

Meeting	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
Time/Day/Date	6.30 pm on Wednesday, 21 June 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
<b>1. APOLOGIES FOR ABSENCE</b>	
<b>2. DECLARATION OF INTERESTS</b>	
Under the Code of Conduct members are reminded that in declaring disclosable interests you should make clear the nature of that interest and whether it is pecuniary or non-pecuniary.	
<b>3. MINUTES</b>	
To confirm and sign the minutes of the meeting held on 22 March 2017	<b>3 - 8</b>
<b>4. INTERNAL AUDIT PROGRESS REPORT - MAY 2017</b>	
Report of the Senior Auditor	<b>9 - 24</b>
<b>5. INTERNAL AUDIT ANNUAL REPORT 2016/17</b>	
Report of the Senior Auditor	<b>25 - 32</b>



<b>6. TREASURY MANAGEMENT STEWARDSHIP REPORT 2016/17</b>	
Report of the Director of Resources	<b>33 - 38</b>
<b>7. STANDARDS AND ETHICS - QUARTER 4 REPORT</b>	
Report of the Head of Legal and Support Services	<b>39 - 48</b>
<b>8. COMMITTEE WORK PLAN</b>	
To note the Committee's work plan	<b>49 - 50</b>

Circulation:

Councillor R Ashman  
Councillor J Cotterill (Chairman)  
Councillor F Fenning  
Councillor D Harrison (Deputy Chairman)  
Councillor G Hout  
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, 22 MARCH 2017

Present: Councillor J Clarke (Chairman)

Councillors R Ashman, G Hoults, S McKendrick, P Purver, A C Saffell and S Sheahan

In Attendance: Councillors

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

External Audit: Mr S Gill

### **30. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor D Harrison.

### **31. DECLARATION OF INTERESTS**

There were no declarations of interest.

### **32. MINUTES**

Consideration was given to the minutes of the meeting held on 7 December 2017.

By affirmation of the meeting it was

RESOLVED THAT:

The minutes of the meeting held 11 January 2017 be approved and signed by the Chairman as a correct.

### **33. EXTERNAL AUDIT PLAN 2016/17**

The External Auditor presented the report to Members, drawing attention to the headline messages summarised within section one.

Regarding the risk identified with the Medium Term Financial Plan, Councillor S Sheahan asked if the Council would be affected if other local authorities were to default on their statutory duties. The External Auditor explained that some local authorities were not in the best financial position and therefore using some of their reserves but none had yet fallen with regards to their statutory duties. If that was to happen he confirmed that there would be no risk of impact for North West Leicestershire District Council.

Councillor F R D Fenning expressed concerns about how the budget cuts would eventually affect the statutory services the authority provided. He believed it was important to be clear on exactly what services must be provided and where the finances were coming from to fund them. The Interim Director of Resources concurred with Councillor F R D Fenning and he reported that a number of options were being looked at as to the best way of using the funding available. He explained that statutory duties was a topic often raised and confirmed that the Council was aware of what they were, however it was not always clear what the resources were against them, this was currently being worked on. He also raised the importance of continuously reviewing the Medium Term Financial Plan as there were elements that often required updating. He added that the Council was not yet at the point where it needed to be totally self sufficient but officers were looking at working that way by learning from others and applying already used

methods. He concluded that he was very aware of the need to make sure the Medium Term Financial Strategy was right for budgeting in the future.

It was moved by Councillor A C Saffell, seconded by Councillor R Ashman and

RESOLVED THAT:

The External Audit Plan 2016/17 be approved.

#### **34. ANNUAL REPORT ON GRANTS AND CLAIMS 2015/16**

The External Auditor presented the report to Members, highlighting the recommendations and associated risk ratings within the report.

Councillor S Sheahan questioned what action had been taken on the incorrect claimant data issue recurrence between 2014/15 and the target date for implication of June 2017 as there was no evidence of anything within the report. The Financial Planning Manager believed that the previous years' recommendation was aimed at addressing the human error side of the process as this was the reason for the recurring issues. For clarity, the external auditor explained that when an error was found in a particular area, it was reviewed each year until no errors were found. Councillor S Sheahan raised concerns that it seemed that no action had been taken in previous years and he wanted to be sure that the correct approach was being taken. The Interim Director of Resources agreed to look into the issue further to find out previous external audit recommendations and the action already taken within the department to give Councillor S Sheahan some assurance.

Councillor F R D Fenning raised concerns that the removal of the human element of the process to avoid the risk of errors would result in the loss of the knowledge held by the staff members.

In response to a question of clarity from Councillor R Ashman, the External Auditor explained that they were checking that the correct information was being processed and rules were being followed.

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

RESOLVED THAT:

The report be noted

#### **35. INTERNAL AUDIT PROGRESS REPORT - FEBRUARY 2017**

The Senior Auditor presented the report to Members, drawing attention to the four final reports issued, the three audits that had been moved to the 2017/18 plan and the completed ICT Key Controls audit which would be brought to Committee once the final report had been issued.

In response to a question from Councillor F R D Fenning regarding the auditing of the shared revenues and benefits service, the Senior Auditor commented that the audits were completed by Hinckley and Bosworth Borough Council's internal team and although she reviewed the audits, it was the responsibility of that team to follow up on the recommendations. She added that the audit reports were also considered by the Revenue and Benefits Joint Committee.

In response to a further question from Councillor F R D Fenning regarding the audit of the asset management system, the Senior Auditor clarified that there was testing of the system to ensure that all work had been recorded correctly as there had been a

discrepancy between the database and the work records. It was reported that the Senior Auditor would be following up on this to make sure it was an isolated occurrence and not a bug in the system.

Councillor S Sheahan asked for assurances on the stability of the Internal Audit Team as other local authorities had been disbanding this internal service. The Senior Auditor was confident that the service was still required and stable as it was a shared service. Also a new officer had recently been appointed to complete the team.

Councillor A C Saffell raised a concern that he was made aware at a training session of a sizeable breach of data protection that he believed had not been reported to the Committee. The Head of Legal and Support Services confirmed that there had been a data breach. She explained that the council had decided to undertake a health check of its arrangements for information management and had engaged the services of Leicester City Council. The health check had resulted in an improvement plan which had now been implemented as well as the creation of the Information Management Team. The breach was self-reported to the Information Commissioner who was satisfied with what had been put in place to prevent another breach and therefore did not wish to take any further action. The Senior Auditor informed Members that the details of the incident and improvement plan had been included in the quarterly report previously considered by the Committee without a detailed description. Further discussion was had between Members regarding the importance of being made fully aware of important issues such as these, especially if it was reported in the local newspapers. The Head of Legal and Support Services reminded Members that they were informed of incidents as well as the recommendations put in place as a result, the issue was how much detail the Members were expecting to receive. Councillor S Sheahan concluded the discussion by commenting that if the local newspapers felt it was important enough to print then Members should receive full details as they could be questioned by the public.

