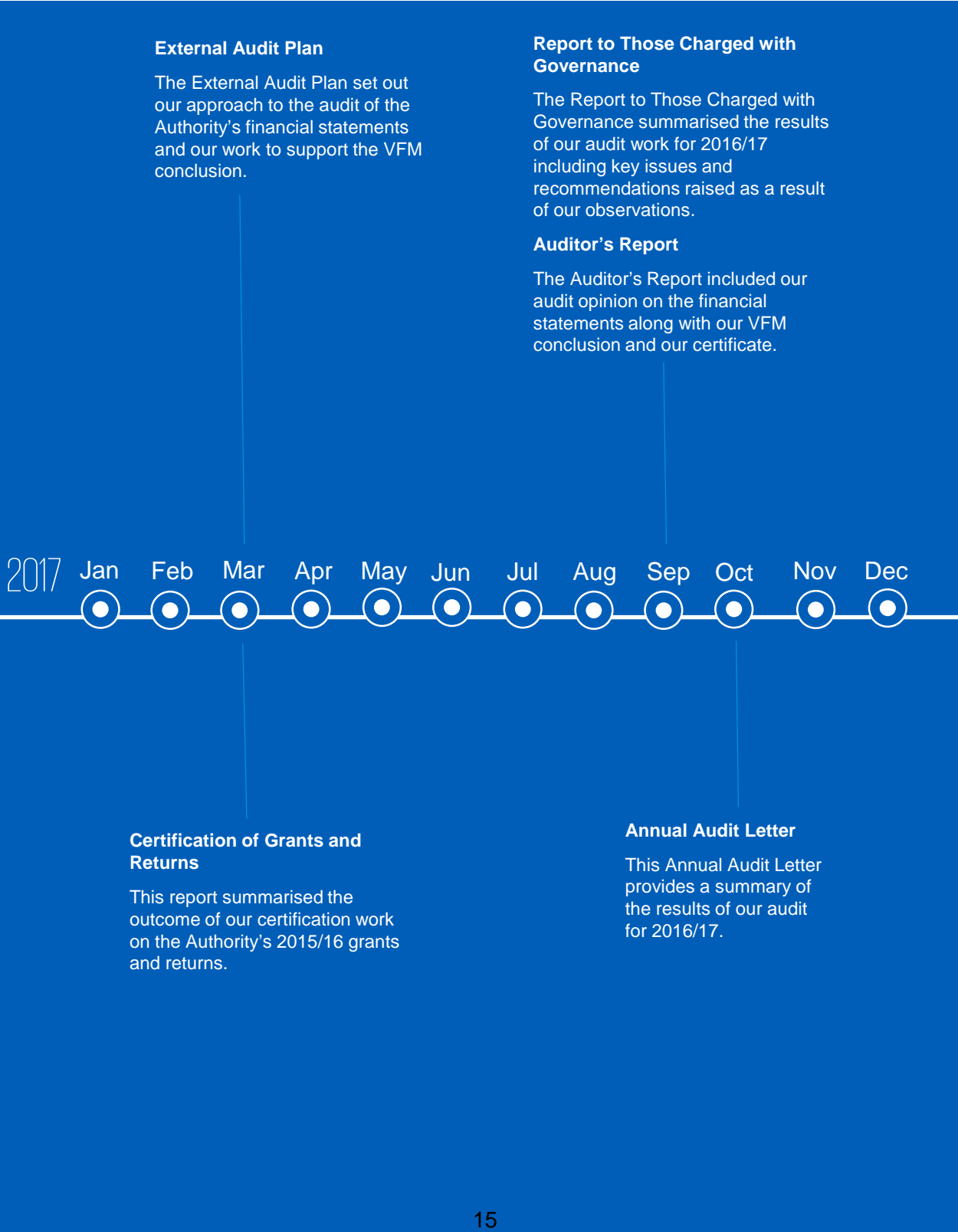
Our proposed final fee for 2016/17 was £51,869 excluding VAT. This compares to a planned fee of £50,522. We propose to charge (subject to PSAA approval) additional fee of £1,347 to reflect the additional work and costs incurred in carrying out the final accounts audit. Further detail is contained in Appendix 2.

Appendix 1

Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Audit and Governance committee pages on the Authority’s website at www.nwleics.gov.uk.



Appendix 2

Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

External audit

Our proposed final fee for the 2016/17 audit of North West Leicestershire District Council was £51,869. This compares to a planned fee of £50,522. The is due to additional work and costs incurred of £1,347 in carrying out the final accounts audit due to inadequate supporting working papers and errors identified in Expenditure and Funding Analysis statement and revaluation of Property, Plant and Equipment.

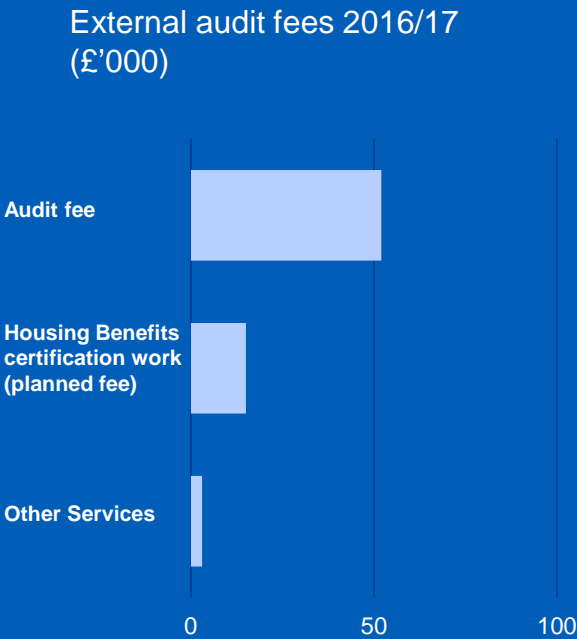
Our fees are still subject to final determination by Public Sector Audit Appointments.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in March 2018.

Other services

We charged £3,000 for the certification of the 2015/16 Pooling of Housing Capital Receipts grant claim, which is outside of Public Sector Audit Appointment's certification regime.



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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 6 DECEMBER 2017

Title of report	INTERNAL AUDIT PROGRESS REPORT – OCTOBER 2017
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Transformation 01530 454520 anita.onwuchekwa@nwleicestershire.gov.uk</p> <p>Auditor 01530 454728 dianne.harris@nwleicestershire.gov.uk</p>
Purpose of report	To inform the Committee of progress against the Internal Audit plan for 2017/18 and to highlight any incidences of significant control failings or weaknesses that have been identified.
Reason for decision	To comply with the Public Sector Internal Audit Standards.
Council priorities	Value for Money
Implications:	
Financial/Staff	None.
Link to relevant CAT	None.
Risk Management	The Internal Audit planning process using a risk assessment based methodology.
Equalities Impact Screening	Not Applicable.
Human Rights	None.
Transformational Government	Not Applicable
Consultees	None
Background papers	Public Sector Internal Audit Standards 2017/18 Internal Audit Annual Audit Plan

Recommendations	MEMBERS NOTE THE CONTENTS OF THE REPORT
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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 2017/18 Audit Plan on 22 March 2017. They receive progress reports quarterly.

2. TERMS OF REFERENCE

- 2.1 Section 3 of Part 3 of the Constitution sets out the Terms of Reference of the Audit and Governance Committee, as set out at the extract below:
'To act as the Authority's Audit Committee, to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to be responsible for the financial reporting process.'
- 2.2 Particular statements in the Terms of Reference that refer to Internal Audit include:
'd) Approve (but not direct) Internal Audit's strategy and plans and monitor performance
e) Review summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary
f) Receive the annual report of Internal Audit'.

3. PROGRESS REPORT

- 3.1 The Internal Audit Progress Report for the period 01 September 2017 to 31st October 2017 is attached at Appendix 1.



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report October 2017

1. Introduction

- 1.1 The assurances received through the Internal Audit programme are a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to highlight the progress against the 2017/18 Internal Audit Plan up to 31st October 2017 and inform the Audit and Governance Committee of any significant control failings that have been identified through Internal Audit work.

