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agenda.

Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 20 January 2021
Location	Remote Meeting using Microsoft Teams
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 November 2020	3 - 4
4. COMMITTEE WORK PLAN	
To note the Committee's work plan	5 - 6
5. 2019/20 AUDIT COMPLETION REPORT	
Report of the Head of Finance	7 - 34
6. INTERNAL AUDIT PROGRESS REPORT	
Report of the Audit Manager	35 - 46
7. EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT	
Report of the Audit Manager	47 - 60
8. TREASURY MANAGEMENT ACTIVITY REPORT APRIL 2020 TO DECEMBER 2020	
Report of the Finance Team Manager	61 - 72

9.	UPDATE ON STATUS OF IMPLEMENTATION OF ANNUAL GOVERNANCE STATEMENT IMPROVEMENTS	
	Report of the Head of Finance	73 - 76
10.	CORPORATE RISK UPDATE	
	Report of the Strategic Director	77 - 88
11.	STANDARDS AND ETHICS - QUARTER 3 REPORT	
	Report of the Head of Legal and Commercial Services	89 - 98
12.	EXCLUSION OF PRESS AND PUBLIC	
	<p>The officers consider that the press and public should be excluded during consideration of the following items in accordance with Section 100(a) of the Local Government Act 1972 as publicity would be likely to result in disclosure of exempt or confidential information. Members are reminded that they must have regard to the public interest test and must consider, for each item, whether the public interest in maintaining the exemption from disclosure outweighs the public interest in making the item available.</p>	
13.	RENEWABLE HEATING INCENTIVE	
	Report of the Strategic Director	99 - 102

Circulation:

Councillor S Gillard (Chairman)
 Councillor D Harrison (Deputy Chairman)
 Councillor C C Benfield
 Councillor D Bigby
 Councillor J Clarke
 Councillor M D Hay
 Councillor K Merrie MBE
 Councillor V Richichi
 Councillor S Sheahan
 Councillor M B Wyatt
 Councillor R Ashman

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Remote Meeting Using Microsoft Teams on TUESDAY, 24 NOVEMBER 2020

Present: Councillor S Gillard (Chairman)

Councillors D Harrison, C C Benfield, D Bigby, J Clarke, M D Hay, K Merrie MBE, V Richichi and S Sheahan

Officers: Mrs T Bingham, Miss A Wright, Mrs L Marron, Miss E Warhurst, Mr C Colvin, Mrs C Hammond and Mr T Delaney

External Audit: Mr M SurrIDGE and Mr M Butler

27. APOLOGIES FOR ABSENCE

There were no apologies.

28. DECLARATION OF INTERESTS

There were no declarations of interest.

29. MINUTES

Consideration was given to the minutes of the meeting held on 21 October 2020.

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

RESOLVED THAT:

The minutes of the meeting held on 21 October 2020 were approved as a correct record.

30. REPORT TO THOSE CHARGED WITH GOVERNANCE 2019/20

The External Auditors presented the report

In response to questions and concerns from members, the external auditor outlined the process that would be followed should the pending letter in relation to the pensions fund not be received by the 30th November and highlighted that it was the same situation for all the authorities across Leicestershire. He also acknowledged that the some of the language that was used was a little difficult to understand and provided clarification on what was meant by 'material' and 'uplift'.

It was moved by Councillor S Gillard, seconded by Councillor D Harrison and

RESOLVED THAT:

- 1) The External Auditor's audit completion report, as set out in appendix A, be noted.
- 2) The management representation letter attached at appendix B be approved.

31. ANNUAL GOVERNANCE STATEMENT 2019/20

The Head of Finance presented the report to members highlighting identified improvement actions and their progress.

It was noted that the items on page 11 had been carried over originally from 17/18 not 18/19 as set out in the document and the date would be updated after the meeting before

the final version was published. Members were also advised that the implementation of the new finance system was on track for March 2021.

In response to a question from a member, the Head of Finance detailed how the assessment of the social, economic and environmental impact was carried out for policy/decision making, highlighting changes that had been made to report templates as an example.

It was moved by Councillor S Gillard, seconded by Councillor K Merrie and

RESOLVED THAT:

The Annual Governance Statement (as attached to the report at appendix A) be approved.

32. ANNUAL STATEMENT OF ACCOUNTS 2019/20

The Head of Finance presented the report to members highlighting the sections relating to the material uncertainties as a result of COVID and the impact of the pandemic on the values of the figures contained in the statement, and the restatement of in respect of the Council's pension liability.