It was moved by Councillor R Ahmsn, seconded by Councillor G Hoult and

RESOLVED THAT:

The report be noted.

### **36. 2017/18 INTERNAL AUDIT ANNUAL PLAN**

The Senior Auditor presented the report to Members.

In response to a question from Councillor S Sheahan regarding the auditing of the Housing Repairs Team, the Senior Auditor reported that the recent team restructure and process changes affected how the audit was undertaken. She would be working closely with the Head of Service to set the scope and assess the risks to decide on how to audit the service. She assured Members that performance and customer feedback would be built into the audit.

In response to a question from Councillor G Hoult, the Senior Auditor explained that the choice based lettings service was being looked at as a new system had been introduced so it was important to look at the risks.

It was moved by Councillor F R D Fenning, seconded by Councillor S Sheahan and

RESOLVED THAT:

- a) The report be noted.
- b) The 2017/18 Internal Audit Annual Plan be approved.

**37. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO FEBRUARY 2017**

The Financial Planning Manager presented the report to Members drawing particular attention to the treasury position, the average rate of returns on investments and the annual income received.

Councillor R F D Fenning commented that the amount of external debt could frighten some Members but he asked for clarification that it was in fact predominantly the housing stock. The Financial Planning Manager confirmed that it was the housing stock and funds were currently ring fenced to repay the loans. He added that officers were looking into how it could be paid in the future.

Councillor S Sheahan commented that inflation had increased to over two percent as predicted and therefore interest rates remained low, this would have an impact on the Council's investments. The Financial Planning Manager confirmed that it has had an impact but the treasury had advised that there should not be much movement in the coming months.

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

RESOLVED THAT:

The report be approved.

**38. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) POLICY UPDATE**

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

It was moved by Councillor A C Saffell, seconded by Councillor R Ashman and

RESOLVED THAT:

- a) The report be noted.
- b) The amendments to the RIPA Policy be noted.

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

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

It was moved by Councillor A C Saffell, seconded by Councillor S McKendrick and

RESOLVED THAT:

The report be noted.

**40. DRAFT MEMBER CONDUCT ANNUAL REPORT 2016/17**

The Head of Legal and Support Services presented the report to Members and highlighted the following corrections:

The date the District Councillors were appointed listed at section three should read 26 May 2016.

The number of complaints received by council officers at section six should read none.

It was moved by Councillor A C Saffell, seconded by Councillor R Ashman and

RESOLVED THAT:

- a) The report be noted.
- b) The authority to make any minor amendments to the report following comments from the Audit and Governance Committee, be delegated to the Head of Legal and Support Services.

RECOMMENDED THAT:

Council endorse the Member Conduct Annual Report 2016/17.

#### **41. COMMITTEE WORK PLAN**

Councillor F R D Fenning expressed concerns regarding the staffing of the finance service as there had been no Head of Finance for some time. He asked for assurances that the finance service was robust. The Interim Director of Resources reported that the finance service was currently under review as certain elements such as the finance software had been in place for approximately 12 years. He added that the Head of Finance post was still vacant but it would be looked at once the new Chief Executive had arrived in June.

Councillor A C Saffell suggested that the Council's delivery plan be looked at by the Committee. The Head of Legal and Support Services reported that the most appropriate Committee would be the Policy Development Group. It was noted that the issue had been debated by Council on the previous evening and Councillor M Specht, as Chairman of the Policy Development Group, had made it clear that if issues were raised with him he would consider whether they could be dealt with by the Committee.

RESOLVED THAT:

The Committee Work Plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.35 pm

This page is intentionally left blank



**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL****AUDIT AND GOVERNANCE COMMITTEE – 21 JUNE 2017**

Title of report	<b>INTERNAL AUDIT PROGRESS REPORT – MAY 2017</b>
Contacts	<p>Councillor Nicholas Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Interim Director of Resources 01530 454833 <a href="mailto:andrew.hunkin@nwleicestershire.gov.uk">andrew.hunkin@nwleicestershire.gov.uk</a></p> <p>Senior Auditor 01530 454728 <a href="mailto:lisa.cotton@nwleicestershire.gov.uk">lisa.cotton@nwleicestershire.gov.uk</a></p>
Purpose of report	To inform the Committee of 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 Assessment	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

**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 March 2017 to 31 May 2017 is attached at Appendix 1.



## **INTERNAL AUDIT SHARED SERVICE**

**North West Leicestershire District Council**

**Internal Audit Progress Report May 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 31 May 2017.

## **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 Plan Update**

- 6.1 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 resource requirements. There has been one change to the plan approved in March 2017 and details are documented in the 'comments' column in Appendix A.
- 6.2 Four final reports have been issued since the last update report, one is at the report drafting stage and two are in progress. Internal Audit resources have been used in April and May to complete audits from the 2016/17 audit plan as well as working on audits from the 2017/18 plan and completing the Braunstone Town Council Audit.
- 6.3 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.
- 6.4 One of the four final reports issued was the Review of Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Audit and Governance Committee Members have sought assurance at previous meetings that anti-fraud and corruption arrangements are adequate. Our opinion was that internal controls require improvement in some areas (Grade 2). Our recommendations include 2 high priority recommendations:
- Assigning responsibility for managing the anti-fraud and corruption framework (normally this would be the Head of Finance however as this post has been vacant for some time this should be formally assigned to another officer); and
  - The need for an annual report on the effectiveness of arrangements in connection with the management of fraud should be considered.

The executive summary and all recommendations related to this audit are included in Appendices B and C respectively.

- 6.5 The final report for the ICT Key Controls Audit was issued by Leicestershire County Council specialist ICT auditors. The opinion was that internal controls require improvement in some areas (Grade 2) and the recommendations have been included in Appendix C as the in-house team will be following up the recommendations.

## **7 Internal Audit Recommendations**

- 7.1 Internal Audit monitors and follows up all critical, high and medium priority recommendations. There are no overdue recommendations at this time.
- 7.2 All outstanding recommendations i.e. those not yet due, are included in Appendix C for information. Recommendations that have been made and implemented in the reporting period are also included for information.

