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Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 9 October 2019
Location	Council Chamber, Council Offices, Coalville
Officer to contact	Democratic Services (01530 454512)

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 24 July 2019	3 - 6
4. INTERNAL AUDIT PROGRESS REPORT	
Report of the Audit Manager	7 - 28
5. TREASURY MANAGEMENT ACTIVITY REPORT	
Report of the Head of Finance	29 - 38
6. CORPORATE RISK UPDATE	
Report of the Head of Finance	39 - 50
7. COMMITTEE WORK PLAN	
To note the Committee's work plan	51 - 52

Circulation:

Councillor V Richichi (Chairman)
Councillor D Harrison (Deputy Chairman)
Councillor C C Benfield
Councillor D Bigby
Councillor J Clarke
Councillor L A Gillard
Councillor S Gillard
Councillor M D Hay
Councillor S Sheahan
Councillor M B Wyatt

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 24 JULY 2019

Present: Councillor V Richichi (Chairman)

Councillors D Harrison, C Benfield, D Bigby, J Clarke, L A Gillard, S Gillard, M D Hay and S Sheahan

Officers: Mrs T Bingham, Miss A Wright, Mrs L Marron, Miss E Warhurst, Mr M Murphy and Mrs R Wallace

External Audit: Mr M Surridge

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATION OF INTERESTS

There were no declarations of interest.

3. MINUTES

Consideration was given to the minutes of the meeting held on 20 March 2019.

It was moved by Councillor V Richichi, seconded by Councillor D Harrison and

RESOLVED THAT:

The minutes of the meeting held on 20 March 2019 be approved as a correct record and signed by the Chairman.

4. REPORT TO THOSE CHARGED WITH GOVERNANCE

Mr M Surridge, External Auditor, presented the report to Members.

In response to a question from Councillor S Sheahan, the External Auditor explained that it was the shared opinion of all local authority auditors and the National Audit Office that the implications of the GMP and McCloud judgement should be taken into account, as there would be a future unavoidable material impact. In response to a further question from Councillor D Bigby, it was reported that there was no way of knowing what the financial impact would be at this stage.

Councillor D Harrison was pleased with the outcomes of the report, particularly the unqualified value for money conclusion for the 2018/19 financial year.

By affirmation of the meeting it was

RESOLVED THAT:

- a) The External Auditors Audit Completion Report be noted.
- b) The management representation letter be approved.

5. ANNUAL GOVERNANCE STATEMENT

The Head of Finance presented the report to Members.

By affirmation of the meeting it was

RESOLVED THAT:

The Annual Governance Statement be approved.

6. ANNUAL STATEMENT OF ACCOUNTS

The Head of Finance presented the report to Members.

Councillor C Benfield did not feel that the wording within the report was clear enough to explain how the council were financially supporting the cleaner and greener priority. He also raised concerns regarding the transparency of the Section 106 Agreements, as the full detail was not publically available. The Head of Finance did not believe that it was unlawful to not have details publically available, but would take the comments back to officers to consider what information to share publicly in the future.

By affirmation of the meeting it was

RESOLVED THAT:

- a) The Annual Statement of Accounts be approved.
- b) The Committee Chairman be authorised to sign the accounts as approved.
- c) Authority to approve any minor non-material amendments to the accounts, as agreed by the auditor, be delegated to the Committee Chairman and the Section 151 Officer on behalf of the Committee.

7. TREASURY MANAGEMENT STEWARDSHIP REPORT

The Finance Team Manager presented the report to Members.

In response to a question from Councillor S Sheahan, the Finance Team Manager reported that there had been an increase in the amount of local authority investment due to the level of interest from local authorities at the moment. Both the Finance Team Manager and the Head of Finance gave assurances that this type of investment was safe.

After further discussions on the risk of local authority investments, the Head of Finance appreciated the differing views but assured that there were counter party limits for lending and the Investment Strategy has been strengthened. She added that a number of investment requests from local authorities had been refused due to their financial position, which proved that all risks were assessed before making a decision.

Councillor D Benfield asked if any provisions had been made to assist with the impact of a no deal EU Exit on the three main areas of concern, which were investments, local businesses and individual population. The Head of Finance explained that in terms of investments, the situation was being monitored along with the council's treasury advisor but there had not been any advice received in relation to taking mitigating action. In respect of local business, there had been EU funding received to assist with any impact on the airport. In respect of individual population, the Chief Executive was leading on this and the Head of Finance would obtain a response outside of the meeting.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

8. INTERNAL AUDIT PROGRESS REPORT

The Audit Manager presented the report to Members.

Members were referred to the two full audit reports circulated prior to the meeting. The Audit Manager confirmed that all recommendations for the grounds maintenance audit had now been completed and good progress had been made towards the recommendations for the health and safety audit. The Head of Human Resources and Organisation Development was in attendance to answer any questions Members had regarding the Health and Safety audit recommendations.

Councillor D Bigby was pleased to see that the health and safety recommendations were being addressed. He asked for further information on the task group that was to be set up. The Head of Human Resources and Organisation Development explained that a task group had been created which was made up of managers from high-risk areas and three trade union representatives. The group would address the audit recommendations now but it was anticipated that there would be value in maintaining the group in the future and transforming it into a formal committee. Councillor S Sheahan agreed with the approach and the possibility of a formal committee in the future.

In response to a further question from Councillor D Bigby, the Head of Human Resources and Organisation Development reported that the resourcing of the health and safety function was being reviewed and some initial benchmarking results had indicated that it was not widely different from other similar sized authorities. He added that the intention was to have a critical friend from a Nottinghamshire Authority; this would assist in further reviews of the function.

In response to a question from Councillor V Richichi, the Head of Human Resources and Organisation Development explained that the high-risk areas were recycling, refuse, the depot, housing maintenance and grounds maintenance. He confirmed that risk assessments were continuous in those areas.

Councillor M Hay asked if there was any focus on mental health as well as physical health. The Head of Human Resources and Organisation Development informed that there were a number of trained mental health first aiders within the workforce as well as a 24-hour helpline, along with a number of other things in progress.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

9. INTERNAL AUDIT ANNUAL REPORT

The Audit Manager presented the report to Members.

In response to a question from Councillor S Sheahan, the Audit Manager confirmed that she was satisfied with the controls that had been put in place so far in relation to the critical audit recommendations that were included within the report. She was confident that there should be no reoccurrences if the controls were maintained.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

10. CORPORATE RISK UPDATE

The Head of Finance presented the report to Members.

Councillor D Bigby was pleased to see that two of the three high-risk areas had included updated control measures since it was presented to the Corporate Scrutiny Committee the previous month. He felt that this indicated the risk was being taken seriously.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

11. STANDARDS AND ETHICS - QUARTER 1 REPORT

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

Councillor D Bigby commented on the significant increase in Freedom of Information requests and asked if a reason had been identified. The Head of Legal and Commercial Services reported that there had been a decrease over previous years and was unsure what had caused the recent spike in numbers. She agreed to look at recent trends and report her findings to Members.

Councillor J Clarke was pleased to see that 99 percent of Freedom of Information requests were answered on time and thanked officers.

By affirmation of the meeting it was

RESOLVED THAT:

- a) The report be noted.
- b) The new report structure be endorsed.

12. COMMITTEE WORK PLAN

The Head of Finance reported that the work plan would be updated to include all items for the remainder of the financial year.

By affirmation of the meeting it was

RESOLVED THAT:

The committee work plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.45 pm

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 9 OCTOBER 2019

Title of report	INTERNAL AUDIT PROGRESS REPORT SEPTEMBER 2019
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Legal & Commercial Services 01530 454762 Elizabeth.warhurst@nwleicestershire.gov.uk</p> <p>Audit Manager 01530 454728 Lisa.marron@nwleicestershire.gov.uk</p>
Purpose of report	To inform the Committee of progress against the Internal Audit plan for 2019/20 and to highlight any incidences of significant control failings or weaknesses that have been identified.
Council priorities	An effective internal audit service supports all council priorities.
Implications:	
Financial/Staff	None.
Health and Safety	None.
Risk Management	The internal audit planning process uses a risk assessment based methodology.
Equalities Impact Screening	None.
Human Rights	None.
Transformational Government	None.
Consultees	None.
Background papers	<p>Public Sector Internal Audit Standards</p> <p>Internal Audit Annual Plan 2019/20</p>
Recommendations	THE AUDIT AND GOVERNANCE COMMITTEE NOTE THE REPORT

1.0 INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards require the authority's Audit Committee to approve the audit plan and monitor progress against it. The Committee should receive periodic reports on the work of internal audit.
- 1.2 The Audit and Governance Committee approved the 2019/20 Audit Plan on 20 March 2019. The Committee receives progress reports quarterly.