It was noted that there was a significant difference between the two versions of the document, in the narrative report on page 14, that the Committee had received. The Finance Team Manager advised that when the original document was created the financial outturn had not been finalised and the final version before them had been amended to include the most up to date figures.

It was moved by Councillor S Gillard, seconded by Councillor J Clarke and

RESOLVED THAT:

- 1) The Annual Statement of Accounts be approved.
- 2) The Committee Chair be authorised to sign the accounts as approved.
- 3) Authority be delegated to the Committee Chair and Section 151 Officer to approve any minor non material amendments, as agreed with the auditor, to the accounts on behalf of the Committee.

33. COMMITTEE WORK PLAN

The Committee considered its current work plan.

Members asked that, in line with the scrutiny agendas and work plans, the item be moved to the start of the agenda for future meetings.

It was agreed by officers that it would be moved for the next meeting.

RESOLVED THAT:

The committee work plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.27 pm

AUDIT AND GOVERNANCE COMMITTEE – WORK PROGRAMME (as at 12/01/21)

Issue	Report Author	Meeting at which will be reported
April		
2019/20 Annual Audit Letter	Tracy Bingham, Head of Finance	21 April 2021
Internal Audit Progress Report	Lisa Marron, Audit Manager	21 April 2021
Internal Audit 2021/22 Annual Audit Plan.	Lisa Marron, Audit Manager	21 April 2021
Treasury Management Stewardship Report 2020/21	Anna Wright, Audit Manager	21 April 2021
Accounting Policies and Materiality 2020/21	Anna Wright, Audit Manager	21 April 2021
Annual Report on Grants and Claims	Tracy Bingham, Head of Finance	21 April 2021
Corporate Risk Update	Andy Barton, Strategic Director of Housing and Customer Services	21 April 2021
Update on Status of Implementation Annual Governance Statement Improvements	Tracy Bingham, Head of Finance	21 April 2021
Committee for Standards in Public Life - Best Practice Recommendations Update	Elizabeth Warhurst, Head of Legal and Commercial Services	21 April 2021
Standards and Ethics - Quarter 4 Report	Elizabeth Warhurst, Head of Legal and Commercial Services	21 April 2021
Corporate Governance Policies - Annual Review	Elizabeth Warhurst, Head of Legal and Commercial Services	21 April 2021
Draft Member Conduct Annual Report	Elizabeth Warhurst, Head of Legal and Commercial Services	21 April 2021

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
JANUARY 2021

Title of Report	2019/20 AUDIT COMPLETION REPORT	
Presented by	Tracy Bingham Head of Finance and Section 151 Officer	
Background Papers	Report to those charged with governance – Audit and Governance Committee 24 November 2020	Public Report: Yes
Purpose of Report	To consider the External Auditor's Report	
Recommendations	THAT THE COMMITTEE NOTE THE EXTERNAL AUDITOR'S AUDIT COMPLETION REPORT AS SET OUT IN APPENDIX A.	

1.0 BACKGROUND

- 1.1 At its meeting on 24 November 2020 the Committee received a copy of the auditor's Audit Completion Report.
- 1.2 At that time, Mazars LLP were unable to formally conclude the audit and issue an audit certificate as they were waiting to receive assurance from the external auditors of the Leicestershire County Council pension fund. This has subsequently been received.
- 1.3 Given the time lapse between the November Committee meeting and the production of the external auditors final report the auditor felt it would be helpful to present a second report to members – this is attached at Appendix A.
- 1.4 The external auditor will be present at the meeting to talk the committee through the report.

Policies and other considerations, as appropriate	
Council Priorities:	Effective management of the council's finances underpins the delivery of all council priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	The Council's governance arrangements are a fundamental part of the Authority's management of risk and contribute towards good corporate governance.
Officer Contact	Tracy Bingham Head of Finance and Section 151 Officer tracy.bingham@nwleicestershire.gov.uk



Audit Completion Report

North West Leicestershire District Council

Year ending 31 March 2020

CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

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Audit and Governance Committee Members
North West Leicestershire District Council
Council Offices
Whitwick Road
Coalville
Leicestershire LE67 3FJ

January 2021

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum. Since we issued our Audit Strategy Memorandum, the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. As previously disclosed to you, we were unable to issue our Audit Report by 30 November due to a delay in the receipt of the required assurance report from the external auditor of the Leicestershire Pension Fund.

Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07875 974 291.

Yours faithfully

Mark Surridge
Mazars LLP

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of North West Leicestershire District Council ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Audit & Governance Committee meeting on 20 January 2021.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Valuation of the net pension liability
- Valuation of Property, Plant & Equipment

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B

Whole of Government Accounts (WGA)

The NAO issued its Group Instructions on 4 November regarding the audit work required and its timetable for audit reporting. The Council below the threshold requiring a detailed review of your WGA submission.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Audit Quality Control and Completion Procedures	●	Our audit work is at the stages of review by the Engagement Lead, with residual procedures that must take place through to the date of issuing the Audit Report, such as updating post balance sheet event considerations to the point of issuing the opinion, obtaining final management representations and clearance of the emphasis of matters paragraph for the Audit Report.

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit and Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

2. EXECUTIVE SUMMARY (CONTINUED)

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum. We have not made any changes to our audit approach since we issued our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £1,164k using a benchmark of 2% of 2018/19 Gross Revenue Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £1,063k using 2019/20 Gross Revenue Expenditure. We revised our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee), to £32k based on 3% of overall materiality (previously £35k).

We also set specific materiality on the following balances owing to qualitative factors, mainly in relation to public interest:

- Senior Officer remuneration disclosure: set to £5k – on the basis this is a specific disclosure note that may attract public attention;
- Members allowances: set to £47k – on the basis this is a specific disclosure note that may attract public attention; and
- External audit fee: set to £8k – on the basis this is a specific disclosure note that may attract public attention.

Misstatements and internal control recommendations

Section 3 sets out any internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit and Governance Committee in a follow-up letter.



2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 11 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Description of the risk

Management override of controls

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of any identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit Conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Description of the risk

Valuation of land and buildings, investment properties (where applicable) and assets held for sale (where material)

The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's Property, Plant and Equipment that is held at a valuation. The Council uses an internal valuation expert to provide information on valuations because there is a high degree of estimation uncertainty caused by significant judgements and number of variables involved in providing valuations. We have therefore identified the valuation of material balances of land and buildings, investment properties (if applicable or material) and assets held for sale (if material) to be an area of significant audit risk.

At the outset of the Covid19 outbreak, guidance issued by the Royal Institute of Chartered Surveyors set out an expectation that valuers are likely to conclude that there is "material uncertainty" over the valuation of land and buildings at the balance sheet date.

Relevant balances:

- Note 9: Property, Plant & Equipment – Council Dwellings £245m
- Note 9: Property, Plant & Equipment – Other Land & Buildings £30m
- Note 10: Investment Properties £15m.

How we addressed this risk

In relation to the valuation of property, plant & equipment, investment properties and assets held for sale we:

- Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- Considered whether the overall revaluation methodologies used by the Council's valuer's were in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- Assessed whether valuation movements are in line with market expectations by using information available from other sources;
- Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and
- Critically assessed the approach that the Council adopted to ensure that any assets not subject to revaluation in 2019/20 were materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers.

Audit Conclusion

During the course of our work, our testing of underlying valuation data, such as floor spaces, identified some gaps in the Council's records that was resolved through identifying alternative sources of evidence.

At the outset of the Covid19 outbreak, the Royal Institute of Chartered Surveyors set out an expectation that valuers are likely to conclude that there is "material uncertainty" over the valuation of land and buildings at the balance sheet date. The Council's valuer has followed guidance issued by the Royal Institute of Chartered Surveyors and as expected their valuation reports conclude that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This has been properly disclosed in the notes to the Statement of Accounts.

We will, in line with normal practice, include reference to this disclosure as an 'emphasis of matter' in our audit report. Our draft Auditor's Report is included at Appendix B.

There are no other matters to bring to Members' attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of net defined benefit liability	<p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. Moreover, the local government pension assets and liabilities are subject to triennial revaluation as at 31 March 2019, which set the contribution rates for 2020/21 onwards. This results in an increased risk of material misstatement.</p> <p>Relevant balances:</p> <ul style="list-style-type: none">Note 33: Net Pension Liability £45m

How we addressed this risk

In relation to the valuation of the Council's defined benefit pension liability in addition to our standard programme of work in this area we:

- review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by the consulting actuary engaged by the National Audit Office;
- agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements;
- critically assess the competency, objectivity and independence of the Leicestershire Pension Fund's Actuary; and
- liaise with the auditors of the Leicestershire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate.