## **8 Internal Audit Performance Indicators**

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

2017/18 AUDIT PLAN PROGRESS TO 31<sup>st</sup> MAY 2017

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
<b>Housing</b>											
Choice Based Letting	Risk Based	5		Scheduled for Q1/Q2							
Gas/Solid Fuel Servicing and Maintenance	Risk Based	10		Scheduled for Q1/Q2							
Housing Management Support Service	Risk Based	4		Scheduled for Q2							
Housing Repairs	Risk Based	10		Scheduled for Q3/Q4							
New Council Houses	Risk Based	5		Scheduled for Q3							
Rent Accounting	Risk Based	6		Scheduled for Q3							
Right to Buy	Risk Based	5	0.5	In progress							
Housing ICT Review	Advisory	5									
Housing Repairs	Advisory	10									
<b>Community Services</b>											
Grounds Maintenance	Risk Based	6		Scheduled for Q3/Q4							
Leisure Centres	Risk Based	6		Scheduled for Q2							
Planning Enforcement	Risk Based	6		Scheduled for Q3/Q4							
New Car Parking Machines	Advisory	2									
Disabled Facilities Grant Determination	Grant	3		Scheduled for Q2							
<b>Planning</b>											
Development Control	Risk Based	6		Scheduled for Q1							
<b>Economic Development</b>											
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		In progress							
<b>Finance</b>											
ICT Assets	Risk Based	5		Scheduled for Q1							

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
Key Financial Systems	Risk Based	30		Scheduled for Q2-Q4							
Finance Service/Systems Review	Advisory	4		In progress							

## **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**

o

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 MARCH 2017 – 31 MAY 2017

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C	H	M	L	A
<b>2016/17 Audits</b>									
10 – Creditors	Corporate Portfolio Holder	Head of Transformation Financial Services Team Manager	Grade 1	Purchases made using Council Credit.  Cards and treatment of VAT associated with these purchases.	-	-	1	1	-
11 – Review of Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption	Corporate Portfolio Holder	Head of Transformation	Grade 2	Assigning responsibility for managing the anti-fraud and corruption framework.  Annual reporting.	-	2	4	2	-
12 – Cash and Bank ↑	Corporate Portfolio Holder	Head of Transformation Financial Services Team Manager	Grade 1	None	-	-	-	-	-
13 – Disabled Facilities Grants	Community Services Portfolio Holder	Head of Community Services Environmental Protection Team Manager	Grade 2	The administrative procedures relating to the processing of applications.  The copy of the Terms and Conditions issued to customers.	-	2	3	-	-

See Appendix A for Key.



Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
		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	Audit follow up will take place in June 2017
		8	As part of the decision as to whether or not an anti-fraud and corruption strategy is appropriate for the Council, the requirement to produce an annual report on the effectiveness of arrangements in connection with the management of fraud should be considered.	High	Interim Head of Transformation	26.05.17	Audit follow up will take place in June 2017
13	Disabled Facilities Grants	1	NWLDC should ensure that the service providers revise the procedure relating to the previous grants check, and the recording of this on the file checklist, to ensure that it is practical, consistent and provides an adequate audit trail.	Medium	Environmental Protection Team Manager and Public Protection Team Leader	31.03.17	Implemented
19		2	NWLDC should ensure that the service providers remind all relevant staff to check the initial forms received from the Occupational Therapists to ensure that they are correct and up to date. Any discrepancies should be referred back to the relevant person, and revised forms obtained if required.	Medium	Environmental Protection Team Manager and Public Protection Team Leader	31.03.17	Implemented
		3	NWLDC should work with the service providers to agree the procedures for cases requiring additional funding which will exceed the statutory limit of £30k. These should be clearly documented and communicated to all relevant staff in order to ensure that:	High	Environmental Protection Team Manager and Public Protection Team Leader	31.03.17	Implemented

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
			<ul style="list-style-type: none"> <li>a. formal approval is obtained prior to the commencement of the additional work</li> <li>b. a revised financial assessment is obtained if required</li> <li>c. customers are made aware of their liability for any unapproved costs.</li> </ul>				
		4	Consideration should be given to revising the application form so that the customer agrees to provide additional financial information throughout the process if required.	Medium	Environmental Protection Team Manager and Public Protection Team Leader	31.03.17	Implemented
20		5	The Terms and Conditions issued to NWLDC customers should be reviewed and revised to ensure that they are accurate and that the controls in place to ensure compliance with all relevant conditions are adequate.	High	Environmental Protection Team Manager and Public Protection Team Leader	31.03.17	Implemented
NA	Key ICT Controls Audit	1	The list of support contracts should be kept up to date. Consideration should be given as to whether the support contract information can be held on the Service Desk Management System.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
		2	ICT Management should give consideration to developing a more encompassing ICT Service Level Agreement increasing the range of measures which ICT should be monitored against.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
		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	Medium	IT Manager	September 2017	Audit follow up will take place in October 2017

Report		Recommendation	Rating	Officer Responsible	Target Date	Senior Auditor Comments
		established regular DR tests should be planned and undertaken.				
	4	Consideration should be given to ensuring third parties who connect to the NWLDC network have signed up/ agreed to some form of Third Party Code of Connection.	Medium	IT Manager	August 2017	Audit follow up will take place in October 2017
	5	The list of users who have been afforded a Swivel token should be reviewed to determine whether the employees still require a token.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
	6	Consideration should be given to implementing a capacity monitoring solution to prevent any system downtime as a result of capacity issues to enable any areas of concern to be addressed in a proactive manner.	Medium	IT Manager	September 2017	Audit follow up will take place in October 2017
21	7	ICT should ensure that reasons for the alert not being sent are investigated and any lessons are learned to prevent a similar issue arising with the backup.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
	8	The IT Security Policy or the actual network password configurations should be updated to reflect the correct password requirements.	Medium	IT Manager	July 2017	Audit follow up will take place in August 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	Audit follow up will take place in August 2017
	10	Managers should be reminded on the need to notify Systems Administrators when an employee leaves the organisation so that access rights to the relevant systems can	Medium	, IT Manager, in conjunction with the Systems Administrators	July 2017	Audit follow up will take place in August 2017

Report		Recommendation	Rating	Officer Responsible	Target Date	Senior Auditor Comments	
		11	be removed promptly.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
		12	A decision should be undertaken on the action that should be taken on accounts that have not been logged into for over 90 days. These accounts should then be reviewed and disabled where they are no longer required.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
		13	Consideration should be given to adopting a Privilege Access Policy or incorporating this into an existing policy. Access to these accounts should be granted through approval by Management and activities on these accounts should be monitored commensurate with risk. A suitable monitoring solution should be considered.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
22		14	ICT Management should undertake a review of all the generic domain accounts set up and disable/delete the accounts as appropriate.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
		14	A formal Change Control Policy should be developed (or incorporated within an existing policy) and rolled out to all departments.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017