2.0 TERMS OF REFERENCE

- 2.1 Section 3 of Part 3 of the Constitution sets out the Terms of Reference of the Audit and Governance Committee, as detailed below:

'The Audit & Governance Committee is a key component of North West Leicestershire District Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.'

- 2.2 Particular statements in the Terms of Reference that refer to Internal Audit include:

13. To approve (but not direct) the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
17. To consider progress reports from the head of internal audit on internal audit's performance during the year.
19. To consider summaries of specific internal audit reports in accordance with agreed protocols.

3.0 PROGRESS REPORT

- 3.1 The Internal Audit Progress Report for the period 13 July 2019 to 30 September 2019 is attached at Appendix 1.



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report

SEPTEMBER 2019

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 2019/20 Internal Audit Plan up to 30th September 2019.

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 Internal Audit Shared Service will soon be welcoming Charnwood Borough Council to join the existing arrangement with Blaby District Council. North West Leicestershire District Council will continue to lead the shared service and, once new five year contracts are agreed with each partner, will commence a recruitment exercise for a new Senior Auditor post. The existing auditor at Charnwood Borough Council is expected to TUPE over when services start.

7 Internal Audit Plan Update

- 7.1 Since the last update report four final audit reports have been issued. Two reports are at the drafting stage, four audits are in progress and one audit is at the engagement planning stage. Appendix A shows the current position of the 2019/20 Audit Plan and the executive summaries for the final reports issued are detailed in Appendix B.
- 7.2 Two of the final 2018/19 reports issued were audits that were undertaken following previous Grade 3 audit opinions – S106 and Sundry Debtors:
- The 2018/19 S106 Audit Report (9) audit opinion was a Grade 2 with internal controls requiring improvement in some areas. It is acknowledged that there has been a significant improvement in the recording and monitoring of S106 agreements since the previous audit which was completed in July 2017. The service is still refining the documents used to monitor triggers to ensure that they work effectively and procedures relating to monitoring of triggers and actions require updating to continue to reflect what happens in practice.
 - The 2018/19 Sundry Debtors Audit Report (12) audit opinion was a Grade 2 with internal controls requiring improvement in some areas. At the previous audit the main area of weakness identified was the management and recovery of sundry debts relating to prior years. At this audit, Exchequer Services has been able to demonstrate action that it is taking on those prior year debts relating to Leisure Services. Leisure Services debts were prioritised due to the recent outsourcing of the service. It is important that a similarly focussed approach continues to be applied to the remaining prior year debts. Internal controls around current debtors remain sound.

8 Internal Audit Recommendations

- 8.1 Internal Audit monitors and follows up all critical, high and medium priority recommendations. All outstanding recommendations are included at Appendix C for information.
- 8.2 There is one overdue recommendation relating to the production of a single Asset Disposal Policy which had a target date of 11 December 2018. This task has now been delegated from the Head of Housing and Property to the Assets and Property Services Team Manager who is progressing this and will share with Internal Audit as soon as the draft policy is available.
- 8.3 Internal Audit has continued to follow up the recommendations from the 2018/19 Health and Safety Arrangements audit (Grade 3 opinion). Thirteen of the twenty recommendations have been fully implemented to date with progress against the remaining recommendations. More information on the outstanding recommendations is included at Appendix D.
- 8.4 If Members of the Audit and Governance Committee are concerned about the progress against any particular recommendation, they are reminded that they can invite the relevant Head of Service or Team Manager to attend the meeting to discuss further. For this to be most effective it would be helpful if Members are able to request this in advance of the upcoming meeting.

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 E. More time than planned was required to complete the 2018/19 audit plan during Q1 however good progress has been made against the 2019/20 plan in Q2, which is expected to continue through Q3.

10 Internal Audit Charter

- 10.1 The Audit Manager has undertaken the annual review of the Internal Audit Charter. AS only minor changes were necessary to update reporting lines and the organisation chart, the Charter is not being presented again to this committee. The Charter is available to view on the intranet.

2019/20 AUDIT PLAN PROGRESS TO 30th SEPTEMBER 2019

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
HR AND ORGANISATIONAL DEVELOPMENT											
Project Management	Audit	8	-	Scheduled Q4.							
Performance Management	Audit	6	-	Scheduled Q3/Q4.							
4 – Payroll - Expenses/reimbursements	Audit	3	6.45	Draft report issued.							Actual days higher than planned due to increased testing.
Health and Safety	Follow up review	5	1	In progress.							Follow up work being undertaken throughout the year as recommendations fall due.
HOUSING AND PROPERTY											
Stock Condition Database	Audit	6	0.9	Audit engagement plan agreed.							Audit testing deferred until later in the year as the process is still under refinement.
Commuted Sums	Audit	6	-	Engagement planning.							
1 - New Housing System (Aareon) Implementation Project	Assurance	4	3.8	Final report issued.	Grade 1	-	-	-	-	-	
Housing Procurement Card Expenditure	Spot checks	2	1.28	Ongoing.							Will be undertaken throughout the year
Property Services	Audit	6	-	Deferred from Q1 to Q3.							Deferred from Q1 to Q3 at the request of the Head of Housing and Property as new manager only joined NWLDC very recently.

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
Homelessness	Additional Audit	6	3.1	In progress.							Added to 2019/20 plan.
COMMUNITY SERVICES											
Planning Enforcement	Audit	6	-	Deferred from Q2 to Q3.							Deferred from Q2 to Q3 at request of service manager. Agreed to engagement plan in November 2019.
3 - Licensing	Audit	6	9.34	Final report issued.	Grade 1	-	-	3	1	-	Wider scope for audit than originally intended when planning audit days.
CCTV	Audit	5	-	Scheduled Q3/4.							
Leisure Contract Procurement	Audit	8	4.41	In progress.							
ECONOMIC DEVELOPMENT											
2 - Enterprising NWL Grants (Monitoring)	Audit	5	4	Final report issued.	Grade 1	-	-	1	-	1	
LEGAL AND COMMERCIAL SERVICES											
Information Governance	Audit	6	-	Scheduled Q3.							
FINANCE											
Procurement	Audit	8	-	Deferred from Q3/4.							Deferred from Q2 to Q3/4. Assurance gained from individual audits.
Key Financial Systems	Risk Based Audits	35	5.28	In progress.							Cash and Bank report drafting and General Fund Assets Audit in progress.
CUSTOMER SERVICES											
ICT Key Controls	3 rd Party Auditor	2	0.79	In progress.							Audit started by specialist ICT auditors in September 2019.
Revenues and Benefits – DWP Memorandum of	Audit	3	-	Removed from plan.							Reliance will be placed on the work

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
Understanding											of Partnership Auditors and, only if necessary, supplemented to provide assurance for non-Partnership staff who have access to data.

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.

EXECUTIVE SUMMARY OF INTERNAL AUDIT FINAL REPORTS ISSUED 13 JULY 2019 – 30 SEPTEMBER 2019

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C	H	M	L	A
2018/19 Audits									
9 – S106	Deputy Leader – Planning and Infrastructure Portfolio Holder	Head of Planning and Infrastructure Planning Policy Team Manager	Grade 2	Procedures relating to monitoring of triggers and actions.	-	-	2	2	-
12 – Sundry Debtors	Corporate Portfolio Holder	Head of Finance Finance Team Manager	Grade 2	Milestones and target dates for the Sundry Debt Action plan. Issuing of aged debtor reports. Write off of non-recoverable debts.	-	4	1	-	-
2019/20 Audits									
2 – Enterprising North West Leicestershire Grants (Monitoring)	Business and Regeneration	Head of Economic Regeneration Business Focus Manager	Grade 1	Documented procedure for escalation of non-adherence to grant terms and conditions.	-	-	1	-	1
3 – Licensing	Community Services	Head of Community Services Environmental Health Team Manager	Grade 1	Information retained in relation to Disclosure and Barring Service certificates. Review of user access to Uniform system.	-	-	3	1	-