Audit Conclusion

We received our assurance from the auditor of the Leicestershire Pension Fund on 17 December 2020. This confirmed a 'material valuation uncertainty' on the Pension Fund's property assets. The Council's share of these property assets recorded in the balance sheet is therefore also affected. This has been disclosed in the financial statements and incorporated into the 'emphasis of matters' paragraph in our Audit Report. In reviewing the work of the pension fund auditor, we also noted:

- A £5m difference has been reported between the value of scheme assets per the 2019 Triennial Actuarial Report (£4,312m) and the value of scheme assets per the Pension Fund audited financial statements as at 31 March 2019 (£4,307m).
- Pension benefits payable sent to the actuary was £3,454k. The Pension Fund auditor agreed the benefits paid data to the underlying information system maintained by the pension fund, noting a difference of £618k. This has no impact on the net pension liability in the Council's balance sheet.
- The Pension Fund submitted asset information to the actuary as at 31 December 2019 and not 31 March 2020. The actuary then estimated asset investment returns as -4.6%, whereas the actual return for the period was -3.56%.

In July 2020, MHCLG consulted on the proposed remedy for the 'McCloud' and 'Sargeant' cases. This indicates that the approach adopted for 2018/19 and 2019/20 is likely to have led to an overstatement of the pension fund liability as at 31 March 2020.

The Council obtained an updated actuarial valuation to identify whether the pension fund assets and liabilities require adjustment, with the net impact being a £300k movement in the pension liability that management has adjusted for.

There are no other matters to report from the work we have performed.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures. We have provided feedback on the draft financial statements and agreed amendments in any areas where disclosures could be strengthened. We are satisfied that the final statements comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Significant matters discussed with management

Significant matters discussed with management during our audit and which had implications for our audit testing and reporting included:

- The impact of COVID-19 on the Council's business, including any potential impact on risks of material misstatement. This included the disclosures made regarding the key sources of estimation uncertainty that management has made in preparing the Statement of Accounts. The Council's valuers have followed RICS guidance and as expected their valuation report concludes that, due to the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This may extend to property assets held by the Pension Fund.
- The Council's adoption of the 'going concern' principle in preparing the Financial Statements. The 'going concern' status is confirmed through the 2019/20 local government accounting code, and must also follow International Accounting Standard (IAS) 1: Presentation of Financial Statements. We must comply with a revised ISA (UK) 570 Going Concern, effective for periods commencing on or after 15 December 2019. The above, combined with the impact of COVID-19, meant an additional level of scrutiny was required over the going concern assertion in 2019/20.
- The Council's response to relevant legal cases which impact on the valuation of certain pension liabilities. These included:
 - The proposed remedy for the 'McCloud' case (which emerged initially in 2018/19 and was reported on in our previous Audit Completion Report) which is likely to have led to an overstatement of the original estimate of the Council's pension fund liability as at 31 March 2020.
- Impact of changes in audit scope on the external audit fee. We have provided management with a fee estimate and final fees will be agreed with management prior to inclusion and cover the following matters identified to date:
 - As explained in our Audit Strategy Memorandum, we continually strive to maintain high standards of audit quality. One mechanism for doing this is to consider the outcome of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers. In particular, we have increased the level of work we do on defined benefit pension schemes and valuation of property, plant and equipment.
 - Additional audit risks arising from COVID-19. We have discussed with management the additional audit testing and audit work required relating to pension assets and liabilities as well as adjustments for 'McCloud'; uncertainty in the valuation of land and buildings; going concern; and other areas, including revisiting our VFM risk assessment.

Fee estimate (subject to PSAA approval)	2019/20
2017/18 Audit Fee	50,522
2018/19 Audit Fee	42,652
Scale Fee 2019/20	38,902
Fees increases in respect of audit quality expectations	7,067
Covid-19 impact: The additional audit work and reporting as a result of the 'material valuation uncertainty' in pensions & council assets Review of estimates and due professional scepticism in auditing carrying values of estimates, including financial instruments (debt impairment) Review of the going concern assertion, risk of material uncertainty, including reasonableness of assumptions, and revisiting the VFM risk assessments as a result of Covid-19 Revisiting planning and control risk assessments on the risk of material misstatement in the financial statements as a result of Covid-19	4,493
McCloud	539
Total projected fee 2019/20	51,001

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management. Officers have been very helpful and responsive in addressing our audit queries. The changes to the Council's and Mazars' working arrangements' in response to COVID-19 and other pressures across the sector has lead to a number of challenges during the year-end accounts closedown and audit process. There have understandably been some difficulties in carrying out our normal audit procedures and obtaining the audit evidence required. We are grateful for the co-operation and support provided.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have not received any objections. We received one item of correspondence relating the Council's financial statement disclosures on senior officer remuneration, however this was not an eligible objection.

Audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. We expect to issue the Auditor's Report with the Audit Certificate, shortly after the audited Statement of Accounts has been approved by the Audit Committee.



3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2

Description of deficiency

In our testing of the underlying data used to calculate the value of assets, the Council was unable to immediately find data to validate the floor area used to support the valuation, leading to the Council having to find alternative sources of evidence.

Potential effects

Incorrect valuation of assets in the financial statements

Recommendation

The Council should perform a regular reconciliation between the underlying books and records of asset data, such as floor space and land areas, to the information used as the basis of valuation by the valuer.

Management response

Agreed. To be reviewed as part of our 2020/21 reporting.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £32k.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit. Any further unadjusted or adjusted errors on completion of the outstanding audit work will be reported to Members prior to issuing our Audit Report.

Unadjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Prepayments Cr: Expenditure		47	47	
Extrapolated error from expenditure cut off testing - expenditure relating to 2020/21 was recognised in 2019/20 as the invoice period spanned the two years.				
Total unadjusted misstatements	0	47	47	0

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Balance Sheet – Pension Liability Cr: CIES – Past Service Cost	300	300		
Represents a reduction in the Pension Liability as a result of the McCloud remedy and updated position in the pension fund.				
Total unadjusted misstatements	300	300	0	0

3. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate.

In our Audit Strategy Memorandum, we reported that we not identified any significant risk to our VFM Conclusion

We have kept a number of matters under review:

- Financial sustainability – the medium term financial position contains some inherent uncertainties (common to all bodies in the sector) and we will update our risk assessment of the council's financial sustainability at the final stages of the audit
- New Leisure Centre - we will keep a watching brief on progress before forming our VFM conclusion, in particular whether there has been any unusual slippage or material budget variations
- The reports of Internal Audit
- The outcome of other aspects of assurance work, such as the audited financial position and the Head of Internal Audit's opinion
- The work on the Council's 2018/19 AGS including consideration of any further changes from Brexit
- Updates to the Council's strategic risk register
- Issues noted following meetings with management or Those Charged with Governance
- The work and reports of regulators.

In respect of the above, we are satisfied that no additional Significant VFM Risks have arisen relating to the 2019/20 VFM Conclusion. We do however, have the following matters to note.

New Leisure Centre

The February Cabinet meeting approved the Capital Strategy for 2020/21, which included confirmation that £7.3m, against an approved budget of £9.0m, spend for the New Leisure Centre would be deferred into 2020/21. The main reason for this is due to delays in respect of obtaining a necessary Section 278 agreement for carrying out works to the A511 public highway. Construction work is scheduled to commence on site from July 2020. Bridge and access works will start from February 2020. The overall project completion is now programmed for March 2022 (from August 2021). Additional funding to cover the cost of installation of the bridge required to access the site from the A511 has been included at £400k.

Whilst this is a material slippage into the following financial year, it has not led to a material variation in the capital costs and therefore we do not believe this gives rise to a significant VFM risk. With the advent of Covid19, the expected completion date will be affected.



3. VALUE FOR MONEY CONCLUSION

Covid19 and financial resilience

The expected final position on the General Fund is a provisional surplus for the year of £1.2m compared to a budgeted surplus of £0.16m.

Prior to Covid19, in February 2020, the Council adopted a budget that required £5.1m savings over the period to 2024/25.

In July 2020, Cabinet received a Covid19 report setting out the financial impact to the last week of April 2020. The Council estimated the revenue impact at this point to be in the region of £2.1m gross and £1.0m net of the £1.1m Emergency Funding for Local Government. The majority of this impact is within the General Fund (£1.87m gross) and HRA (£0.26m).

In September 2020, Cabinet received an updated Medium Term Financial Strategy which predicted the General Fund projected deficit between 2020/21 and 2024/25 to increase from between £1m to £5.3m. The Council's Journey to Self-Sufficiency reserve stands at £6.3m to help bridge the gap.