## Internal Audit Performance

## Performance Measures:

Performance Measure	2017/18 Quarter 1 Target	Position as at 31.05.17	Comments
Delivery of 2017/18 Audit Plan	20%	7%	One 2017/18 audit in progress at this point. Time spent in April and May completing 2016/17 audit plan as well as the Braunstone Town Council Audit.
Percentage of time spent on audit work	80%	80%	
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 1 Milestone	Position as at 31.05.17
Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Set action plan and timescale to deliver improvements where highlighted in reviews	Review 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 Q1 self assessment audit and report findings to Business Improvement Team.	Achieved
Complete audits as per risk based audit plan	Complete 20% of audit plan.	7% completed as time spent in April and May completing 2016/17 plan. The quarter target may not be achieved however we should catch up in the next quarter.
Quarterly progress reports to Audit and Governance Committee	Progress report to June Audit and Governance Committee	On track for 21 <sup>st</sup> June Audit and Governance Committee.
Achievement of PSIAS action plan and associated Quality Assurance and Improvement Programme	Internal review of effectiveness of Internal Audit reported to June 2016 A&GC.	This is included within the Annual Opinion Report which will be presented at 21 <sup>st</sup> June Audit and Governance Committee.
Annual Audit Opinion delivered by 30 <sup>th</sup> June 2017 deadline.	Prepare Annual Report for presentation to June A&GC	This is included within the Annual Opinion Report which will be presented at 21 <sup>st</sup> June Audit and Governance Committee.
Risk based annual audit plan for 2018/19 approved by 31 March 2018.	Not applicable.	Not applicable.





**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – 21 JUNE 2017**

Title of report	<b>INTERNAL AUDIT ANNUAL REPORT 2016/17</b>
Contacts	<p>Councillor Nicholas Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Interim Director of Resources 01530 454833 <a href="mailto:andrew.hunkin@nwleicestershire.gov.uk">andrew.hunkin@nwleicestershire.gov.uk</a></p> <p>Senior Auditor 01530 454728 <a href="mailto:lisa.cotton@nwleicestershire.gov.uk">lisa.cotton@nwleicestershire.gov.uk</a></p>
Purpose of report	<p>To present the annual internal audit opinion on the overall adequacy and efficiency of the Council's framework of governance, risk management and control.</p> <p>This is required by the Public Sector Internal Audit Standards and should be used to inform the Annual Governance Statement.</p>
Reason for Decision	To comply with the Public Sector Internal Audit Standards.
Strategic aims	Value for Money
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	A negative internal audit opinion would cast doubt on the Council's governance arrangements and could impact on the audit of the Statement of Accounts.
Equalities Impact Assessment	N/A
Human Rights	N/A
Transformational Government	No direct implications.
Consultees	<p>Director of Resources</p> <p>Head of Transformation</p>

	Financial Planning Manager (Deputy Section 151)
Background papers	Internal Audit Progress Reports during 2016/17 Public Sector Internal Audit Standards
Recommendations	<b>THAT THE COMMITTEE NOTES THIS REPORT AND COMMENTS AS APPROPRIATE.</b>

## 1. INTRODUCTION

- 1.1 This is the annual report of the Chief Audit Executive (Senior Auditor) as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2016 to 31 March 2017.
- 1.2 This report includes the Senior Auditor's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.3 This report also includes:
- A summary of internal audit work carried out during 2016/17 which supports the opinion.
  - Issues relevant to the preparation of the Annual Governance Statement.
  - Internal Audit's Quality Assurance and Improvement Programme (QAIP).
  - A statement on conformance with the Public Sector Internal Audit Standards.

## 2. CHIEF AUDIT EXECUTIVE (SENIOR AUDITOR) OPINION 2016/17

- 2.1 I am satisfied that sufficient internal audit work has been undertaken to allow me to give an opinion on the adequacy and effectiveness of the framework of governance, risk management and control. In giving this opinion it should be noted that assurance cannot be absolute and the most that Internal Audit can provide is reasonable assurance that there are no major weaknesses in the system of internal control.
- 2.2 For the 12 months ended 31 March 2017, I have formed the opinion that the Council's overall internal control arrangements are a **Grade 2**. In line with our Internal Audit opinion grade definitions, this means that I consider that the internal control arrangements require improvement in some areas.
- 2.3 My opinion is based on the following:
- All internal audit work undertaken during the year.
  - Assurance provided by the auditors of the Leicestershire Revenues and Benefits Partnership.
  - Follow up audit work in respect of audit recommendations.
  - My knowledge of the Council's governance and risk management structure and processes.

### 3. SUMMARY OF INTERNAL AUDIT WORK DURING 2016/17

- 3.1 The risk based internal audit plan for 2016/17 was presented and approved by the Audit and Governance Committee on 23<sup>rd</sup> March 2016. The plan was developed to provide assurance on the adequacy and effectiveness of internal controls across a range of financial and organisational areas that were identified as part of the risk based planning process. Progress against the plan has been reported to Audit and Governance Committee throughout the year as part of the quarterly Internal Audit progress reports.
- 3.2 A summary of the audit opinions given in 2016/17 by the in-house team is detailed in Table 1 below. The opinion for individual audits is included in Appendix A for information.

Table 1

<b>Audit Opinion</b>	<b>Number</b>
Grade 1 – Internal controls are adequate in all important aspects	7
Grade 2 – Internal controls require improvement in some areas	6
Grade 3 – Internal controls require significant improvement	0
Grade 4 – Internal controls are inadequate in all important aspects	0
<b>Total</b>	<b>13</b>

- 3.3 Three of the Council's key financial systems (Benefits, Business Rates and Council Tax) are provided by the Leicestershire Revenues and Benefits Partnership. For 2016/17 the internal audit service at the Partnership was provided by PwC. They issued a 'high' risk report setting out their findings at the Leicestershire Partnership Revenues and Benefits Joint Committee held on 26<sup>th</sup> January 2017. I have reviewed their report which included two main areas of concern:
- Weak security arrangements around access to the online BACS payment system.
  - The lack of recovery of council tax overpayments where the individual is no longer in receipt of council tax support or housing benefits.

The Partnership reported that the weak security arrangements were addressed immediately and that, following a review of the overpayments process, new weekly procedures were introduced from January 2017. There is a dedicated team who work on keeping all overpayments activity up to date. The Partnership now feels it is in a much better position to tackle this in the future.

- 3.4 An audit of ICT Key Controls has been undertaken by a specialist computer auditor employed by Leicestershire County Council (LCC). They used our opinion model and issued a Grade 2 report with 14 medium priority recommendations.
- 3.5 Internal Audit follow up progress against recommendations in line with the timescales agreed at the time of issuing reports. The Audit and Governance Committee is updated on the Council's progress against the recommendations as part of the quarterly Internal Audit progress reports, as well as giving details of ongoing or overdue recommendations. A summary of the recommendation tracking results for 2016/17 is included at Appendix B.