**RECOMMENDATIONS TRACKER – OUTSTANDING RECOMMENDATIONS
(CRITICAL, HIGH AND MEDIUM ONLY)**

Appendix C

Report	Recommendation	Rating	Officer Responsible	Target Date	Internal Audit Comments		
2017/18 Audits							
10	Capital Accounting	1	It is recommended that a single Asset Disposal Policy is produced which includes disposal of Land and Buildings (Council and HRA), and Plant and Equipment. Responsibility for completion of the Land and Buildings element of the policy being assigned to the Asset Management Team Manager, the Plant and Equipment element being assigned to the Head of Finance (S151 Officer). The policy, once completed, should be formally approved (Asset Management Group, CLT) and made available to relevant staff.	High	At the time of issuing the audit report - Head of Finance (S151 Officer) & Asset Management Team Manager. This was passed on to the Head of Housing and Property Services who has recently delegated to the Assets and Property Services Team Manager	11 December 2018	STATUS – OVERDUE This policy is at the drafting stage with responsibility for completion passed to the Assets and Property Services Team Manager. The Audit Manager does not consider this delay in implementing the recommendation to be a significant risk as the HRA Disposals Policy (approved February 2015) and the Asset Disposal Policy (approved April 2008) continue to apply however the single policy should be progressed.
17							
2018/19 Audits							
9	S106	2	The current monitoring procedures should be regularly reviewed and updated to accurately reflect what happens in practice. This should	Medium	Planning Policy Officer	September 2019	Internal Audit follow up October 2019

			also include what should happen where triggers have been identified e.g. updating overview sheets etc.				
		3	The template used for site monitoring visits should be updated to include a section to show whether there are S106 agreements associated with the site.	Medium	Planning Policy Officer	September 2019	Internal Audit follow up October 19
12	Sundry Debtors	1	The Sundry Debt Action Plan should be reviewed and key tasks, milestones and target dates agreed with the Finance Team Manager to enable effective monitoring of progress against prior year debts.	High	Exchequer Services Team Leader and Finance Team Manager	September 2019	Internal Audit follow up October 19
18		2	A review of the resource attributed to sundry debt recovery should be undertaken to confirm that this is sufficient to deliver the level of service expected. Where necessary temporary resource should be considered or other options such as transferring debts.	Medium	Finance Team Manager	September 2019	Internal Audit follow up October 19
		3	Aged debtor reports should be issued to services in order that they are aware of those invoices which they have raised which are	High	Exchequer Services Team Leader	September 2019	Internal Audit follow up October 19

			still outstanding for payment. Guidance should be issued to services in order that they are able to act on the reports and provide Exchequer Services with information as required.				
		4	Aged debtor reports should be issued to Finance Business Partners for discussion at Finance Clinics.	High	Exchequer Services Team Leader	September 2019	Internal Audit follow up October 19
13	Online Forms (Firmstep)	1	The Data Protection Officer should be consulted on current and future Firmstep forms to ensure that they are compliant with GDPR.	Medium	Digital Transformation Project Manager	Ongoing	Follow up in progress.
13		3	Until such time as Firmstep have resolved the issue regarding the ability to access contact details for those customers who have left feedback/ comments, the option of including a contact email address / telephone number as part of the comment should be included to enable contact with customer to resolve any issues.	Medium	Digital Transformation Project Manager	August 2019	Follow up in progress.
14	Budgetary Control	1	Budget monitoring reports should be produced and issued to budget holders on a	High	Finance Team Manager	July 2019 (P12) June 2020 (P1 & P2)	First part of recommendation implemented. Next follow up in June 2020.

			monthly basis throughout the year.				
		2	Finance Business Partners should provide budget monitoring information to managers in a format that enables them to manage their budgets more effectively.	Medium	Finance Team Manager	September 2019	Internal Audit follow up October 2019.
20		5	A pro-forma document should be used to record details of meetings between Team Managers and Finance Business Partners. This should adequately record decisions made and actions to be taken following the meeting. Any actions can be followed up at future meetings.	Medium	Finance Team Manager	July 2019 Extended to October 2019	Internal Audit follow up November 2019.
		6	The possibility of there being enhancements to the current financial system to reduce the amount of manual intervention required in the budget monitoring reporting process should be explored.	Medium	Finance Team Manager	September 2019	Internal Audit follow up October 2019.
		8	A level at which identified variances should be investigated and reported on by Finance Business Partners should be	Medium	Finance Team Manager (General Fund) & Strategic Finance Manager	July 2019 Extended to October 2019	Internal Audit follow up November 2019.

			agreed.		(Housing Revenue Account)		
15	New Council Houses	4	The corporate strategy to cover the supply of new affordable housing should be finalised and submitted to the Newbuild Group and CLT and should include all relevant opportunities i.e. new builds, gifted properties and those purchased directly from developers, long-term empty properties and those previously purchased by tenants under the Right to Buy Scheme and then offered back to the Council.	Medium	Head of Housing and Property/ Strategy and Systems Team Manager	31.10.19	Internal Audit follow up November 2019.
21		5	Formal performance reports in respect of the key areas of the new build project should be provided to CLT at regular intervals.	Medium	Head of Housing and Property	In line with corporate project reporting timetable	Performance reporting to CLT discussed at Newbuild Group on 24 th September. Following this a report will be provided to CLT. Internal Audit to follow up again in October 2019.
2019/20 Audits							
2	Enterprising NWL Grants monitoring	1	A procedure document should be drawn up which shows the escalation process to be applied where it is identified that applicants have not adhered to the grant terms and conditions.	Medium	Business Focus Team Manager	September 2019	Internal Audit follow up October 2019.
3	Licensing	1	The Licensing Team	Medium	Licensing Team Leader	October 2019	Internal Audit follow up November 2019

			Leader should liaise with both Human Resources and the Data Protection Officer to ensure that the required information in relation to Disclosure and Barring Service certificates is being retained.				
3	Licensing	2	Confirmation of insurance cover should be obtained from Hackney Carriage Driver (19/00479/HCV) as soon as possible.	Medium	Licensing Team Leader	Implemented	Implemented immediately.
3	Licensing	4	A review of those users with access to Uniform should be undertaken. Where users have left the council their accounts should be made inactive, and those accounts with Super User access should be reviewed to confirm that the level of access is appropriate.	Medium	Licensing Team Leader with support from ICT	October 2019	Internal Audit follow up November 2019
22							

Recommendations		Priority	Officer Responsible	Target Date	Audit Follow Up Date	Follow Up Findings
2	The arrangements in place for ensuring the Health and Safety of all Council premises should be reviewed and expectations documented, if not already. Appropriate records should be kept in order to demonstrate that checks have been completed. A record should be maintained of any issues identified and this should be monitored to ensure that those issues are satisfactorily rectified.	Critical	Head of HR and Organisational Development	Immediately	July 2019	The Safety Officer is satisfied that this recommendation has been fully implemented. Internal Audit are currently carrying out more detailed testing to confirm the arrangements are now embedded.
3	The Safety Officer should ensure that where incidents have occurred in service areas that procedures put in place to protect staff and members of the public are adequate. This should include periodic review of the procedures to ensure that they are still fit for purpose.	High	Safety Officer	July 2019	August 2019	Follow up in progress.
6	The role of the Safety Officer should be reviewed and a benchmarking exercise undertaken to determine the level of resource and responsibilities in this area at other Councils. Where the current resource is found to be insufficient to meet requirements the need for additional resource should be explored.	High	Head of HR and Organisational Development	July 2019 Extended to March 2020	April 2020	Partly implemented. The Safety Officer has obtained details of staff with H & S roles similar to his at neighbouring authorities and passed this information to the Head of HR and Organisational Development. He will then review the resource commitment when the exact requirements of the role are known following the changes to systems and processes and the work of the task and finish group has been further progressed.
7	The use of the Health and Safety Management System Audit spreadsheet should be reviewed to confirm that it is fit for purpose. Any evidence to support items recorded on the spreadsheet, in	High	Safety Officer	July 2019	August 2019	The original spreadsheet is no longer being used as a central record. The information will be transferred to the SHE Assure system when this is procured (date not yet confirmed). The Safety Officer is currently using the spreadsheet prepared