2. Purpose of Internal Audit

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

3. Authority of Internal Audit

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

4 Responsibility of Internal Audit

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

5 Independence of Internal Audit

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

6 Internal Audit Team Update

- 6.1 The Audit Manager started her maternity leave on 6th November. There were difficulties recruiting to this post but a candidate has now been identified and is due to start early in the New Year. She is a qualified Auditor and has worked at NWLDC in the past as well as other public and private organisations.

7 Internal Audit Plan Update

- 7.1 A progress report against the 2017/18 Internal Audit Plan is documented in Appendix A. The plan needs to be flexible in order to respond to current risks and resources. There have been several changes to the plan approved in March 2017 and details are documented in the 'comments' column in Appendix A.
- 7.2 Three final reports have been issued since the last update report, two are at the report drafting stage and two are in progress. The executive summaries for the final reports issued are included in Appendix B. Our work has not identified any significant control weaknesses to draw attention to at this point in time.

8 Internal Audit Recommendations

- 8.1 Internal Audit monitors and follows up all critical, high and medium priority recommendations. All outstanding recommendations are included in Appendix C for information. Recommendations that have been made and implemented in the reporting period are also included for information.
- 8.2 At the meeting of the Audit and Governance Committee on 27 September 2017 it was minuted that:

"In response to a request from Councillor R Ashman, the Head of Planning and Regeneration agreed to provide an update at the next meeting to highlight any areas of concern regarding unspent S106 money."

Below is the update from the Head of Planning and Regeneration.

'An initial review of existing S106 agreements where funding has been received but has not been spent, has been undertaken and from this it appears that there are 11 agreements where this is the case. Of these 6 relate to healthcare, 1 to Community Safety and 4 in respect of recreation/open space. The issue of healthcare funds not being spent was previously considered by the Policy and Development Group at its meeting on 6 January 2016. Council officers now meet regularly with a representative of the Clinical Commissioning Group and they are aware of these unspent funds. In

terms of the other unspent monies the respective organisations have been contacted to ascertain what progress, if any, there has been as in some cases it would appear that some of the monies have been spent. We are also developing processes and procedures to ensure that this situation can be avoided in the future'.

9 Internal Audit Performance Indicators

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

2017/18 AUDIT PLAN PROGRESS TO 31 OCTOBER 2017

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
Housing											
Choice Based Letting	Risk Based	5	-	Removed from plan							New system will not be implemented until much later in the year therefore include on 18/19 audit plan.
Gas/Solid Fuel Servicing and Maintenance	Risk Based	10		Scheduled for Q3							
Assistive Technology and Support Service	Risk Based	4	0.5	In progress							
Housing Repairs	Risk Based	10		Scheduled for Q4							
New Council Houses	Risk Based	5		Scheduled for Q3							
Rent Accounting	Risk Based	6	1.5	In progress							
Right to Buy (1)	Risk Based	5	8	Final Report Issued	Grade 2	-	1	3	3	-	
Housing ICT Review	Advisory	5		As required							
Housing Repairs	Advisory	10	1	As required							
Community Services											
Grounds Maintenance	Risk Based	6		Scheduled for Q3/Q4							
Hood Park Leisure Centre	Risk Based	6	6	In progress							
Hermitage Leisure Centre	Risk Based	6	8.8	In progress							
Planning Enforcement	Risk Based	6	-	Removed from plan							New policy still to go to Cabinet therefore include this audit on 18/19 plan.
New Car Parking Machines	Advisory	2									
Disabled Facilities Grant Determination	Grant	3	-	Removed from plan							This work is no longer required as funding comes through LCC who sign off the determination.
Planning											

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
Development Control (3)	Risk Based	6	8	Final report issued	Grade 2	-	3	2	-	-	
Economic Development											
Cultural Services	Risk Based	4	-	Removed from Plan							The Service is currently going through an internal review therefore will consider the need for this audit in 2018/19.
Coalville Project	Advisory	2									
Business Focus Database	Advisory	1	0.5	Completed	N/A – advisory						
Finance											
ICT Assets (2)	Risk Based	5	13.6	Final report issued	Grade 2	-	3	5	-	-	Planned days exceeded due to wider scope than originally planned and extra time required to resolve queries during the audit as not all necessary information was provided initially.
Key Financial Systems	Risk Based	30	19	HR and Payroll Audit (6) final report issued	Grade 2	-	5	12	1	-	High number of recommendations for a Grade 2 audit however the audit scope was wide to reflect the new HR and Payroll system from April 2017 and the majority of controls were found to be operating adequately.
Finance Service/Systems Review	Advisory	4	2.5	As required							

KEY

Audit Opinion

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

Recommendation Priority

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

Appendix B

EXECUTIVE SUMMARY OF IN HOUSE INTERNAL AUDIT FINAL REPORTS ISSUED 01 SEPTEMBER 2017 – 31 OCTOBER 2017

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C	H	M	L	A
2017/18 Audits									
2 – ICT Assets	Corporate Portfolio Holder	Head of Transformation ICT Team Manager	Grade 2	Annual checks of ICT assets. Procedures for assigning / re-assigning and issue / return of ICT assets. Disposal of ICT assets.	-	3	5	-	-
3 – Development Control 28	Regeneration and Planning Portfolio Holder	Head of Planning and Regeneration Planning and Development Team Manager	Grade 2	Updating of procedures notes for day to day activities associated with the process. Refunds – authorisation of and methods of payment used for refunds. Performance reporting.	-	3	2	-	-
6 – HR and Payroll	Corporate Portfolio Holder	Chief Executive HR Manager and Financial Services Team Manager	Grade 2	Ensuring that pension deductions for all new staff start immediately if appropriate. Processing leavers and updating the leaver checklist. Working with the system provider to ensure that unpaid leave and paternity leave are calculated and applied correctly. Formalising and documenting the approach to engaging consultants.	-	5	12	1	-

See Appendix A for Key.

RECOMMENDATIONS TRACKER – OUTSTANDING RECOMMENDATIONS

Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
2016/17 Reports							
11	Review of Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption	7	A review should be undertaken to confirm that the policy framework is satisfactory and policies are up to date. As part of this the need for a cyber security policy should be considered.	Medium	Interim Head of Transformation	26.05.17	A review has taken place with plans for a cyber security policy but this has not yet been produced. A meeting was held with team managers in October 2017 to establish existing controls and areas for improvement, including policy framework, with plans to set out in a strategy which can then be reported against to Audit and Governance Committee.
NA 29	Key ICT Controls Audit	3	ICT Management should document the new DR arrangements once they have been established e.g. into a formal DR Policy/Plan. Once the new DR arrangements have been established regular DR tests should be planned and undertaken.	Medium	IT Manager	September 2017	The testing will be carried out once the full switch over to the data centre happens in November therefore Internal Audit will follow up again in December 2017.
		9	Consideration should be given to reviewing the password configurations for key IT applications to ensure that they are reasonable. Where a decision is made to allow for more relaxed password requirements any associated risks should be formally approved by Senior Management.	Medium	IT Manager, in conjunction with the Systems Administrators	July 2017	This work is in progress as requires input from system administrators from across the authority and senior management approval of any relaxation in policy. Internal Audit will follow up again in December 2017.
14	S106	2	The current guidance notes require further improvement to clearly show what should	Medium	Planning Policy Team Manager	August 2017	Partially implemented – some procedure notes have been produced however there are

Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
			<p>happen at each stage of the process and the individual / team responsible. There are a number of areas which would also benefit from having written procedures, as a minimum these should cover:</p> <ul style="list-style-type: none"> • Registering / recording of S106 agreements. • Monitoring of triggers and action points. • Raising invoices and monitoring of payment. • Grant applications and approval process. • Action to be taken when obligations not met. 				still some that need to be drafted. Internal Audit will follow up in January 2018.
30		5	The details from the S106 agreement entered onto the S106 database should be sufficient to enable effective monitoring of actions and triggers associated with the agreements.	High	Planning Policy Team Manager	September 2017	Progress has been made and records of agreements now held. Further work required on the database to enable effective monitoring to take place. Internal Audit will follow up in February 2018.
		9	Where other departments retain records of S106 agreements for their own purposes regular liaison meetings should be held with the department and Planning Policy to ensure that information held by all parties agrees.	Medium	Planning Policy Team Manager	October 2017	It has not been possible to achieve the target date. Internal Audit will follow up in February 2018.
		15	Records should be maintained which show the intended recipient of S106 funding, amount due, purpose of funding and date which the funding is to be spent by. There should be a facility whereby the recipient is prompted of funding available on a periodic basis (this information should have been agreed first with the other Council departments that also hold information).	Medium	Planning Policy Team Manager	August 2017	This is being worked on, the original target date was not realistic in terms of the amount of work involved. Internal Audit will follow up in February 2018.

Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
		17	Completed funding drawdown applications should be numbered and a record kept of their location should reference to these be required in the future.	Medium	Planning Policy Team Manager	July 2017	This is being worked on but the original target date has not been met. Internal Audit will follow up in February 2018.
2017/18 Reports							
1	Right to Buy	1	A Tenancy Fraud Policy should be drawn up which covers all types of Housing Tenancy Fraud (not just Right to Buy). The policy should clearly state the action to be taken should a fraud be identified.	High	Housing Management Team Manager	1st November 2017 (policy at draft stage) and final approved by 1st January 2018	Audit will follow up in December 2017.
		2	A risk assessment should be undertaken to determine the level of risk associated with Tenancy Fraud.	Medium	Housing Management Team Manager	1st November 2017	Audit will follow up in December 2017.
2	ICT Assets	1	ICT procedures should be updated to include the process to be followed where ICT equipment is provided to services or individuals. Procedures should also cover processes for returning equipment to ICT or re-assigning equipment to other users.	Medium	ICT Manager	December 2017	Internal Audit follow up January 2018
3		2	Enquires should be made as to whether there is a facility within the ICT Asset Register which would confirm the date that the status of an asset has been changed and by whom.	Medium	ICT Service Support Manager	Already Implemented	Already implemented
		3	Those items of ICT equipment which could not be located during the audit should be tracked down and the asset register updated accordingly (asset tag 1402,1653 and 1778)	Medium	ICT Manager	November 2017	Internal Audit follow up December 2017
		4	Items of ICT equipment recorded on the asset register with no specific user should be regularly checked by ICT staff and any change in location / re-assignment be updated accordingly.	Medium	ICT Manager	December 2017	Internal Audit follow up January 2018
		5	ICT should provide all services with details of ICT Assets which are currently assigned	High	ICT Manager	January 2018	Internal Audit follow up

Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
			to them (as per the ICT Asset Register) in order that each service can confirm the ICT assets which are currently held by them and their location. Evidence that the ICT Asset inventory check has been undertaken and results of this check should be reported to ICT. Inventory checks should then be completed on at least an annual basis.				February 2018
		6	The Asset Management Group should develop a Minor Asset Disposal Policy to define the requirements when disposing of ICT and other minor assets. This should include any authorisation required prior to disposal of the asset.	High	Interim Head of Transformation	January 2018	Internal Audit follow up February 2018
32		7	The report provided which details ICT equipment which has been disposed of should be checked to the ICT list of equipment sent for disposal to confirm that these agree. Where there are discrepancies these should be followed up with the company used. The method of disposal should also be checked to confirm that this is acceptable and that certificates have been received confirming this. All checks and findings should be evidenced.	High	ICT Manager	December 2017	Internal Audit follow up January 2018
		8	The 'status' of equipment that has been disposed of should be accurately reflected as 'recycled' in the ICT asset register.	Medium	ICT Manager	November 2017	Internal Audit follow up December 2017
3	Development Control	1	Development Control procedure notes should be updated to reflect current practice.	Medium	Planning Support Team Leader	December 2017	Internal Audit follow up January 2018
		2	Refunds should be authorised in line with authorisation limits. Consideration should be given as to whether the Planning Support Team Leader's current authorisation limit is adequate.	High	Planning & Development Team Manager	Immediately	Internal Audit follow up December 2017
		3	As refunds should be made to the source where the payment originated the Planning	High	Planning & Development Team	November 2017	Internal Audit follow up December 2017

Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
			Support Team Leader should contact the Senior Exchequer Services Officer to discuss how best to ensure this happens in the future. Once agreed, procedures should be updated to reflect the process to be applied when requesting refunds.		Manager		
		4	The Development Control system should accurately reflect details of all payments received and any associated refunds.	High	Planning Support Team Leader	Immediately	Internal Audit follow up December 2017
		5	Consideration should be given to including all of the performance measures which are to be reported through to the DCLG onto the monthly performance monitoring dashboard.	Medium	Planning & Development Team Manager	November 2017	Internal Audit follow up December 2017
6	HR and Payroll	1	A service level agreement (or something similar) should be produced by HR and Financial Services to set out the roles and responsibilities of each team for monthly and annual processes.	Medium	Financial Services Team Manager and HR Manager	31.03.18	Internal Audit follow up April 2018
		2	A review of procedure notes should be undertaken to confirm that they exist for all key tasks that are specific to NWLDC and do not follow the system providers' standard approach – for example reconciliations or internal checking processes. Where necessary procedure notes should be produced.	Medium	Senior Exchequer Services Officer and HR Analyst	31.03.18	Internal Audit follow up April 2018
		3	The planned monthly meetings should start and contingency arrangements made should the meetings not be able to take place for any reason. During the meetings a monthly report that has been run directly from the payroll system (by an officer who cannot make changes to standing payroll data) should be reviewed to confirm that changes are accurate and as expected. The exact details of the checking process	Medium	Financial Services Team Manager and HR Manager	31.12.17	Internal Audit follow up Jan 2018

Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
			can be finalised once an appropriate report has been developed with the system providers and is working as expected.				
		4	The reason for the delay in taking pension deductions for the new starters detailed above should be investigated and resolved. If necessary action should be taken to address any shortfalls in contributions for any new starters affected from 01.04.17 (this may require further work to identify any other new starters affected).	Medium	HR Analyst	31.12.17	Internal Audit follow up Jan 2018
		5	HR officers should be reminded of the approach to paying first increments for new starters.	Medium	HR Analyst	Already implemented	Already implemented.
		6	The leaver checklist completed by HR when processing a leaver should be amended to include a check that any outstanding amounts have been recovered for example Occupational Maternity Pay.	High	HR Analyst	Already implemented	Already implemented
24		7	The former employee (no. 2469) should be contacted to recover the Occupational Maternity Pay.	Medium	HR Analyst	30.11.17	Internal Audit follow up Dec 2017
		8	The method of calculating unpaid leave should be reviewed to ensure that it is appropriate, accurate and fair.	High	HR Analyst	31.12.17	Internal Audit follow up Jan 2018
		9	Employees should be notified in writing of any significant adjustments to their pay, with a copy retained in their employee file.	Medium	HR Analyst	30.11.17 and ongoing	Internal Audit follow up Dec 2017
		10	The allowance paid to employee no. 888 should be reviewed to ensure it is being paid at the correct rate and if necessary an adjustment should be made to correct any underpayment relating to prior years.	Medium	HR Analyst	31.12.17	Internal Audit follow up Jan 2017
		11	The rates for the laundry/uniform allowance and unsociable hours payments should be included in the report that is due to be taken to CLT detailing errors identified during	Medium	HR Team Manager	31.10.17	Internal Audit follow up Dec 2017

Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
			implementation of the new system, so that a decision can be made and documented on the rates going forwards.				
		12	Employee no. 3090 should be processed as a leaver, taking into account the underpayment for unsocial hours payments. If the employee is found to have been overpaid action should be taken to recover this.	High	HR Analyst	Already implemented	Already implemented
		13	The method of calculating paternity leave deductions and pay should be reviewed to ensure that it is an appropriate and fair method.	Medium	HR and Payroll System Project Team	Already implemented	Already implemented
		14	The underpayment for employee no. 3089 should be corrected.	Medium	HR Analyst	Already implemented	Already implemented
35		15	Those going on maternity leave should be given a forecasted payment schedule based on their expected maternity leave start date when they notify HR of this date. Consideration should be given to offering employees a choice as to whether their pay is manually adjusted so that they do not experience a loss in pay in their first month of maternity leave.	Medium	HR Manager	Immediate and ongoing	Internal Audit follow up Dec 2017
		16	Exception reports should be annotated electronically (comments boxes can be used to evidence date/time) to evidence review and action taken if appropriate.	Low	Senior Exchequer Services Officer and HR Analyst	Already implemented	Already implemented
		17	The expected process for managers to follow when recruiting consultants should be documented and circulated, as well as being made available on the intranet. Contracts should not be entered into until the employment status has been established by the employing manager and confirmed by HR.	High	HR Manager and Principal Solicitor (Contracts and Commercial)	31.12.17	Internal Audit follow up Jan 2018

Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
		18	The contract with the sole trader should be reviewed with any necessary action taken to rectify the incorrect employment status.	High	Financial Services Team Manager and HR Team Manager	Already implemented	Already implemented.