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

- 4.1 The in-house Internal Audit team have not issued any grade 3 or grade 4 audit reports during 2016/17 so far. A number of high priority recommendations have been made however they relate to specific areas and I do not consider it necessary to include them in the Annual Governance Statement. The Section 151 Officer and/or Deputy receive all Internal Audit reports issued therefore they are also able to review them and make their own assessment when completing the Statement should they be of a different opinion. They should also consider whether they want to include the issues identified at the Leicestershire Revenues and Benefits Partnership detailed at paragraph 3.3.

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

- 5.1 The Public Sector Internal Audit Standards require the QAIP to include internal and external assessments.
- 5.2 The internal assessments applicable to 2016/17 comprise of the following:
- The Senior Auditor planned all audit engagements and carried out documented reviews of working papers and draft reports prior to issue.
  - Monthly performance review meetings which were attended by the Senior Auditor and the Head of Transformation/Director of Resources.
  - Quarterly customer satisfaction surveys were sent out to all Heads of Service and Team Managers who had an audit in their service area. The results of which are discussed at the monthly performance review meetings and included in the quarterly progress reports to Audit and Governance Committee.
  - Quarterly progress reports to Audit and Governance Committee which include monitoring of activity and performance.
  - April 2016 review of revised Public Sector Internal Audit Standards to ensure ongoing conformance.
- 5.3 The PSIAS require external assessments to be conducted at least once every five years. Our external assessment was completed in April 2015 and the full report was presented to the Audit and Governance Committee meeting on 24<sup>th</sup> June 2015.

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

- 6.1 The external assessment conducted in April 2015 concluded that there were no significant gaps in compliance. The Standards were updated in April 2016 and I carried out a review against the additions to the Standards to ensure we remained compliant from April 2016. Details of the review were reported in the Internal Audit Annual Report 2015/16. The Standards have been updated again, coming into effect from 1<sup>st</sup> April 2017. I have carried out another review (see Appendix C) to establish that no further changes are required.
- 6.2 I can confirm that during 2016/17 we conformed to the Public Sector Internal Audit Standards and will continue to do so during 2017/18.

## RESULTS OF INDIVIDUAL AUDIT ASSIGNMENTS 2016/17

Audit Report	Grade	Number of Recommendations					Date reported to Audit and Governance Committee
		Critical*	High	Medium	Low	Advisory	
1 – Enterprising NWL Grants	2	N/A	3	3	-	2	September 2016
2 – Refuse and Recycling	1	N/A	-	1	1	-	September 2016
3 – Leicestershire Welfare Provision	1	N/A	-	1	-	-	September 2016
4 – Treasury Management	1	N/A	-	-	-	-	September 2016
5 – Housing Management	2	-	2	3	-	-	March 2017
6 – Asset Management System	2	-	2	1	-	-	March 2017
7 – Main Accounting System	1	-	-	-	-	-	December 2016
8 – Car Parking and Enforcement	1	-	-	-	1	1	March 2017
9 – Rent Accounting	2	-	1	3	-	-	March 2017
10 – Creditors	1	-	-	1	1	-	June 2017
11 - Review of Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption	2	-	2	4	2	-	June 2017
12 – Cash and Bank	1	-	-	-	-	-	June 2017
13 – Disabled Facilities Grants	2	-	2	3	-	-	
14 – S106	N/A						This audit was at the management review stage at the time of writing the report.
15 – Debtors	N/A						This audit was in progress at the time of writing the report.

\* new category of recommendation 'critical' added from 21<sup>st</sup> September 2017

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

## SUMMARY OF INTERNAL AUDIT RECOMMENDATIONS 2016/17

Recommendation Priority	Recommendations Made	Recommendations Not Agreed	Recommendations Implemented	Recommendations Outstanding (Not Yet Due or Original Target Date Extended)	Recommendations Overdue/Not Implemented
Critical	-	-	-	-	-
High	12	-	11	1	-
Medium*	34	-	18	16	-
Low	5	-	3	2	-
Total	51	-	32	19	-

\*This includes the ICT Key Controls Audit recommendations.

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require 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.

## PUBLIC SECTOR INTERNAL AUDIT STANDARDS APRIL 2017 REVIEW

The underlined text represents the additions.

Area/Standard	Requirement/ Interpretation	Content	Senior Auditor Comments
1000 Purpose, Authority and Responsibility	Requirement	<p>The internal audit charter must also:</p> <ul style="list-style-type: none"> <li>define the terms 'board' and 'senior management' for the purposes of internal audit activity;</li> <li>cover the arrangements for appropriate resourcing<sup>1</sup>;</li> <li>define the role of internal audit in any fraud-related work; and</li> <li><u>describe safeguards to limit independence or objectivity</u> if internal audit <u>or the chief audit executive</u> undertakes non-audit activities<sup>1</sup>.</li> </ul> <p><u>1 Footnote: These requirements should be read in conjunction with Standards 2030 Resource Management and 1112 Chief Audit Executive Roles Beyond Internal Auditing.</u></p>	No action required as Section 8 of the Internal Audit Charter – Independence and Objectivity already describes our safeguards.
<u>1112 Chief Audit Executive Roles Beyond Internal Auditing</u>	<u>Interpretation</u>	<u>In the UK public sector, chief audit executives would not be expected to undertake roles with responsibility for core management controls or functions.</u>	Not applicable at this time as the Chief Audit Executive does not have any additional roles or responsibilities outside of internal audit. Should any arise they would be covered by the Internal Audit Charter Section 8.
1322 Disclosure of Non-conformance	Requirement	<u>Such non-conformances must be highlighted by the chief audit executive to</u> be considered for inclusion in the governance statement.	No applicable 'non-conformances' at this time – the annual opinion report includes a statement on conformance.
2050 Coordination			No action required.

2450 Overall Opinions	Requirement	<p>The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.</p> <p>The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p> <p>The annual report must <b>also include</b> a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.</p>	No action required as this statement is included in the annual report already.
International Professional Practices Framework	Interpretation	Only the <b>Mission and the</b> mandatory elements apply for the purposes of the Public Sector Internal Audit Standards.	No action required as the Internal Audit Charter already includes the Mission.