23

	particular those where there is a legal responsibility, should be proactively verified by the Safety Officer.					and maintained by Property Services to review this. He also states that departments should be maintaining their own records e.g. Waste services. Internal Audit will continue to follow this recommendation up until there is a satisfactory central record.
9	All training records relating to Health and Safety within services should be reviewed and updated and training scheduled where required. Where there is a legal requirement to provide / attend specific training this should be clear from both training records and any associated risk assessments. The adequacy of training records held should be reviewed at least annually by the Safety Officer. Evidence to confirm training has been completed must be provided to the Council (confirmation of attendance, certificates etc.).	Critical	Head of HR and Organisational Development	Immediately	June 2019	Implemented. Training records reviewed and updated where necessary, with Safety Officer working closely with higher risk areas such as Parks and Waste. New software or iTrent is likely to be used to record centrally going forwards. Work is continuing on this with a visit to another authority planned for 22 nd October to view their system. Internal Audit will continue to follow this up and test during all service audits.
17	Confirmation should be sought as to whether the Council's Contractors Policy Statement is still relevant. If so, the Safety Officer, Procurement Officer and Legal Services should work together and review the statement and how this should be included in the procurement and contract management process. The process should include pre-works/site visits as appropriate to ensure the contractor is compliant with	High	Safety Officer	June 2019 Extended to October 2019	November 2019	In progress. The Safety Officer has requested an extension of the target date for this recommendation. He is due to meet with Legal Services and procurement regarding this. It was agreed to revise the target date to October 2019.

	Health and Safety requirements. This should also cover relevant works ordered through the Purchase Ordering system					
20	A formal action plan for the IOSH and Internal Audit recommendations should be produced. Progress should be closely monitored against target dates with regular updates on progress provided to CLT.	High	Head of HR and Organisational Development	July 2019 Extended to November 2019	December 2019	The Head of HR and Organisational Development has requested an extension advising that an action plan will be produced but this is not likely to be completed until after the SHE ASSURE and task and finish groups have been completed in October 2019.

Appendix E

Internal Audit Performance

Performance Measures:

Performance Measure	2019/20 Q2 Target	Position as at 30.09.19	Comments
Delivery of 2019/20 Audit Plan	40%	28%	More time spent in Q1 on completing 2018/19 audit plan than planned. Good progress made catching up on the 2019/20 plan in Q2 which is expected to continue in Q3.
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	Six client satisfaction questionnaires returned for 2019/20.
Compliance with the Internal Audit Standards	Full	No significant gaps in compliance	
Compliance testing of completed recommendations	90%	92%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 2 Milestone	Position as at 30.09.19
Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Conclude review of Health and Safety risk assessment for all service areas.	Review completed June 2019. No improvement actions identified.
Conduct self-assessment audit of all office areas and support activities of the Legal Services Team.	Conduct Q2 self-assessment audit and report findings to Legal Services Team.	Completed.
Complete audits as per risk based audit plan.	Complete 40% of audit plan.	Four reports issued (three final and one draft). One audit report drafting and four in progress.
Quarterly progress reports to Audit and Governance Committee.	Progress report to September A&GC.	Progress to be reported to A&GC on 9th October.
Deliver a shared service that Blaby District Council want to continue to share.	Manage a shared service which meets SLA requirements.	Continuing to achieve with Charnwood BC expected to formally join the shared service soon.
Comply with Public Sector Internal Audit Standards.	Have an external inspection before April 2020.	The date of the inspection may need to be put back until Charnwood BC are fully part of the shared service as it would be preferable to have the inspection once all three authorities are working together. The Audit Manager is keeping this under review.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 9 OCTOBER 2019**

Title of report	TREASURY MANAGEMENT ACTIVITY REPORT APRIL 2019 TO AUGUST 2019
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance / S151 Officer 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	To inform Members of the council's Treasury Management activity undertaken during the period April 2019 to August 2019.
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 council.
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	This relates to the new ways in which Councils are being asked to deliver their services
Consultees	None
Background papers	Treasury Management Strategy Statement 2019/20 – Council 26 February 2019
Recommendations	THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.

1.0 BACKGROUND

- 1.1 Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the code"), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and investment activity.
- 1.2 As a minimum, the code requires that the council reports on the performance of the Treasury Management function at least twice yearly (mid-year and at year end). This is the first of three in-year reports to be presented in 2019/20, to inform Members of the council's treasury activity and enable scrutiny of activity and performance.
- 1.3 The council's current Treasury Management Strategy Statement which includes the Borrowing Strategy; Debt Rescheduling Strategy; Annual Investment Strategy; Apportionment of Interest Strategy; Prudential Indicators and Annual Minimum Revenue Provision was approved by Council on 26 February 2019.
- 1.4 Investing or borrowing activities expose the council to financial risks including the loss of invested funds and revenue effects of changing interest rates. The successful identification, monitoring and control of risks are therefore central to the council's Treasury Management strategy.

2.0 THE UK ECONOMY AND OTHER FACTORS

- 2.1 Economic and interest rate forecasts are provided on a regular basis by our treasury advisors (Arlingclose). The summary below is based on the Monetary Policy Committee meeting which was held in September 2019.

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 18 September 2019, the MPC voted unanimously to maintain Bank Rate at 0.75%. The Committee voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion. Since the MPC's previous meeting, the trade war between the United States and China has intensified, and the outlook for global growth has weakened. Monetary policy has been loosened in many major economies. Shifting expectations about the potential timing and nature of Brexit have continued to generate heightened volatility in UK asset prices, in particular the sterling exchange rate has risen by over 3½%.

Brexit-related developments are making UK economic data more volatile, with GDP falling by 0.2% in 2019 Q2 and now expected to rise by 0.2% in Q3. The Committee judges that underlying growth has slowed, but remains slightly positive, and that a degree of excess supply appears to have opened up within companies. Brexit uncertainties have continued to weigh on business investment, although consumption growth has remained resilient, supported by continued growth in real household income. The weaker global backdrop is weighing on exports. The Government has announced a significant increase in departmental spending for 2020-21, which could raise GDP by around 0.4% over the MPC's forecast period, all else equal.

CPI inflation fell to 1.7% in August, from 2.1% in July, and is expected to remain slightly below the 2% target in the near term. The labour market appears to remain tight, with the unemployment rate having been just under 4% since the beginning of this year. Annual pay growth has strengthened further to the highest rate in over a decade. Unit wage cost growth has also risen, to a level above that consistent with meeting the inflation target in the medium term. The labour market does not appear to be tightening further, however, with official and survey measures of employment growth softening.

For most of the period following the EU referendum, the degree of slack in the UK economy has been falling and global growth has been relatively strong. Recently, however, entrenched Brexit uncertainties and slower global growth have led to the re-emergence of a margin of excess supply. Increased uncertainty about the nature of EU withdrawal means that the economy could follow a wide range of paths over coming years. The appropriate response of monetary policy will depend on the balance of the effects of Brexit on demand, supply and the sterling exchange rate.

It is possible that political events could lead to a further period of entrenched uncertainty about the nature of, and the transition to, the United Kingdom's eventual future trading relationship with the European Union. The longer those uncertainties persist, particularly in an environment of weaker global growth, the more likely it is that demand growth will remain below potential, increasing excess supply. In such an eventuality, domestically generated inflationary pressures would be reduced.

In the event of a no-deal Brexit, the exchange rate would probably fall, CPI inflation rise and GDP growth slow. The Committee's interest rate decisions would need to balance the upward pressure on inflation, from the likely fall in sterling and any reduction in supply capacity, with the downward pressure from any reduction in demand. In this eventuality, the monetary policy response would not be automatic and could be in either direction.

In the event of greater clarity that the economy is on a path to a smooth Brexit, and assuming some recovery in global growth, a significant margin of excess demand is likely to build in the medium term. Were that to occur, the Committee judges that increases in interest rates, at a gradual pace and to a limited extent, would be appropriate to return inflation sustainably to the 2% target.

In all circumstances, the Committee will set monetary policy appropriately to achieve the 2% inflation target. The MPC judges at this meeting that the existing stance of monetary policy is appropriate.

3.0 THE COUNCIL'S TREASURY POSITION.

3.1 The council's current strategy is to use internal borrowing to reduce risk and keep interest costs low. The treasury management current position and the change over the reporting period is shown below.