Internal Audit Performance

Performance Measures:

Performance Measure	2017/18 Quarter 3 Target	Position as at 31.10.17	Comments
Delivery of 2017/18 Audit Plan	65%	35%	4 audits in progress, should achieve target by end of quarter depending on cover arrangements
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	
Compliance with the Internal Audit Standards	Full	No significant gaps in compliance	
Compliance testing of completed recommendations	90%	100%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 3 Milestone	Position as at 31.10.17
Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Set action plan to implement improvements where necessary	Annual review completed 30.05.17 with no actions required.
Conduct self-assessment audit of all office areas and support activities of the Business Improvement Team.	Conduct Q3 self-assessment audit and report findings to Business Improvement Team	Not yet due
Complete audits as per risk based audit plan	Complete 65% of audit plan	35%
Quarterly progress reports to Audit and Governance Committee	Progress report to Dec A&GC	On track for 6 th December Audit and Governance Committee.
Achievement of PSIAS action plan and associated Quality Assurance and Improvement Programme	Completion of any actions following review	No actions required.
Annual Audit Opinion delivered by 30 th June 2017 deadline.	N/A	Achieved in Q1.
Risk based annual audit plan for 2018/19 approved by 31 March 2018.	N/A	Not applicable.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE – 6 DECEMBER 2017**

Title of Report	TREASURY MANAGEMENT ACTIVITY REPORT – APRIL TO OCTOBER 2017
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Chief Executive 01530 454500 bev.smith@nwleicestershire.gov.uk</p> <p>Financial Planning Manager / Deputy S151 Officer 01530 454707 tracy.ashe@nwleicestershire.gov.uk</p>
Purpose of Report	To inform Members of the Authority's Treasury Management activity undertaken during the period April to October 2017.
Reason for Decision	To ensure that Members are informed of the Authority's Treasury Management activity during the financial year and have the opportunity to scrutinise that activity.
Council Priorities	Value for Money
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Screening Human Rights Transformational Government	<p>Interest earned on balances and interest paid on external debt, impact on the resources available to the Authority.</p> <p>Could impact upon all Corporate Action Teams.</p> <p>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.</p> <p>Not Applicable</p> <p>Not Applicable</p> <p>Not Applicable</p>
Consultees	None
Background Papers	<u>Treasury Management Strategy Statement 2017/18 – Council Meeting 07 February 2017</u>
Recommendations	<p>THAT MEMBERS:</p> <p>1) APPROVE THIS REPORT AND COMMENT AS APPROPRIATE</p>

	<p>2) NOTE THAT THE PRESENTATIONAL FORMAT OF THIS REPORT IS UNDER REVIEW AND THAT COMMENTS REGARDING FUTURE FORMAT ARE WELCOMED</p>
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1.0 BACKGROUND

- 1.1 The Authority's Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the code"), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and Investment activity.
- 1.2 Treasury Management is defined as "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.3 The Authority's current Treasury Management Strategy Statement, including the Borrowing Strategy, Debt Rescheduling Strategy, Annual Investment Policy and Strategy, Interest Apportionment Policy, Prudential Indicators and Annual Minimum Revenue Position Statement were approved by Council on 07 February 2017.
- 1.4 The code requires that Authorities report on the performance of the Treasury Management function at least twice yearly (mid-year and at year end).
- 1.5 This is the second of three in-year reports to be presented in 2017/18, to inform Members of the Authority's treasury activity and enable scrutiny of activity and performance. These reports supplement the annual Treasury Stewardship Report, which will be presented to this Committee and Cabinet as soon as possible after the end of the financial year.

2.0 SCOPE

- 2.1 This report:
 - a) Has been prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
 - b) Presents details of capital financing, borrowing, debt rescheduling and investment transactions;
 - c) Gives details of the treasury management transactions for the period April to October 2017;
 - d) Reports on breaches of or compliance with treasury limits and Prudential Indicators.

3.0 THE U.K. ECONOMY AND OTHER FACTORS.

- An economic and Interest rate forecast has been provided by our Treasury Advisers (Arlingclose Ltd).

UK Monetary Policy:

In a 7-2 vote, the MPC increased Bank Rate in line with market expectation to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

Further potential movement in bank rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.

Growth, Inflation and Employment:

Recent economic data has improved: UK Q3 2017 GDP growth was 0.4% after a 0.3% expansion in Q2. Unemployment is continuing to decline and house prices have remained relatively resilient.

Household consumption growth has softened following a contraction in real wages, despite both savings rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth.

Depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone expansion.

Near-term global growth prospects have continued to improve and broaden and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

Geo-political risks remain elevated and helps to anchor safe-haven flows into the UK Government bond (gilt) market.

CPI Inflation has risen further above the 2% target as companies pass on the higher costs stemming from the lower level of sterling. Unemployment has continued to fall and the extent of spare capacity in the economy now seems limited.

Moreover, the pace at which the economy can grow without generating inflationary pressure has fallen over recent years. Over the MPC's forecast period, conditioned on a path for bank rate rises to 1% by the end of 2020, demand is projected to grow at a pace that uses up slack in the economy.

As imported inflationary pressures wane, domestic pressures build. Inflation is projected to remain slightly above the 2% target at the 3 year point. At its meeting ending on 1 November 2017, the MPC voted to increase bank rate to 0.5%

4.0 THE AUTHORITY'S TREASURY POSITION.

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

DEBT	Balance at 01/04/2017 £m	%	Maturing Loans £m	Premature Redemptions £m	New Borrowing £m	Balance at 29/10/2017 £m	%
Total Long-term fixed rate (PWLB & Bonds)	£83.427		£0.536	£0.000	£0.000	£82.891	
<i>Split to - HRA &</i>	<i>£75.072</i>	<i>89.87</i>	<i>£0.536</i>	<i>£0.000</i>	<i>£0.000</i>	<i>£74.536</i>	<i>89.80</i>
<i>GENERAL FUND</i>	<i>£8.355</i>	<i>10.00</i>	<i>£0.000</i>	<i>£0.000</i>	<i>£0.000</i>	<i>£8.355</i>	<i>10.07</i>
Long-term variable rate	£0.000		£0.000	£0.000	£0.000	£0.000	
Temporary Borrowing	£0.000		£0.000	£0.000	£0.000	£0.000	
Total Borrowing	£83.427	99.87	£0.536	£0.000	£0.000	£82.891	99.87
Other long-term liabilities (HBBC)	£0.112	0.13	£0.000	£0.000	£0.000	£0.112	0.13
TOTAL EXTERNAL DEBT	£83.539	100	£0.536	£0.000	£0.000	£83.003	100
INVESTMENTS	Balance at 01/04/2017 £m	%	Maturities £m	Sales £m	New Investments £m	Balance at 29/10/2017 £m	%
Internally Managed	£36.349	92.1	£24.384	£0.000	£27.421	£39.386	81.7
<i>Investments with maturities up to 1 year</i>	<i>£24.349</i>	<i>61.7</i>	<i>£21.384</i>	<i>£0.000</i>	<i>£24.421</i>	<i>£27.386</i>	<i>56.8</i>
<i>Investments with maturities in excess of 1 year</i>	<i>£12.000</i>	<i>30.4</i>	<i>£3.000</i>	<i>£0.000</i>	<i>£3.000</i>	<i>£12.000</i>	<i>24.9</i>
Pooled Funds and Externally Managed Investments *	£3.100	7.9	£64.600	£0.000	£70.300	£8.800	18.3
TOTAL INVESTMENTS	£39.449	100.0	£88.984	£0.000	£97.721	£48.186	100
NET DEBT	£44.090					£34.817	