**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – 21 JUNE 2017**

Title of report	<b>TREASURY MANAGEMENT STEWARDSHIP REPORT 2016/17</b>
Contacts	<p>Councillor Nick Rushton 01530 412059 <a href="mailto:Nicholas.Rushton@nwleicestershire.gov.uk">Nicholas.Rushton@nwleicestershire.gov.uk</a></p> <p>Interim Director of Resources 01530 454833 <a href="mailto:Andrew.Hunkin@nwleicestershire.gov.uk">Andrew.Hunkin@nwleicestershire.gov.uk</a></p> <p>Financial Planning Team Manager / Deputy S151 Officer 01530 454707 <a href="mailto:Tracy.Ashe@nwleicestershire.gov.uk">Tracy.Ashe@nwleicestershire.gov.uk</a></p>
Purpose of report	To inform Members of the Authority's Treasury Management activity undertaken during the financial year 2016/17.
Reason for Decision	These are statutory requirements
Council Priorities	Value for Money
Implications:	
Financial/Staff	Interest earned on balances and interest paid on external debt, impact on the resources available to the Authority.
Link to relevant CAT	Could impact on all Corporate Action Teams.
Risk Management	Borrowing and investment both carry an element of risk. This risk is mitigated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA Code of Treasury Management and the retention of Treasury Management Advisors (Arlingclose) to proffer expert advice.
Equalities Impact Screening	Not applicable.
Human Rights	Not applicable.
Transformational Government	Not applicable.
Consultees	None
Background papers	<u>Treasury Management Strategy Statement</u> – Council 23 February 2016

	<u>Treasury Management Activity Report April to August</u> – Audit and Governance 21 September 2016  <u>Treasury Management Activity Report April To October</u> – Audit and Governance 7 December 2016  <u>Treasury Management Activity Report April to February</u> – Audit and Governance 22 March 2017
Recommendations	<b>THAT MEMBERS APPROVE THIS REPORT</b>

## 1.0 BACKGROUND

- 1.1 The Authority’s Treasury Management activity is underpinned by CIPFA’s Code of Practice on Treasury Management (“the code”), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and Investment activity.
- 1.2 This report fulfils the Authority’s legal obligation under the Local Government Act 2003, to have regard to both the CIPFA Code and the CLG Investment Guidance.
- 1.3 Treasury Management is defined as “the management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.4 The Authority’s current Treasury Management Strategy Statement, including the Borrowing Strategy, Debt Rescheduling Strategy, Annual Investment Strategy, Prudential Indicators and Annual Minimum Revenue Position Statement for 2015-16 were approved by Council on 23 February 2016.
- 1.5 The Treasury Management Stewardship Report is supplemented by three in-year reports to the Audit and Governance Committee on 21 September 2016, 7 December 2016 and 22 March 2017.

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

2.1 The following economic update has been supplied by the Authority's treasury advisors Arling Close:

**Growth, Inflation, Employment:** Economic activity grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. The sharp fall in then sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year on year in April 2016 to 2.3% year on year in March 2017.

**UK Monetary Policy:** The Bank of England's Monetary Policy Committee (MPC) cut the bank rate to 0.25% in August and embarked on further gilt and corporate bond purchases as well as providing cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.

**Global Influences:** The US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, setting in motion the 2-year exit period from the EU, was triggered on 29 March 2017. Interest rates in the United States were raised in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

## 3.0 THE AUTHORITY'S TREASURY POSITION.

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

DEBT	Balance at 01/04/2016 £m	%	Maturing loans £m	New Borrowing £m	Balance at 31/03/2017 £m	%
<b>Long-term fixed rate:</b>	<b>£84.482</b>		<b>£1.055</b>	<b>£0.000</b>	<b>£83.427</b>	
• <i>HRA</i>	£76.127	90.0	£1.055	£0.000	£75.072	89.9
• <i>General Fund</i>	£8.355	9.9	£0.000	£0.000	£8.355	10.0
Long-term variable rate	£0.000m		£0.000	£0.000	£0.000	
Temporary Borrowing	£0.000m		£0.000	£0.000	£0.000	
<b>Total borrowing</b>	<b>£84.482</b>	<b>99.9</b>	<b>£1.055</b>	<b>£0.000</b>	<b>£83.427</b>	<b>99.9</b>
Other long-term liabilities	£0.119	0.1	£0.007	£0.000	£0.112	0.1
<b>TOTAL EXTERNAL DEBT</b>	<b>£84.601</b>	<b>100</b>	<b>£1.062</b>	<b>£0.000</b>	<b>£83.539</b>	<b>100</b>
INVESTMENTS	Balance at 01/04/2016 £m	%	Maturities £m	New Investment £m	Balance at 31/03/2017 £m	%
<b>Internally Managed:</b>	<b>£30.601</b>	<b>95.9</b>	<b>£50.233</b>	<b>£55.981</b>	<b>£36.349</b>	<b>95.9</b>
• <i>Investments with maturities up to 1 year</i>	£18.601	58.3	£46.233	£51.981	£24.349	66.1
• <i>Investments with maturities in excess of 1 year</i>	£12.000	37.6	£4.000	£4.000	£12.000	29.8
<b>Externally Managed Investments *</b>	<b>£1.300</b>	<b>4.1</b>	<b>£91.350</b>	<b>£93.150</b>	<b>£3.100</b>	<b>4.1</b>
<b>TOTAL INVESTMENTS</b>	<b>£31.901</b>	<b>100</b>	<b>£141.583</b>	<b>£149.131</b>	<b>£39.449</b>	<b>100</b>
<b>NET DEBT</b>	<b>£52.700</b>				<b>£44.090</b>	

\*Represents investments held in money market funds

- 3.2 The 'Maturing Loans' column contains the annual repayments on two PWLB annuity loans taken out as part of the self-financing system of Council Housing in 2011/12.
- 3.3 In 2016/17, the capacity for investment has increased by £8.6m.
- 3.4 The capacity for investment can be affected by various factors - for example: Increased income, contribution to/from reserves, setting aside expenditure to repay borrowing (MRP) and fortuitous income. In 2016/17 some of the highlights that have impacted on the increased capacity are: sales of assets - houses under the 'Right to Buy' scheme, other Housing and General Fund property generated approx £3m; MRP is £0.54m; increased income from various activities across the authority of circa £0.5m including recycling income (£0.32m) and Planning Fees (£0.16m); and cash flow timing of receipts and payments.