	Balance at 01/04/19 £m	Net Movement £m	Balance at 02/09/2019 £m

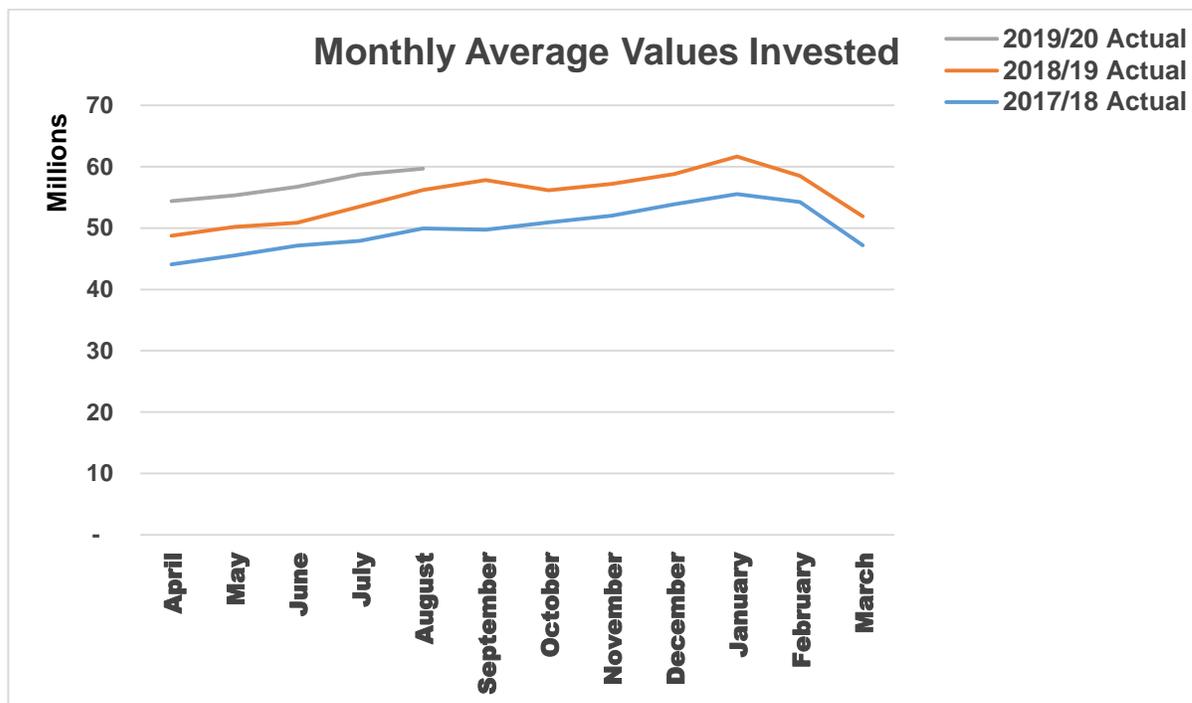
Long term borrowing - HRA	£72.8	£0	£72.8
Long term borrowing – General Fund	£8.4	£0	£8.4
Other long-term liabilities - HBBC	£0.1	£0	£0.1
Total Borrowing	£81.3	£0	£81.3
Long term investments – greater than 1 year	£3.0	£0	£3.0
Short term investments – less than 1 year	£39.6	£0.6	£40.2
Pooled funds and Money Market Funds	£5.8	£8.9	£14.7
Total Investments	£48.4	£9.5	£57.9
Net debt	£32.9	(£9.5)	£23.4

3.2 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.

3.3 In the period April 2019 to August 2019, the capacity for investment has increased by £9.5m. The volatility of balances is normal throughout the year and a number of factors contribute to this during the financial year:

- The council (as it typically does) has benefit from the receipt of Council Tax and Business Rates during the first ten months of the financial year whilst 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.

3.4 The average value of investments per month are represented in the graph below, illustrating the cash flow trends throughout the year. The current pattern is in line with previous years. The council's cash flow projections are monitored and revised daily as part of the treasury management process.



4.0 BORROWING ACTIVITY

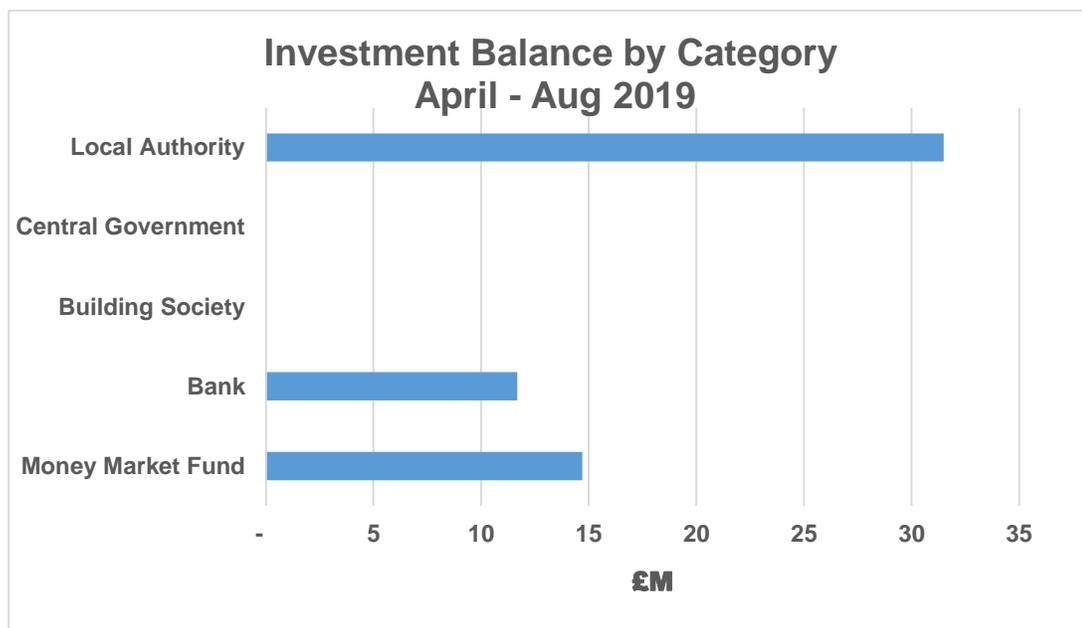
- 4.1 The council's Borrowing Strategy 2019/20, incorporates a prudent and pragmatic approach to borrowing to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the council's Prudential Indicators.
- 4.2 The council's updated borrowing strategy for 2019/20 shows that the council does not need to borrow in 2019/20. Borrowing may be required by 2020/21, and further assessments are being undertaken.
- 4.3 The council has not undertaken any new long-term borrowing during the period as the levels of cash balances held have meant that we are currently able to use internal borrowing.
- 4.4 The council has two PWLB annuity loans as part of the self-financing of the HRA. The repayment element for these in 2019/20 is £1.128m.
- 4.5 During the reporting period of April 2019 to August 2019, the council's cash flow remained positive and did not require any temporary loans.

5.0 DEBT RESCHEDULING ACTIVITY

- 5.1 The council's Debt Rescheduling Strategy 2019/20 establishes a flexible approach where the rationale for rescheduling could be one or more of the following:
- Savings in interest costs with minimal risk.
 - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
 - Amending the profile of maturing debt to reduce any inherent refinancing risks.
- 5.2 No opportunities for debt rescheduling were identified which conformed to the above rationale. Accordingly, the council has undertaken no debt rescheduling activity during the period.
- 5.3 The council's portfolio of thirteen loans, ten PWLB loans and three market loans, will continue to be monitored for debt rescheduling opportunities.

6.0 INVESTMENT ACTIVITY

- 6.1 The main objective of the council's Investment Policy and Strategy 2019/20 is to invest its surplus funds prudently.
- 6.2 The council'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 To lower the inherent investment risk, the council has minimised the use of banks and increased the use of other Local Authorities as investment counterparties. A range of lengths of investment, from overnight investments to short and long fixed term, from 32 days to 3 years, are currently utilised to ensure that the principles of security, liquidity and yield are followed. The graph below shows the type of counterparties used by the council and the values currently invested.