*Represents investments held in Money Market Funds

- 4.2 The investment position varies throughout the year as it is dependent upon cash flow. Examples of significant areas that can impact on cash flow are collection of Council tax, business rates, grants, and capital receipts, payments to other precepting authorities or central government and interest on treasury activity.
- 4.3 In the period April 2017 to October 2017, the capacity for investment has currently increased by £8.7m. The volatility of balances is normal throughout the year and a number of factors contribute to this:
- The Authority traditionally benefits from the receipt of Council Tax and Business Rates during the first ten months of the financial year;
 - Revenue expenditure is more evenly weighted throughout the financial year;
 - Capital expenditure is more heavily weighted towards the latter part of the financial year due to the time required to schedule programmes of work or award contracts.
 - The patterns of income and expenditure are variable and are compared to previous years. The current patterns are in line with the expected trends. These patterns are reflected in the Authority's cash flow projections which is monitored and revised daily as part of the treasury management process.
- 4.4 The current increased capacity for investment is expected to drop towards the end of the financial year and this is in line with the Authority's experience.

5.0 BORROWING ACTIVITY.

- 5.1 The Authority's Borrowing Strategy 2017/18, approved by Council on 07 February 2017, incorporates a prudent and pragmatic approach to borrowing to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Authority's Prudential Indicators.
- 5.2 The Authority's estimated borrowing requirement for the current financial year is £1.425m. In the two subsequent financial years this is estimated to be £1.014m in 2018/19 and £0.396m in 2019/20, as presented to Council in the "Treasury Management Strategy Statement 2017/18 and Prudential Indicators 2017/18 to 2019/20" on 07 February 2017.
- 5.3 The Authority has not undertaken any new long-term borrowing during the period.
- 5.4 The Authority has two PWLB annuity loans as part of the self-financing of the HRA. The repayment element for these in 2017/18 is £1.079m.
- 5.5 The Authority's cash flow remained positive during the period. The Authority did not require any temporary loans during the period.

6.0 DEBT RESCHEDULING ACTIVITY.

- 6.1 The Authority's Debt Rescheduling Strategy 2017/18, which was approved by Council on 07 February 2017, establishes a flexible approach where the rationale for rescheduling could be one or more of the following:
- Savings in interest costs with minimal risk.
 - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
 - Amending the profile of maturing debt to reduce any inherent refinancing risks.
- 6.2 No opportunities for debt rescheduling were identified which conformed to the above rationale. Accordingly, the Authority has undertaken no debt rescheduling activity during the period.
- 6.3 The Authority's portfolio of thirteen loans - ten PWLB loans and three market loans - will continue to be monitored for debt rescheduling opportunities that comply with the Authority's Policy and rationale.

7.0 INVESTMENT ACTIVITY.

- 7.1 The Authority's Investment Policy and Strategy 2017/18, which was approved by Council on 07 February 2017, established that the major policy objective is to invest its surplus funds prudently.
- 7.2 The Authority's investment priorities are:
- security of the invested capital;
 - sufficient liquidity to permit investments; and,
 - Optimum yield which is commensurate with security and liquidity.
- 7.3 To lower the inherent investment risk, the Authority has minimised the use of banks and increased the use of other Local Authorities as investment counterparties. A range of lengths of investment, from overnight investments to short and long fixed

term, from 32 days to 3 years, are currently utilised to ensure that the principles of security, liquidity and yield are followed.

- 7.4 The counterparties that the Authority currently utilise all meet the criteria set out in the Treasury Management Strategy Statement 2017/18 and are monitored by the Authority's Treasury Management Advisors. The counterparties and amounts currently invested are shown below:

Counterparty	Length of Investment	Rate*	£m
Lloyds Bank (Current Account)	Overnight	0.15%	0.1
Bank of Scotland	Overnight	0.15%	1.5
Black Rock MMF	Overnight	0.07%	3.4
Goldman Sachs MMF	Overnight	0.14%	4.2
Aberdeen Asset Management MMF	Overnight	0.09%	0.2
CCLA Investment Management Ltd MMF	Overnight	0.19%	1.0
Lloyds Bank Notice Account	32 days	0.32%	0.3
National Counties Building Society	91 days	0.34%	1.0
Surrey Heath BC	94 days	0.22%	1.0
Santander 95 Day Notice Account	95 Days	0.40%	1.5
Lancashire County Council	184 days	0.45%	1.5
Thurrock Borough Council	210 days	0.32%	1.0
Thurrock Borough Council	213 days	0.42%	2.0
Cheshire East Borough Council	214 days	0.42%	5.0
Leeds City Council	265 days	0.35%	2.0
Fife Council	269 days	0.32%	1.5
Moray Council	364 days	0.47%	2.0
Salford City Council	364 days	0.40%	1.0
Salford City Council	364 days	0.44%	2.0
Lloyds Bank Fixed Term Deposit	364 days	0.80%	1.5
Leeds City Council	364 days	0.38%	2.5
The City of Liverpool	640 days	0.65%	2.0
Lancashire County Council	2 Years	0.55%	2.0
Northumberland County	3 Years	0.99%	3.0
Blaenau Gwent County Borough Council	3 years	1.20%	2.5
Newcastle City Council	3 Years	1.13%	2.5
Total Invested			48.2

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

- 7.5 The average rate of return on the Authority's investment balances during the period was 0.44%. For comparison purposes, the benchmark return (average 7-day London Interbank Bid Rate or LIBID rate) at the end of September 2017 was 0.11%. The average 7 day London Interbank Offered Rate (LIBOR) rate at the end of September 2017 was 0.24%. 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 2017/18.

- 7.6 Short and long term interest rates are beginning to rise marginally since the increase of the base rate by the Bank of England on 2 November 2017 to 0.5%. Our Treasury advisers are forecasting that the Base Rate will remain at this level over the medium term. This will mean that interest rates on investments will increase from the current position and therefore allow a return to a lengthening of investment periods to enable the authority to lock into slightly higher rates of return.
- 7.7 There were 68 investments made during the period, totalling £97.7m. The average balance held for the period was £47.9m.
- 7.8 Fourteen fixed term investments were taken out during the period. These investments were for amounts ranging from £1m to £5m. Thirteen fixed term investments have matured within the period. The Authority and its advisors remain on a state of alert for signs of credit or market distress that may adversely affect the Authority.
- 7.9 The Authority has budgeted to achieve £120,000 of income from its investment activity in 2017/18. Investment activity from April to October 2017 has achieved £212,630 in interest for the financial year. The current forecast that is estimated to be achieved is £225,364.
- 7.10 Of this total, an element is applied to balances held on external income. This external income largely represents balances from S106 contributions that have not yet been spent. The estimated amount forecast to be applied is approximately £15,922 subject to the balances remaining at the end of the financial year. There is no budget applied to this element as S106 contributions are only achieved when specific conditions are met and are anticipated to be spent.
- 7.11 The estimated remaining balance of interest (£209,442) received on investment income is budgeted to be apportioned between General Fund and the Housing Revenue Account based on the estimated cash flow position. For 2017/18, the budgeted investment income is apportioned as follows: £132,891 General Fund and £76,551 Housing Revenue Account. Any over or under achievement of interest is apportioned on this basis and the current forecast is anticipated as follows:

	Budget	Projected
General Fund	£76,140	£132,891
HRA	£43,860	£76,551
Sub-Total	£120,000	£209,442
External Balances	£0	£15,922
Total	£120,000	£225,364

- 7.12 All investments made during the period, complied with the Authority's agreed Annual Investment Strategy, Treasury Management Practices, Prudential Indicators and prescribed limits.

8.0 SUMMARY

- 8.1 For the period April to October 2017, the Authority can confirm that it has complied with its Prudential Indicators, which were approved on 07 February 2017 as part of the Authority's Treasury Management Strategy Statement.
- 8.2 In compliance with the requirements of the CIPFA Code of Practice, this report provides members with a summary report of the Treasury Management activity for

the period April to October 2017. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

- 8.3 The Authority can confirm that during the period April to October 2017, it has complied with its Treasury Management Practices.