#### **4.0 BORROWING ACTIVITY.**

- 4.1 The Authority's Borrowing Strategy 2016/17, approved by Council on 23 February 2016, incorporates a prudent and pragmatic approach to borrowing to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Authority's Prudential Indicators.
- 4.2 None of the loans which matured in 2016/17 require replacement.
- 4.3 The Authority did not undertake any new long-term borrowing during the year and interest payments totalling £2.79m were made in respect of existing debt.
- 4.4 The Authority's cash flow remained positive during the period. The Authority did not require any temporary loans during the period.
- 4.5 The Authority had approximately £5.4m of internal debt (the value by which the Authority has avoided new external borrowing by using internal cash balances to finance new capital expenditure or to replace maturing external debt) at 31 March 2017, as this is currently judged to be the most cost effective means of funding the capital programme.
- 4.6 The Estimated Minimum Revenue Provision (MRP) is intended to ensure that the capital financing debt is paid off over the longer term. The MRP charge that was made to the General Fund revenue account for 2016/17 was £0.535m. For Housing, MRP is classed as the principal repayments made in respect of two PWLB annuity loans taken out as part of the Housing self financing in 2011/12. In 2016/17, this repayment was £1.055m

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

- 5.1 The Authority's Debt Rescheduling Strategy 2016/17, approved by Council on 23 February 2016, establishes a flexible approach where the rationale for rescheduling could be one or more of the following:
- Savings in interest costs with minimal risk.
  - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
  - Amending the profile of maturing debt to reduce any inherent refinancing risks.

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

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

## 6.0 INVESTMENT ACTIVITY

6.1 The Authority's Investment Policy and Strategy 2016/17, approved by Council on 23 February 2016, established that the major policy objective is to invest its surplus funds prudently.

6.2 The Authority's investment priorities are:

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

6.3 The counterparties that the Authority currently utilise all meet the criteria set out in the Treasury Management Strategy Statement 2016/17 and are monitored by the Authority's Treasury Management Advisors. The counterparties and amounts invested at 31 March 2017 are shown below:

Counterparty	Length of Investment	Rate *	£m
Lloyds Bank (Current Account)	Overnight	0.15%	0.6
Bank of Scotland	Overnight	0.15%	1.5
Goldman Sachs MMF	Overnight	0.21%	2.1
CCLA Investment Management Ltd MMF	Overnight	0.25%	1.0
Lloyds 32 Day Notice Account	32 days	0.32%	0.8
Santander 95 Day Account	95 Days	0.65%	1.5
Birmingham City Council	123 days	0.35%	1.0
Leeds City Council	181 days	0.30%	2.0
Fife Council	182 days	0.35%	2.0
Eastleigh Borough Council	182 days	0.35%	2.0
Thurrock Council	214 days	0.41%	1.0
North Lanarkshire Council	214 days	0.47%	2.0
Leeds City Council	364 days	0.38%	2.5
Moray Council	364 Days	0.47%	2.0
Salford City Council	364 Days	0.40%	1.0
Salford City Council	364 Days	0.44%	1.0
Salford City Council	364 Days	0.44%	1.0
Lancashire County Council	364 Days	0.60%	1.5
Lloyds Bank Fixed term deposit	1 year	1.05%	1.0
The City of Liverpool	21 months	0.65%	2.0

Lancashire County Council	2 Years	0.55%	2.0
Greater London Authority	3 Years	1.50%	3.0
Blaenau Gwent County Borough Council	3 Years	1.20%	2.5
Newcastle City Council	3 Years	1.13%	2.5
<b>Total Invested</b>			<b>39.5</b>

\* Rate as at 31<sup>st</sup> March 2017

- 6.4 The average rate of return on the Authority's investment balances during the year was 0.557%. For comparison purposes, the benchmark return (cumulative average 7-day London Interbank Bid Rate or LIBID rate) for 2016/17 was 0.20%. The cumulative average 7 day London Interbank Offered Rate (LIBOR) for 2016/17 was 0.33%. The comparison of rates of return against a benchmark is less relevant when set against the ultimate priority of security as set out in the Authority's Treasury Management Strategy Statement 2016/17.
- 6.5 The Authority budgeted to achieve £182,000 of income from its investment activity in 2016/17. The average cash balances representing the Authority's reserves, capital receipts and working balances were £43m during the year. The total interest earned on investments was £283,462. Of this total interest, £20,028 is applied to balances held on external income. This external income represents balances from S106 contributions for schemes such as Healthcare, affordable housing and recreation that have not yet been spent.
- 6.6 The remaining balance of interest (£263,434) received on investment income is budgeted to be apportioned between General Fund and the Housing Revenue Account based on an estimated cash flow position. For 2016/17, the budgeted investment income is apportioned as follows: £115,480 General Fund and £66,520 Housing Revenue Account and the over achievement of interest is apportioned on this basis. The outturn position of investment income achieved for 2016/17 is: £167,150 General Fund and £96,284 HRA.

	<b>Budget</b>	<b>Actual</b>
General Fund	£115,480	£167,150
HRA	£66,520	£96,284
<b>Sub-Total</b>	<b>£182,000</b>	<b>£263,434</b>
External Balances	£ 0	£20,028
<b>Total</b>	<b>£182,000</b>	<b>£283,462</b>

## 7.0 SUMMARY

- 7.1 The Authority can confirm that it has complied with its Prudential Indicators for 2016/17 approved on 23 February 2016.
- 7.2 In compliance with the requirements of the CIPFA Code of Practice, this report provides members with a summary report of the Treasury Management activity during 2016/17. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 7.3 The Authority can confirm that during 2016/17, it has complied with its Treasury Management Strategy Statement, policies and Treasury Management Practices.

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL****AUDIT AND GOVERNANCE COMMITTEE – 21 JUNE 2017**

Title of report	<b>STANDARDS AND ETHICS – QUARTER 4 REPORT</b>
Contacts	Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a>  Head of Legal and Support Services and Monitoring Officer 01530 454701 <a href="mailto:elizabeth.warhurst@nwleicestershire.gov.uk">elizabeth.warhurst@nwleicestershire.gov.uk</a>
Purpose of report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 4 of 2016/17.
Strategic aims	Value for Money
Implications:	
Financial/Staff	N/A
Link to relevant CAT	N/A
Risk Management	By receiving this information members will be able to manage risks.
Equalities Impact Assessment	N/A
Human Rights	N/A
Transformational Government	N/A
Consultees	N/A
Background papers	None.
Recommendations	<b>THAT THE REPORT BE RECEIVED AND NOTED.</b>

This page is intentionally left blank





## STANDARDS AND ETHICS

### QUARTER 4 REPORT 2016-2017

## 1. Introduction

This is the quarterly report to the Audit & Governance Committee detailing both the figures for the Ethical Indicators and the figures for the Local Determination of Complaints process for 2016/17.

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

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

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

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

## 2. Part 1 – Local Determination of Complaints

The Monitoring Officer received 0 complaints in Quarter 4 of 2016/17.

### 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 initialling formal proceedings via the Sub-committee route.

No complaints have been resolved informally in Quarter 4.