- 6.4 The counterparties that the council currently use all meet the criteria set out in the Treasury Management Strategy Statement 2019/20 and are monitored by the Treasury Management Advisors. A detailed list of the counterparties used and amounts currently invested can be seen in **Appendix A**.
- 6.5 The average rate of return on the council's investment balances during the period was 0.86% for comparison purposes, the benchmark return at the end of August 2019 for the average 7-day London Interbank Bid Rate (LIBID) was 0.56% and the average 7 day London Interbank Offered Rate (LIBOR) rate was 0.68%. This shows that we are achieving a good rate of return against the benchmark.
- 6.6 The council's Treasury Management Advisors produce investment benchmarking quarterly. The latest available benchmarking data is at the 30 June 2019. The rate of return achieved by the council is compared to 54 other district councils and the average of 134 local authorities, the yield is itemised by types of investments. The current internal investment return for the council of 0.86% is comparable to 0.88% achieved by 54 district councils and 0.85% achieved by the average of 134 of the local councils. The full benchmarking summary can be seen in **Appendix B**.
- 6.7 Short and long term interest rates have not changed significantly and base rate by the Bank of England remains at 0.75%. Our treasury advisors are forecasting that rates will stay at 0.75% over the projected period, and suggest that base rate will remain low over the medium term due to the increase in magnitude of political and economic risks facing the UK economy.
- 6.8 There were 60 investments made during the period totalling £104.2m and 61 maturities totalling £94.8m. The average balance held for the period was £57.4m.
- 6.9 The fixed term investments for the period were for amounts ranging between £1m and £6m.

- 6.10 The budget for investment income for 2019/2020 for General Fund and Housing Revenue Account is £297,000. Investment activity from April to August 2019 has generated £339,016 in interest for the financial year. The current outturn forecast is estimated to be £362,060.
- 6.11 Of this total forecast, 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 £73,447 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.
- 6.12 The estimated remaining balance of £288,708 will be budgeted to be apportioned between General Fund and the Housing Revenue Account based on the estimated cash flow position. The current budget and forecast is shown in the table below:

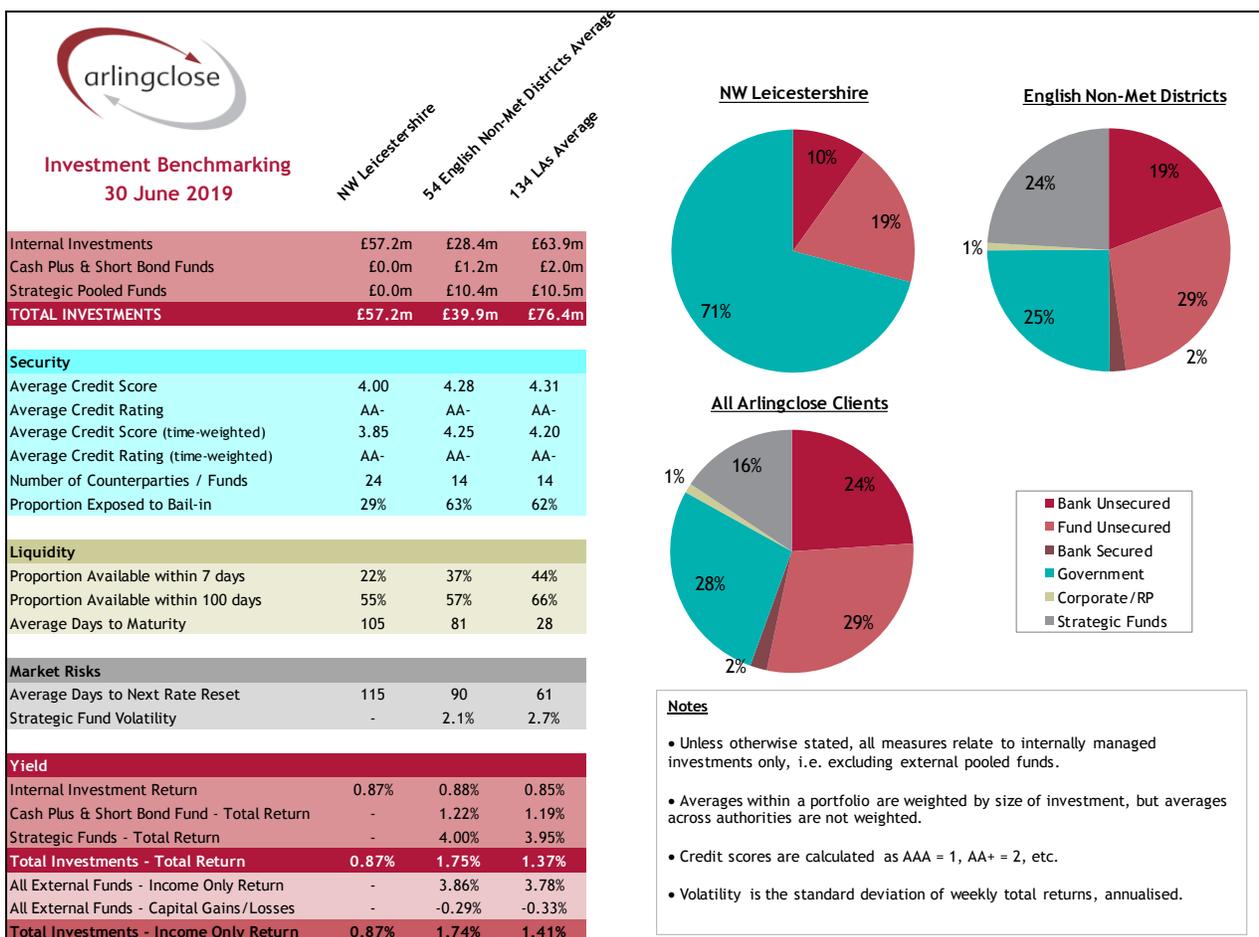
	Budget 2019/20	Projected
General Fund	£188,450	£183,190
Housing Revenue Account	£108,550	£105,520
Sub-Total	£297,000	£288,708
External Balances		£73,447
Total	£297,000	£362,060

7.0 SUMMARY

- 7.1 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 2019 to August 2019. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 7.2 For the reporting period April to August 2019, the council can confirm that it has complied with its Prudential Indicators, which were approved by Council as part of the Treasury Management Strategy Statement.
- 7.3 For the reporting period, the council can confirm that it has complied with its Treasury Management practices.

LIST OF COUNTERPARTIES, CURRENT INVESTMENT AND RATE

Counterparty	Length	Amount	Rate
Goldman Sachs MMF	Overnight	2,600,000.00	0.69%
Blackrock MMF	Overnight	3,300,000.00	0.63%
Aberdeen Asset Management MMF	Overnight	4,800,000.00	0.77%
Federated Investors MMF	Overnight	3,000,000.00	0.76%
CCLA MMF	Overnight	1,000,000.00	0.75%
Lloyds Main	Overnight	144,877.83	0.65%
Bank of Scotland	Overnight	1,294,970.00	0.65%
Lloyds Notice Account	32 days	250,000.00	0.95%
Santander Notice Account	95 days	1,495,000.00	0.85%
Northumberland County Council	1096 days	3,000,000.00	0.99%
Eastleigh Borough Council	315 days	2,000,000.00	0.90%
Thurrock Council	184 days	1,000,000.00	0.95%
Highland Council	269 days	2,000,000.00	1.05%
Slough Borough Council	306 days	2,000,000.00	1.00%
Close Brothers Ltd	185 days	1,000,000.00	1.10%
Thurrock Council	365 days	1,000,000.00	1.00%
North Lincolnshire Council	183 days	3,000,000.00	0.85%
Surrey Heath Borough Council	184 days	1,000,000.00	0.85%
Lloyds Bank Fixed Term Deposit	184 days	1,500,000.00	1.00%
West Dunbartonshire Council	267 days	5,000,000.00	0.90%
Conwy County Borough Council	183 days	2,000,000.00	0.80%
Lancashire County Council	183 days	3,000,000.00	0.80%
Monmouthshire County Council - Caldicot	192 days	2,500,000.00	0.80%
Barclays Treasury Direct Facility	184 days	1,500,000.00	0.70%
Nationwide Building Society	184 days	1,500,000.00	0.81%
Coventry Building Society	186 days	1,500,000.00	0.85%
Surrey Heath Borough Council	186 days	2,000,000.00	0.74%
Conwy County Borough Council	184 days	2,000,000.00	0.75%
Leeds Building Society	93 days	1,500,000.00	0.71%
Total		57,884,847.83	



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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 9 OCTOBER 2019**

Title of report	CORPORATE RISK UPDATE
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Finance and S151 Officer Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk</p>
Purpose of report	To receive the Quarter 1 Corporate Risk Update
Council priorities	Value for Money
Implications:	
Financial/Staff	The Council manages its risks within existing budgets. Effective risk management protects the Council from insurance and/or compensation claims, fraud, and a range of other financial liabilities.
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	THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTES THE QUARTER 1 CORPORATE RISK UPDATE.