9.0 FUTURE REPORTS

- 9.1 Members should note that the presentational format of this report is currently under review. It is anticipated that the next Treasury Management Activity Report scheduled for review by the Committee in March 2018, will include more graphical representations of the Council's treasury position and activity undertaken in order to ease understanding for report readers and aid comparability with prior periods. Member comments or suggestions are welcomed.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE - 6 DECEMBER 2017

Title of report	PROGRESS MADE IN RESPECT OF IMPROVEMENTS IDENTIFIED THROUGH THE REVIEW OF THE ANNUAL GOVERNANCE STATEMENT
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Chief Executive 01530 454500 bev.smith@nwleicestershire.gov.uk</p> <p>Financial Planning Manager/Deputy S151 Officer 01530 454707 tracy.ashe@nwleicestershire.gov.uk</p>
Purpose of report	To update members in respect of improvements identified through the annual review of the Annual Governance Statement
Reason for Decision	To ensure members of the Committee are aware of the progress of improvements.
Council Priorities	Value for Money.
Implications:	
Financial/Staff	None.
Link to relevant CAT	None.
Risk Management	Not required.
Equalities Impact Assessment	Not required.
Human Rights	None identified.
Transformational Government	Not applicable.
Consultees	None
Background papers	None.
Recommendations	THAT MEMBERS NOTE THE CONTENTS OF THE REPORT

1.0 BACKGROUND

- 1.1 An Annual Governance Statement (AGS) is a requisite part of the annual review of corporate governance. Good practice dictates that an AGS is published alongside the statement of accounts, but is considered in its own right.
- 1.2 The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) issue annually joint guidance on corporate governance, which encourages Local Authorities in going beyond consideration of the internal control environment to look at wider arrangements for supporting sound corporate governance.
- 1.3 The CIPFA/SOLACE guidance outlines seven core principles for good governance, with a number of supporting principles. These seven principles are:
 - A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - B: Ensuring openness and comprehensive stakeholder engagement
 - C: Defining outcomes in terms of sustainable economic, social, and environmental benefits
 - D: Determining the interventions necessary to optimise the
 - E: Developing the entity's capacity, including the capability of its leadership and the individuals within it achievement of the intended outcomes
 - F: Managing risks and performance through robust internal control and strong public financial management
 - G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

2.0 REVIEW OF EFFECTIVENESS

- 2.1 A new approach in developing the AGS was taken for the 2016/17 year which included a line by line assessment of the Council's governance framework against the CIPFA/SOLACE guidance to arrive at an assessment score of either:
 - Good - Good governance exists and there are no improvements required
 - Fair – Satisfactory governance exists about improvements are required to meet good governance
 - Poor – Significant issues with governance exists which need addressing
- 2.2 There were no significant issues identified for 2016/17.
- 2.3 A total of 17 improvement areas identified, where it was recognised that the Council could strengthen its governance arrangements.
- 2.4 Members reviewed and approved the Annual Governance Statement at its meeting on 27 September 2017. At this meeting it was also agreed that progress against improvement areas will be reported to the Audit and Governance Committee at regular intervals and the AGS of future years will report on the progress/completion of improvements areas or significant issues from the prior period.

3.0 PROGRESS MADE IN RESPECT OF IMPROVEMENT AREAS

- 3.1 Of the 17 improvements identified, 2 are complete, 8 underway with the remaining 7 to be included within team business plans for 2018/19.
- 3.2 Full details can be found in Appendix 1.

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

Improvement Action	Related Principle(s)	Officer Responsible	Status	Update – 6 December 2017
Evidence used for assessment of governance to be documented and made available to users of financial statements	Principle G	Financial Planning Team Manager	Complete	Evidence and Assurance table included within Annual Governance Statement and made publicly available following Audit and Governance Committee approval on 27 September 2017.
Review of Strategic and Financial Planning timetables to be undertaken to allow for better alignment for 2018/19 planning	Principle C	Financial Planning Team Manager/Business Improvement Team Manager	Complete	Timetable for developing the 2018/19 budget, council delivery plan and team business plans reviewed and aligned.
Formal S151 Officer arrangements	Principle A	Chief Executive	Underway	Formal arrangements for the organisations S151 Officer will be addressed through the management restructure due to be presented to Council in January 2018.
Medium Term Financial Strategy to be extended over a longer planning timeframe	Principle C	Financial Planning Team Manager	Underway	10 year Medium Term Financial Strategy to be presented to Cabinet and Council for approval in February 2018.
Implement longer term revenue planning from 2018/19 budget planning	Principle C	Financial Planning Team Manager	Underway	5 year revenue position forecast with budget holders. Due to be presented to members in February 2018 for approval.
Development of performance management system to be more intuitive and less administratively burdensome	Principle F	Business Improvement Team Manager	Underway	In-Phase performance management system procured, with implementation scheduled for Q1 2018/19.
Training for Audit and Governance Committee Members	Principle F	Financial Planning Team Manager	Underway	A review of training providers undertaken. Procurement of provider scheduled for Q4 2017/18.
Review opportunities for	Principle G	Chief	Underway	Local Government Association peer review for

peer review		Executive/Director of Place		Planning service currently being scoped. Review dates to be agreed in Q3.
Undertake review of Equality Policy	Principle A	Stronger and Safer Communities Team Manager	Underway	Revised policy due to be presented to Cabinet for approval in Q4.
Audit and Governance Review of risks twice per year	Principle F	Director of Housing	Underway	Review of risks schedule for 6 December Committee meeting. Future review of risks to be included on Forward Plan.
Review approach to consultation	Principle A Principle B Principle C Principle E	TBC	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.
Communications Strategy	Principle B	TBC	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.
Consider need for Partnership Framework	Principle B Principle C Principle E	TBC	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.
Develop Commercial and Sustainability Strategy	Principle C	TBC	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.
Update people plan	Principle E	HR Team Manager	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.
Risk Management and Strategy and Policy Updates	Principle F	Director of Housing	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.
New financial model for achieving balance between finance and budget holders	Principle F	Financial Planning Team Manager	Not yet scheduled	Improvement to be included in Team Business Plan for 2018/19.

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

B: Ensuring openness and comprehensive stakeholder engagement

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

D: Determining the interventions necessary to optimise the

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

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

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

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 6 DECEMBER 2017

Title of report	CORPORATE RISK UPDATE
Contacts	<p>Councillor Nicholas Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Chief Executive 01530 454500 bev.smith@nwleicestershire.gov.uk</p> <p>Deputy Section 151 Officer 01530 454781 tracy.ashe@nwleicestershire.gov.uk</p>
Purpose of report	To receive the Quarter 2 Corporate Risk Update
Reason for decision	<ol style="list-style-type: none"> 1. The approved Risk Management Strategy requires regular risk updates to be presented to the Audit and Governance Committee. 2. To obtain support from Members for the approach to risk management.
Council priorities	Value for Money.
Implications:	
Financial/Staff	The Council manages its risks within existing budgets. Effective risk management protects the Council from insurance and/or compensation claims, fraud, and a range of other financial liabilities.
Link to relevant CAT	No direct link.
Risk Management	As detailed in the report.
Equalities Impact Screening	Not applicable.
Human Rights	Not applicable
Transformational Government	Not applicable.
Consultees	None

Background papers	None.
Recommendations	<p>1. THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTES THE QUARTER 2 CORPORATE RISK UPDATE.</p> <p>2. THAT THE AUDIT AND GOVERNANCE COMMITTEE APPROVE THE UPDATED APPROACH TO RISK MANAGEMENT.</p>

1.0 BACKGROUND

- 1.1 Cabient approved the Risk Management Strategy at its meeting on 29 July 2014 and this was presented to Audit and Governance Committee on 24 September 2014.
- 1.2 One of the requirements of the Strategy is for members of this Committee and Cabinet to receive details of the high level risks monitored through the Corporate Risk Register. The Risk Register can be found at Appendix 1 and a quarterly review of this will be a standing agenda item for this Committee going forward. The Risk Register will also be included as an appendix to the Quarterly Performance Reports presented to Cabinet, with any exceptional items being highlighted.