### 2.2 Timeliness of Decision

The Standards for England Guidance stated that the Assessment Sub-committee should complete its initial assessment of an allegation “within an average of 20 working days” to reach a decision on what should happen with the complaint. The Council has taken this standard 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 4. Review requests can only be made following a decision of ‘No further Action’ by the Assessment Sub-committee where there is submission of new evidence or information by the complainant.

## **2.4 Subsequent Referrals**

None to report – see above.

## **2.5 Outcome of Investigations**

There were no investigations concluded in this period.

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

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

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

N/A

#### 4. Part 2 – Ethical Indicators

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17
SE1	Objections to the Councils Accounts	Financial Planning Team Manager	0	0	0	0	0	0	0	0
SE3	Follow up action relating to breaches of the Member/Officer Protocol (Members)	Head of Legal and Support Services	0	0	0	0	0	0	0	0
SE3a	Disciplinary action relating to breaches of the Member/Officer Protocol (staff)	Human Resources Team Manager	0	0	0	0	0	0	0	0
SE4	District Audit Public Interest Reports	Senior Auditor	0	0	0	0	0	0	0	0
SE5	Number of Whistle blowing Incidents reported		0	0	0	0	0	0	0	0
SE6	No. of recommendations made to improve governance procedures / policies		2	11	0	3	23	9	8	17
SE6a	No. of recommendations implemented		1	8	7	18	3	12	20	9

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17
SE7	No. of Ombudsman complaints received	Corporate Complaints Officer	0	2	1	6	3	4	4	2
SE7a	No. of Ombudsman complaints resolved		0	1	0	4	2	1	2	0
SE7b	No. of Ombudsman complaints where compensation paid		0	0	0	0	0	1	0	0
SE8	No. of Corporate Complaints received		83	86	116	92	79	46	80	47
SE8a	No. of Corporate Complaints resolved		79	99	93	74	52	38	50	33
SE8b	No. of Corporate Complaints where compensation paid		0	2	0	4	2	0	1	2

45

- The 2 complaints received from the Ombudsman in Q4 were as follows:- 1 case dissatisfied with Environmental Protection Services, 1 case unhappy with the condition of their property, the repairs process, staff conduct and communication from Housing Repairs.
- A total of 47 corporate complaints were received during Q4, which shows a decrease of 41% against the same period for Q4 -15/16.
- A total of 33 corporate complaints were resolved during Q4, which shows a decrease of 34% against the same period for Q4 -15/16.
- 20 of the complaints received (57%) were for the Housing Service.

During Quarter 4 2017 (January 2017 to March 2017), Housing has paid a total of £300.00 in compensation to tenants as a result of a corporate complaint. This was in relation to 2 Stage 1 cases as follows:

- £40.00 for 4x missed repair appointments, specialised part needed which has caused the delay.
- £260.00 paid as a total compensation:- £10 for delay in responding with formal written response, £100.00 for inconvenience associated with the delay in undertaking post-leak related work, and £150.00 for the time, trouble and inconvenience caused to tenant as a result of the complaint.

A project is currently being undertaken to reduce outstanding complaints, with a 47% reduction rate achieved within three weeks.

Ref.	Performance Indicator Description	Officer Responsible for Providing Information	Q1		Q2		Q3		Q4	
			Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17	Actual 2015/16	2016/17
<b>Freedom of Information Act Indicators</b>										
SE9	Total no. of requests received	Head of Legal and Support Services	117	143	150	170	98	172	199	152
SE9a	No. of requests compliant		73	134	110	157	85	141	135	86
SE9b	No. of Non-compliant requests		30	9	40	13	13	31	64	66
SE9c	No of requests still open and within the 20 working days		1	0	0	0	0	0	0	0
SE9d	Number withheld due to exemptions/fees applied		10	10	17	13	0	1	10	3

- There has been a 23.61% decrease in FOI requests during Q4 this year compared to the same period of 2015/16 which can be in part attributed to the number of cases treated as business as usual and transfer cases.
- The number of non-compliant requests has increased mainly due to the number of requests we have received that relate to information not held by this authority for example highways, education and tree related questions being particular trends.
- A Disclosure Log is currently under development, and all FOI requests and responses will hopefully be published on the council website by the end of June 2017.



This page is intentionally left blank



**AUDIT AND GOVERNANCE COMMITTEE – WORK PROGRAMME** (as at 08/06/17)

<b>Issue</b>	<b>Details</b>	<b>Report Author</b>	<b>Meeting at which will be reported</b>
<b>September</b>			
Standards and Ethics - Quarter 1 Report	To receive quarterly report.	Elizabeth Warhurst, Head of Legal and Support Services	27 September 2017
Annual Statement of Accounts 2016/17	To receive report.	Andrew Hunkin, Interim Director of Resources	27 September 2017
Internal Audit Progress Report	To receive progress report.	Lisa Cotton, Senior Auditor	27 September 2017
Treasury Management Activity Report	To consider the Treasury Stewardship report.	Andrew Hunkin, Interim Director of Resources	27 September 2017
Annual Governance Statement 2016 - 2017	To receive report.	Andrew Hunkin, Interim Director of Resources	27 September 2017
Report to Those Charged with Governance 2016/17	To receive report.	Andrew Hunkin, Interim Director of Resources	27 September 2017
<b>December</b>			
Annual Audit Letter 2016/17	To receive report.	Andrew Hunkin, Interim Director of Resources	6 December 2017
External Audit Progress Report	To receive progress report.	Andrew Hunkin, Interim Director of Resources	6 December 2017
Standards and Ethics - Quarter 2 Report	To receive quarterly report.	Elizabeth Warhurst, Head of Legal and Support Services	6 December 2017
Internal Audit Progress Report	To receive progress report.	Lisa Cotton, Senior Auditor	6 December 2017
Treasury Management Activity Report	To consider the Treasury Stewardship report.	Andrew Hunkin, Interim Director of Resources	6 December 2017

Issue	Details	Report Author	Meeting at which will be reported
<b>March</b>			
Standards and Ethics - Quarter 3 Report	To receive quarterly report.	Elizabeth Warhurst, Head of Legal and Support Services	21 March 2018
External Audit Plan 2017/18	To receive report.	Ray Bowmer, Head of Finance	21 March 2018
Internal Audit Progress Report	To receive progress report.	Lisa Cotton	21 March 2018
2018/19 Internal Audit Annual Audit Plan	To receive report	Lisa Cotton	21 March 2018
Draft Member Conduct Annual Report 2017/18	To consider the annual report	Elizabeth Warhurst, Head of Legal and Support Services	21 March 2018