1.0 BACKGROUND

1.1 Cabinet approved the updated Risk Management Policy at its meeting on 1 May 2018.

1.2 One of the requirements of the Policy is for members of this Committee, Corporate Scrutiny and Cabinet to receive details of the high level risks monitored through the

Corporate Risk Register. The updated Risk Register can be found at Appendix 1 and a quarterly review of this is a standing agenda item for this Committee.

2.0 SUMMARY

- 2.1 The Risk Scrutiny Group reviews the corporate risks quarterly and recommends any changes through the Corporate Leadership Team prior to the information being presented to this committee.
- 2.2 The Head of Finance is satisfied that the main risks posed to the organisation have been captured within the risk register and that mitigating actions to control these risks are appropriate.
- 2.3 The following information summarises the changes to the risk register since it was last presented to the Committee on 24 July 2019.
- 2.4 Wording on risks 1 and 4 have been updated to reflect how modern slavery could cause death/serious harm to a vulnerable person (risk 1) or reflect how the council's contracts are not procured or managed properly (risk 4). Control measures have also been updated on both of these risks in line with the Motion adopted by Council on 21 May 2019 and the Council's commitment to raise awareness of modern slavery and ensure contracts and supplies do not contribute to modern slavery and exploitation. There have been no changes to the risk rating of each of these risks.
- 2.5 The wording around the risk of infiltration of Council ICT systems (Risk 7) has been updated to reflect the potential causes of this risk, with the wording strengthened for the control measures around the increased ICT activity in this area. There have been no changes to the risk rating of each of these risks. The movement of risk will be reviewed following completion and analysis of an ICT 'Phishing campaign' that is being undertaken to assess the susceptibility of Council staff and members in relation to fraudulent emails.
- 2.6 Control measured for risk 10, around fraud, corruption and theft, has been updated to reflect the Council's participation and strengthening of involvement in the National Fraud Initiative and Leicestershire Fraud Intelligence Hub.
- 2.7 Following the Spending Review announcement on 4 September 2019 which confirmed the deferral of proposed changes to the local government funding system through the Fair Funding Review, Business Rates Reform and Local Government Spending Review, risk 11, around the Council being subject to a reduction in income, has been updated to 'stable'.
- 2.8 Risk 12, which refers to local government reorganisation, has also been updated to 'stable'.
- 2.9 Finally, with the continued uncertainty at a national level around the UK's departure from the European Union, the register has been updated to reflect an increased inherent and residual risk scoring. The control measures continue to reflect the activities currently being undertaken.

2.10 Audit and Governance Committee are asked to review and note this risk update, and provide any feedback they wish to be considered by the Risk Scrutiny Group. The current version of the risk register is included in Appendix 1.

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APPENDIX 1

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
1	SOCIAL/ POLITICAL/ LEGAL Death / serious harm to a vulnerable person receiving a council service	A serious case review arising from death/serious harm to a vulnerable person. Reputational damage to council. Loss of confidence in ability of council to deliver services.	Lack of response to a safeguarding report. Service failure. Modern slavery.	4	4	16	Community Safety Manager	Head of Communities	The organisation has the following structures in place; An identified Corporate Lead (Head of Service) with a Portfolio Holder lead An identified Team responsible for Safeguarding (Safer & Stronger) with responsibility embedded into Team Leader role and an officer (Child & Adults at risk Officer) An agreed Safeguarding Policy refreshed as required with delegation to Director of Housing and Customer Services for updates An identified group of Designated Safeguarding Officers (DSO's) in most service areas A programme of regular DSO meetings which consider training, best practice and case issues An annual training programme to ensure new DSO's are well informed and trained A quarterly senior management review of all cases to check progress/close cases A quarterly briefing with the Chief Executive, a 6 monthly report to CLT and an annual report to Cabinet Annual report reviews previous year and endorses an action plan for the year ahead.	4	2	8	Stable

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
									Commitment to raise awareness of the scale and extent of modern slavery in the UK and ensure our contracts and supplies don't contribute to modern day slavery and exploitation.				
2	FINANCIAL/ COMMERCIAL/ REPUTATIONAL Mismanagement of council finances	Central Government intervention/special measures. Adverse publicity. Possible litigation. Withdrawal of services.	Mis-interpreting of or not responding appropriately to a change in fiscal policy. Poor budget planning / management. Internal financial systems and regulations not being properly applied.	4	4	16	Head of Finance	Strategic Director of Housing and Customer Services	Monthly management reviews monitor actual spend against budgets and forecast to the end of the year. Monthly reporting and challenging at CLT, and reported to Cabinet quarterly Sound policies and procedures are in place. Financial planning processes have been documented and are reviewed regularly. Internal and External audit of systems and accounts. Membership of CIPFA and engagement of Arling Close gives access to specialist advice, analysis and expertise.	4	1	4	Stable
3	REPUTATIONAL/ LEGAL COMMERCIAL Insufficient resources due to unplanned / unforeseen absences / vacancies	Council unable to perform its statutory duties. Use of external resources at significantly higher cost.	Failure to horizon scan and interpret future needs in crucial roles. Inability to recruit to vacancies / retain staff.	4	2	8	Head of HR and OD	Chief Executive	Advance planning will mitigate this risk; Ability to divert resources from other services, bringing in additional resources from other sources (e.g. Agencies, Consultants, Voluntary/ Community sector etc.) would be activated. Market conditions are tested through recruitment processes. The Council can offer a package of additional benefits to enhance the recruitment offer. The Council has developed innovative partnering relationships with other sectors including the private sector to make posts uniquely attractive.	3	2	6	Stable

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
									Best Employee Experience is a programme to attract and develop the right skills, and promoting existing staff talent through secondments and tailored development programmes. Apprenticeships allow the Council to 'grow our own'.				
4	LEGAL / FINANCIAL Contracts are not properly procured and managed	Council liable to incur additional costs, contract overrun, litigation and potential health & safety issues as well as service disruptions.	Failure to monitor contractors appropriately. Legal and procurement teams not consulted when contractors are engaged. Loss of key staff or supplier. Procurement procedures are not followed. The council contributes to modern slavery via it's contracts and supplies.	3	4	12	Finance Team Manager. All Team Managers.	All Heads of Service	Corporate procurement officer and legal team to support where necessary on contract management. Policies and procedures are in place. Reserve contractor in place where appropriate. A Senior Procurement Officer oversees a procurement planning process. Training programme in place for staff. Commitment to ensure our contracts and supplies don't contribute to modern day slavery and exploitation.	3	2	6	Stable
5	LEGAL / TECHNOLOGICAL Loss or unlawful use of personal data constituting breach of data protection legislation	Monetary penalties from ICO, adverse publicity, private litigation and personal criminal liability of officers.	Systems not in place to protect sensitive data. Staff are not properly trained in managing information, and do not follow internal procedures.	3	3	9	Legal Services Team Manager	Head of Legal & Support Services	Policies and procedures are in place although not yet rolled out and fully embedded. Corporate Governance training is undertaken annually and includes information governance as appropriate to reflect changes in legislation. The Council has a dedicated SIRO. Corporate Governance Groups are in place to scrutinise impacts/issues arising.	3	2	6	Stable
6	LEGAL / REPUTATIONAL / COMMERCIAL Failure to respond to an emergency in an appropriate manner	General public at risk of harm or unable to access relevant services (e.g. emergency accommodation or rest centre). Adverse publicity. "Business as usual" not possible without appropriate business continuity plan in place.	Lack of planning, training and exercising of Emergency plans Inadequate Corporate Business Continuity Management.	4	3	12	Head of Human Resources and Organisation Development	Chief Executive	Business continuity plans have been documented, policies and procedures are in place. The LRF partnership arrangement with all Leicestershire and Rutland authorities provide resilience during civil emergency situations.	4	1	4	Stable