2.0 PROPOSALS

- 2.1 Oversight of risk management has now passed to the Director of Housing, who currently chairs the Council's Risk Scrutiny Group, and this long term arrangement will be confirmed in the senior management proposals which will be presented to Council for approval on 23 January 2018.
- 2.2 At present, the Risk Register presents information around rather generic risk 'areas'. It is proposed that an updated register should be produced which clearly states the specific risks. For example, the current register highlights a risk area around 'Project and Programme Management' but does not describe in any more detail what the specific risk is in this business area, and the potential causes and impacts. For this example, it may well have been appropriate to describe the risk as – the wider organisation does not engage with the project management office and successful project outcomes are not achieved, resulting in the inefficient use of resources and key corporate priorities not being delivered.
- 2.3 As well as identifying specific risks, it is proposed that the causes and impacts of these risks are more fully described, as are the accountable owners and the timescales for completing the mitigating actions.
- 2.4 A newly formatted Risk Register to reflect the above approach, and an updated Risk Management Strategy will be presented to the next meeting of this Committee for approval.
- 2.5 The register is currently being updated to include a new risk around Cyber crime and information security. The Risk Scrutiny Group will review the corporate risks quarterly and recommend any changes through the Corporate Leadership Team prior to the information being presented to this committee.

Corporate Risk Register – requires CLT approval							
Risk Area	Inherent Risk			Control Measures	Residual Risk		
	Impact	Likelihood	Rating		Impact	Likelihood	Rating
Safeguarding Adults at risk and Children	4	4	16	<p>The organisation has the following structures in place;</p> <p>An identified Corporate Lead (Head of Service) with a Portfolio Holder lead</p> <p>An identified Team responsible for Safeguarding (Safer & Stronger) with responsibility embedded into Team Leader role and an officer (Child & Adults at risk Officer)</p> <p>An agreed Safeguarding Policy refreshed as required with delegation to Director of Services for updates</p> <p>An identified group of Designated Safeguarding Officers (DSO's) in most service areas</p> <p>A programme of regular DSO meetings which consider training, best practice and case issues</p> <p>An annual training programme to ensure new DSO's are well informed and trained</p> <p>A quarterly senior management review of all cases to check progress/close cases</p> <p>A quarterly briefing with the Chief Executive, a 6 monthly report to CLT and an annual report to Cabinet</p> <p>Annual report is to review previous year and endorse an action plan for the year ahead</p>	4	3	12
Finance & Budget	4	4	16	<p>Monthly management reviews are performed of actual against budgets and forecast to the end of the year.</p> <p>Monthly reporting and challenging at CLT, and reported to Cabinet quarterly Sound policies and procedures are in place.</p> <p>Financial planning processes have been documented and are reviewed regularly.</p> <p>Internal and External audit of systems and accounts.</p> <p>This risk may also need to be reviewed further once the outcome of the Governments spending review is known particularly in the light of the impact it could have on major projects being developed by the Council such as the Coalville project.</p>	4	1	4

Risk Area	Inherent Risk			Control Measures	Residual Risk		
	Impact	Likelihood	Rating		Impact	Likelihood	Rating
Resource Capacity & Capability	4	4	16	Advance planning will mitigate this risk; However should it occur diverting resources from other services, bringing in additional resources from other sources (e.g. Agencies, Consultants, Voluntary/Community sector etc.) would be activated. Market conditions are tested through recruitment processes. The Council offers a package of additional benefits to enhance the recruitment offer. Linked to the above, the Council has developed innovative partnering relationships with other sectors including the private sector to make posts uniquely attractive. Best Employee Experience is a programme to attract and develop the right skills. It is a programme developing the talent within the staff resource through secondments and tailored development programmes.	3	2	6
Contract Management & Procurement	4	4	16	Corporate procurement staff and legal team to support where necessary on contract management. Policies and procedures are in place. A Senior Procurement Officer oversees a procurement planning process. Training programme in place for staff. Given the progress that has been made to date the likelihood of this risk materialising could potentially be reduced although this needs to be balanced against future key staffing changes.	3	3	9
Information Governance & Data Protection	4	4	16	Policies and procedures are in place although not yet rolled out and fully embedded. Corporate Governance training is undertaken annually and includes information governance as appropriate to reflect changes in legislation. The Council has a dedicated SIRO. Corporate Governance Groups are in place to scrutinise impacts/issues arising.	4	3	12

Risk Area	Inherent Risk			Control Measures	Residual Risk		
	Impact	Likelihood	Rating		Impact	Likelihood	Rating
Emergency Planning & Business Continuity arrangements	4	4	16	Business continuity plans have been documented, policies and procedures are in place. Currently however the Council does not have access to alternative arrangements in the event of an incident affecting the Council offices. CLT will consider a report into this matter A Business Continuity exercise showed the Council had a good understanding of business continuity.	4	1	4
Effective IT Systems & Procedures	4	4	16	Fully resilient environment in place with no single points of failure for core systems, other critical systems use cold standby equipment. New business services are being run in remote fully resilient data centres and existing systems are being progressively migrated to these cloud computing centres. Data is backed up to a second disk unit offsite at Hermitage Leisure Centre Improved business recovery arrangements have been implemented to minimise recovery time.	3	2	6
Project & Programme Management	4	4	16	Progress is shared regularly with CLT, experienced PRINCE 2 staff are used on projects. Use of external resources is also being used to support the Coalville project.	4	3	12
Governance, Policies & Procedures	4	4	16	Policies & procedures in place, governance processes are documented and in operation, ongoing assessments and reviews are performed.	4	1	4
Fraud, Corruption and Theft	4	3	12	A policy framework that includes Anti-Fraud and Corruption Policy, Confidential Reporting (Whistleblowing) Policy and Anti-Money Laundering Policy. The Internal Audit annual planning process takes into account high risk areas, which considers fraud risks. Fraud risks are considered as part of specific audits with testing designed to detect fraud where possible. Internal control and governance arrangements such as segregation of duties, schemes of delegation and verification processes. Information on how to report fraud is included on the website including relevant links to do so. Participation in National Fraud Initiative (mandatory) and Leicestershire Fraud Intelligence Hub (voluntary). Leicestershire Revenues and Benefits Partnership have two trained officers working solely on Council Tax Reduction Scheme Fraud and act as Single Point of Contact for DWP referrals.	4	2	8

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 6 DECEMBER 2017

Title of report	STANDARDS AND ETHICS – QUARTER 2 REPORT 2017/18
Contacts	<p>Councillor N Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Legal and Support Services and Monitoring Officer 01530 454701 elizabeth.warhurst@nwleicestershire.gov.uk</p>
Purpose of report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 2 of 2017/18.
Strategic aims	Value for Money
Implications:	
Financial/Staff	N/A
Link to relevant CAT	N/A
Risk Management	By receiving this information members will be able to manage risks.
Equalities Impact Assessment	N/A
Human Rights	N/A
Transformational Government	N/A
Consultees	N/A
Background papers	None.
Recommendations	THAT THE REPORT BE RECEIVED AND NOTED.

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STANDARDS AND ETHICS

QUARTER 2 REPORT

2017/2018

Page 1 Introduction

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This is the quarterly report to the Audit & Governance Committee detailing both the figures for the Ethical Indicators and the figures for the Local Determination of Complaints process for 2017/18.

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

Quarter 1 – 1 April to 30 June

Quarter 2 – 1 July to 30 September

Quarter 3 – 1 October to 31 December

Quarter 4 – 1 January to 31 March



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

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

The Monitoring Officer received 5 complaints in Quarter 2 of 2017/18 relating to 2 District councillors.

2.1 Assessment Sub-committee Decisions

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

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

0 complaints have been resolved informally in Quarter 2.

2.2 Timeliness of Decision

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

2.3 Review Requests

There have been no review requests in Quarter 2. Review requests can only be made following a decision of ‘No further Action’ by the Assessment Sub-committee where there is submission of new evidence or information by the complainant.

2.4 Subsequent Referrals

None to report – see above.

2.5 Outcome of Investigations

There were no investigations concluded in this period.

2.6 Parts of the Code Breached

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

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

N/A

Part 2 – Ethical Indicators

www.nwleics.gov.uk

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

Stage 1 Complaints

www.nwleics.gov.uk

Definition of a Stage 1 complaint:

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

Complaints responded to on time in Q2
55%

We received an average of
10
Complaints a month in Q2

Our average response time was
26 days

Top 3 types of Stage 1 complaints Q2

- Housing repairs
- Planning and Development
- Environmental Protection

The average response time during Q2 was above normal due to the Housing Asset Management Team resource issues which have impacted on their performance during Q2. Remedial actions being put into place are:

- Dedicated resource to deal with complaints and backlog
- Regular contact and meetings with BIT and HAM Team
- A new complaints system in place which will allow us to monitor more closely trends and patterns across all Service Areas

14 Stage 1 complaints were resolved in Q2, This is a decrease of **80%** from Q2 16/17

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

Stage 2 Complaints

Definition of a Stage 2 complaint:

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

Stage 2 Complaints responded to in Q2
100%

We received an average of
1 Complaint a month in Q2

Our average response time was
20 days.
This was due to a complex case with Environmental Protection

Top types of Stage 2 complaints Q2

- Environmental Protection
- Planning and Development

1 Stage 2 complaint was resolved in Q2. This is a decrease of
86%

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

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

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

Definition of an MP Enquiry:

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

MP enquiries responded to in Q2
44%

We received an average of
11 MP enquiries in Q2

Our average response time was **18 days**.
This was due to the Housing Asset Management Team resource issues which have impacted on their performance during Q2.

What the MP Enquiries were about:

- Housing Repairs
- Planning and Development
- Environmental Protection

18 MP enquiries were resolved in Q2. This is a decrease of **31%** from 16/17. This can be attributed to resource issues within the Housing Asset Management Team. A Support Services Manager has been appointed with responsibility for resolving complaint and MP enquiries

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

Definition of an Ombudsman complaint:

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

Ombudsman Complaints received in Q2 was 2

We received an average of **1** Complaint a month in Q2

2 cases resolved

- 1 not upheld
- 1 upheld

Ombudsman complaints resolved in Q2 were 2

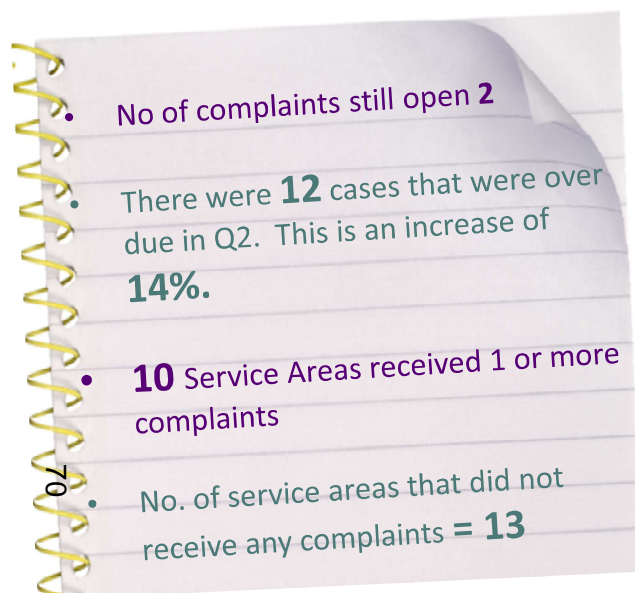
Of the two complaints resolved in Q2 the determination from the Ombudsman was as follows.

- First complaint raised for not investigating a noise and odour complaint. Council found not at fault and complaint not upheld.
- Second complaint raised for condition of property, repairs and communications. The Ombudsman recorded a verdict of maladministration over repairs and inadequate record keeping. They also instructed a compensation payment of £400 in respect of its service failure.

What the Ombudsman complaints were/are about:

- Unhappy with repairs and communications
- Issues with housing and compensation request

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



The breakdown of Service Areas that received 1 or more complaints in Q2 are:

- Housing Asset Management
- Planning & Development
- Environmental Protection
- Housing Management
- Revenues & Benefits
- Building Control
- Customer Service
- Leisure Services
- Strategic Housing
- Stronger and Safer

Total number of complaints responded to in Q2
15

We received an average of 11 Complaints per month in Q2

Our average response time was
25 days

15 complaints were resolved in Q2. This is a decrease of 81% from the same period in 16/17

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

•Housing Asset Management have a new Support Services Manager in place. This will provide extra support to the team and enable complaints to be resolved more efficiently.

•We now have a new complaints system in place which allows us to monitor and analyse complaints better so we can identify any repeated patterns within departments. We are looking to provide a report to Heads of Service with more in-depth complaints analysis data so they can use this to work on any issues identified from it. We also have a dedicated resource to manage corporate complaints. This allows us to build up good working relationships within Teams, which in turn assists with getting responses on time and approved to send to the complainant.

Freedom of Information (FOI)

www.nwleics.gov.uk

Type of FOI requests received:

Business as usual (BAU) requests:

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

Total number of BAU requests in Q2 34

Transfers:

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

Total number of Transfers in Q2 13

Subject Access Requests (SAR):

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

Total number of SAR received in Q2 14

Land charges (LC) searches:

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

Total number of LC Searches in Q2 38

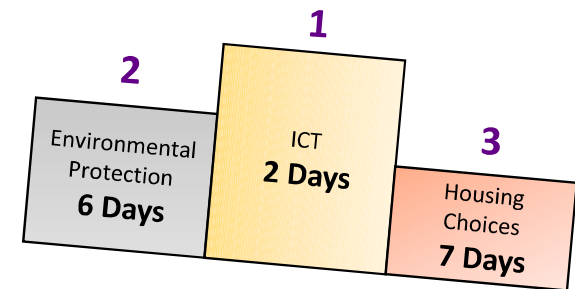
47 unique visitors to the council's open data page

We received an average of **28** FOI's a month in Q2

Our average response time was **18** days

We had a decrease of **52%** compared to Q2 (16/17) for number of FOI's received

Top 3 service areas with the **quickest response times** FOI's



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

Regulation of Investigatory Powers Act Indicators

www.nwleics.gov.uk

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

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE - 6 DECEMBER 2017**

Title of report	AUDIT AND GOVERNANCE COMMITTEE MEMBER TRAINING
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Chief Executive 01530 454500 bev.smith@nwleicestershire.gov.uk</p> <p>Financial Planning Manager/Deputy S151 Officer 01530 454707 tracy.ashe@nwleicestershire.gov.uk</p>
Purpose of report	To recommend training for Committee members.
Reason for Decision	To agree training for Committee members in fulfilling their roles.
Council Priorities	Value for Money.
Implications:	
Financial/Staff	None.
Link to relevant CAT	None.
Risk Management	Not required.
Equalities Impact Assessment	Not required.
Human Rights	None identified.
Transformational Government	Not applicable.
Consultees	None
Background papers	None.
Recommendations	THAT MEMBERS NOTE THE CONTENTS OF THE REPORT

1.0 BACKGROUND

- 1.1 Members will recall that in the Council's Annual Governance Statement for 2016/17, a commitment was made to provide training to Committee members as part of the organisations approach to ensuring robust internal control and strong public financial management.
- 1.2 Courses and material are available from a number of training providers on relevant topics such as:
 - Local Government Finance,
 - Risk Management Framework
 - Financial Reporting
 - Governance process
 - Internal Control Environment
 - Fraud
- 1.3 Members are asked to note that training dates will be arranged in due course.

**AUDIT AND GOVERNANCE COMMITTEE
WORKPLAN 2017/18**

Issue	Details	Meeting at which will be reported
External Audit Plan	To receive the External Audit Plan	21 March 2018
Annual Report on Grants and Claims 2016/17	To receive the report from External Audit	21 March 2018
Internal Audit Progress Report	To receive the progress report.	21 March 2018
Internal Audit Annual Plan	To receive the Annual Audit Plan.	21 March 2018
Treasury Management Activity Report	To receive the report.	21 March 2018
Standards and Ethics – Quarter 3 Report	To receive the quarterly report.	21 March 2018
Draft Member Conduct Annual Report	To comment on the draft annual report.	21 March 2018

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