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
		Breakdown in relationship with other responders.	Lack of procedural understanding						Business Continuity exercises show the readiness of the Council to deal with emergencies. System of ICO / FLM duty rotas is in place.				
7	LEGAL/ TECHNOLOGICAL/ COMMERCIAL Infiltration of ICT systems	"Business as usual" would not be possible. Cost of repelling cyber threat and enhancing security features.	Systems not in place or kept current to deflect any foreseeable cyber attack. Limited staff awareness of possible threats. Lapse in security awareness and basic processes from a technical and human perspective.	4	4	16	ICT Manager	Head of Customer Services	Fully resilient environment in place with no single points of failure for core systems, other critical systems use cold standby equipment. Yearly IT security health check and PEN (penetration) testing carried out, by a CREST security accredited supplier, with remediation action plan in place to mitigate any risks found. Phishing campaigns ran twice a year to test staff security awareness and feed back results to CLT, with improvement plans in place for those who have not passed the test. Quarterly Cyber Security awareness training held for staff and new starters, to protect staff at work and in the office. New business services are run in remote fully resilient data centres and existing systems are being progressively migrated to these cloud computing centres. Phishing campaigns ran twice a year to test staff security awareness and feed back results to CLT, with improvement plans in place for those who have not passed the test. Improved business recovery arrangements have been implemented to minimise recovery time. Accreditation to Cyber Essentials Plus and the Public Services Network.	3	2	6	Increasing

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
8	COMMERCIAL / POLITICAL / FINANCIAL Projects are poorly managed	Failure of proposed projects could result in failure to achieve overall objectives. Inefficient use / waste of resources.	Failure to implement project management techniques. Poor corporate oversight of projects. Inadequate controls on expenditure and poor budget monitoring. Inadequate monitoring of external contracts. Failure to engage project management expertise when required.	3	4	12	Head of Human Resources and Organisation Development	.	Properly convened project teams with PID and project plan in place, including project risk registers. Progress on corporate projects scrutinised by CLT. Implementation of contract management framework for outsourced services. Scrutiny of quarterly monitoring reports on capital expenditure. Utilising Internal Audit to conduct audits of individual projects or Project management more widely. Use of external resources to be used to support the Coalville and Leisure projects. Scrutiny of risk registers or project management framework of individual projects by Risk Scrutiny Group.	3	3	9	Stable
9	LEGAL / POLITICAL / REPUTATIONAL Council makes ultra vires (beyond the council's powers and functions) decisions	Potential litigation against the Council, resulting in increased costs / compensation. Reputational damage.	Staff / Members proceeding outwith established governance arrangements. Failure to consult with Legal / Monitoring Officer. Lack of understanding of the implications of dealing with a particular matter.	4	3	12	Legal Services Team Manager	Head of Legal & Support Services	Policies & procedures in place, governance processes are documented and in operation, ongoing assessments and reviews are performed. Completion of the Annual Governance statement.	4	1	4	Stable
10	FINANCIAL / LEGAL / REPUTATIONAL Council is subject to fraud, corruption or theft	Financial, reputational and political damage to Council.	Lack of checks and balances within financial regulations. Poor budget / contract management.	4	3	12	Head of Finance. All Team Managers & Heads of Service.	Directors	A policy framework that includes Anti-Fraud and Corruption Policy, Confidential Reporting (Whistleblowing) Policy and Anti-Money Laundering Policy. The Internal Audit annual planning process takes into account high risk areas, which considers fraud risks. Fraud risks are considered as part of specific audits with testing designed to detect fraud where possible. The Council is also subject to External Audit.	3	2	6	Stable

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
			Poor monitoring of / adherence to financial systems						Internal control and governance arrangements such as segregation of duties, schemes of delegation, bank reconciliations of fund movements, and verification processes. Information on how to report fraud is on the website including relevant links. Participation and strengthening of involvement 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.				
11	FINANCIAL / COMMERCIAL / ECONOMIC The Council is subject to a reduction in income	Services are unable to be delivered. Potential staff redundancies. Funding of external groups is withdrawn. Potential breach of statutory duties.	Reduction in government grant. Changes to the local authority financial settlement. Economic downturn / recession. Commercial opportunities not progressed. Changing rent policies.	3	4	12	Head of Finance. All Heads of Service.	Directors. Chief Executive.	Medium Term Financial Strategy in place, including Self Sufficiency initiative. Bi-annual review of Medium Term Financial Plan. Head of Finance monitoring of Local Government funding reviews. Funding advisor engaged. Economic Development Team promotes business offer. Participation in Business Rates Pilots. Accessing external funding where appropriate. Income collection procedures in Revs & Bens Service and Housing.	3	3	9	Stable

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
12	POLITICAL / ORGANISATIONAL The Council is affected by Local Government Reorganisation	a) Change to Local Government structure in Leicestershire/East Midlands, including potential merger of district councils/county council could lead to: - Change in location for service delivery/staff - Reduction of control over local matters - Change in financial situation - Staff redundancies - Alternative political structure and governance arrangements - Changes in services to be provided and organisation culture - Deterioration in staff morale and negative effect on staff recruitment and retention - Ineffective engagement with staff, Members and residents in considering, and responding to, proposals. - Diversion of senior staff resources to respond to proposals.	Political direction to consolidate local government tiers to potentially seek greater efficiency and co-ordination	4	3	12	Chief Executive and Head of Legal and Support Services.	Chief Executive	Active engagement with political leaders and Chief Executives across the County so NWL's needs are taken into account in the proposals. Open and transparent communication of NWL position to all stakeholders. Senior management and politicians stay close to project and monitor progress. Internal and external communication plans in place, including for key decision points. External resources to be utilised in assessing any proposals.	3	2	6	Stable
13	POLITICAL / ORGANISATIONAL The Council is affected by the UK's departure from the EU, including a potential 'no deal' Brexit	The UK's departure from the EU, including an inability to agree the terms of the exit by 31 October 2019 could lead to: - increase in checks on goods by Environmental Officers at East Midlands Airport meaning increase in resources / costs. - uncertainty and subsequent regime around tariffs, access to markets, migrant labour and transport of goods in / out of EU could impact on businesses in district / region leading to decline in business rates and employment levels. - potential need for increased storage facilities at entry / exit points and associated increases in freight traffic, putting pressure on local infrastructure - potential withdrawal of access to EU wide IT systems (e.g. relating to imported foodstuffs) -diversion of staff resources into contingency planning.	UK departure from EU, including inability of the EU and UK govt to agree terms by 31 October 2019 of the UK's exit.	4	4	16	Chief Executive and Head of Economic Regeneration	Director of Place / Chief Executive	Engage with National Local Authority steering groups for border control at strategic & operational levels. Implement communication strategy for local businesses so technical notices are shared, with appropriate signposting. Work with LLEP and Chamber of Commerce to provide business advice and support to address changes to legislation & certification. Monitor political developments on EU withdrawal closely. Establish contingency plans after scenario based assessment of resources required for increase in checks and controls, & access to alternative IT systems. Conduct localised assessment of potential impact around East Midlands Airport. Participate in Multi-agency Leicestershire Resilience Forum framework, with risk assessment	3	4	12	Increasing

Assessing the likelihood of a risk:

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

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	

Assessing the impact of a risk:

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

AUDIT AND GOVERNANCE COMMITTEE – WORK PROGRAMME (as at 26/09/19)

Issue	Report Author	Meeting at which will be reported
October		
Internal Audit Progress Report	Tracy Bingham, Head of Finance	9 October 2019
Corporate Risk Update	Tracy Bingham, Head of Finance	9 October 2019
Treasury Management Activity Report	Tracy Bingham, Head of Finance	9 October 2019
December		
Internal Audit Progress Report	Lisa Marron, Audit Manager	4 December 2019
Treasury Management Activity Report	Tracy Bingham, Head of Finance	4 December 2019
Standards and Ethics - Quarter 2 Report	Elizabeth Warhurst, Head of Legal and Commercial Services	4 December 2019
Corporate Risk Update	Tracy Bingham, Head of Finance	4 December 2019
Annual Audit Letter	Tracy Bingham, Head of Finance	4 December 2019
March		
External Audit Plan	Tracy Bingham, Head of Finance	18 March 2020
Internal Audit Progress Report	Lisa Marron	18 March 2020
Treasury Management Activity Report	Tracy Bingham, Head of Finance	18 March 2020
Corporate Risk Update	Tracy Bingham, Head of Finance	18 March 2020
Annual Report on Grants and Claims	Tracy Bingham, Head of Finance	18 March 2020
Draft Member Conduct Annual Report	Elizabeth Warhurst, Head of Legal and Commercial Services	18 March 2020
Standards and Ethics - Quarter 3 Report	Elizabeth Warhurst, Head of Legal and Commercial Services	18 March 2020

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