Cabinet approved the Risk Management Policy at its meeting in May 2018 and in line with the policy, members of the Audit and Governance Committee, Corporate Scrutiny and Cabinet receive details of the high level risks monitored through the Corporate Risk Register. Members of the Audit and Governance Committee received an updated Risk Register in October 2020, which included a specific Covid19 risk register. This register is updated as part of the Response/Recovery work under the emergency planning process.

The Council has put in place risk and financial management arrangements to support informed decision making in response to Covid19, the effectiveness of these will be considered as part of our 2020/21 VFM Conclusion.

We are aware the Council is revisiting its service and financial strategies in response to Covid19. The £5.1m of savings originally planned over the period of the Medium Term Financial Strategy have been disrupted, however the Council should not rely solely on existing reserves to cover the financial gap and will need to review and revisit its financial and service strategy and the deliverability of planned savings.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP
45 Church Street
Birmingham
B3 2RT
[Date]

Dear Sirs

North West Leicestershire District - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of North West Leicestershire District Council (the Council) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Head of Finance and Section 151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Material Valuation Uncertainty

The outbreak of COVID-19, has impacted global financial markets and as such identified that less weight can be attached to the previous market evidence for comparison purposes and to inform opinions of value. The current response to COVID-19 has resulted in an unprecedented set of circumstances on which to base judgement, resulting in the valuations recognised within the Statement of Accounts being reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market. I am satisfied that sufficient and appropriate disclosures have been made in the Statement of Accounts to reflect the impact of 'material valuation uncertainty' on the Council's assets.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

(CONTINUED)

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Head of Finance and Section 151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed to you in accordance with the requirements of the Code and applicable law.

I have disclosed identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the impact of Covid-19 on our Investment Properties. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Covid-19

We confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

I have updated our going concern assessment in light of the Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements

Yours faithfully

Head of Finance and Section 151 Officer

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

APPENDIX B

DRAFT AUDITOR'S REPORT

TO BE UPDATED FOLLOWING CONSULTATION

Independent auditor's report to the members of North West Leicestershire District Council Report on the financial statements

Opinion

We have audited the financial statements of North West Leicestershire District Council for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of North West Leicestershire District Council as at 31st March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land, buildings and investment properties

We draw attention to Note X of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land, buildings and investment properties and the valuation of the Council's share of Leicestershire Pension Fund's property assets. As disclosed in Note X of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the Covid-19 pandemic creating a shortage of relevant market evidence on which to base their judgements. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance and S151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance and S151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

APPENDIX B

DRAFT AUDITOR'S REPORT

Other information

The Head of Finance and S151 Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Head of Finance and S151 Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Finance and S151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Director of Finance & ICT is also responsible for such internal control as the Head of Finance and S151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Head of Finance and S151 Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Head of Finance and S151 Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

APPENDIX B

DRAFT AUDITOR'S REPORT

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on North West Leicestershire District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, North West Leicestershire District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

APPENDIX B

DRAFT AUDITOR'S REPORT

Use of the audit report

This report is made solely to the members of North West Leicestershire District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark Surridge
For and on behalf of Mazars LLP
45 Church Street
Birmingham
B3 2RT

Date

APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

The table below summarises relevant matters of independence.

We confirm that none of the services listed in the table below has been provided on a contingent fee basis.

Issue	Perceived threats	Safeguards
The Council has appointed us to complete the Housing Benefit (Subsidy) Assurance Process for 2019/20.	Self-interest threat	The fee for this work is £8,000, which is substantially less than the Audit Fee.
We also expect to provide the relevant assurance on the Pooling of Housing Capital Receipts Return.	Self-interest threat	The fee for this work is £3,000, which is substantially less than the Audit Fee.

CONTACT

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Director

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Michael Butler

Manager

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
JANUARY 2021

Title of Report	INTERNAL AUDIT PROGRESS REPORT	
Presented by	Lisa Marron Audit Manager	
Background Papers	Public Sector Internal Audit Standards Internal Audit Plan 2020/21	Public Report: Yes
Purpose of Report	To inform the Committee of progress against the Internal Audit plan for 2020/21 and to highlight any incidences of significant control failings or weaknesses that have been identified.	
Recommendations	THE AUDIT AND GOVERNANCE COMMITTEE NOTE THE REPORT.	

1. BACKGROUND

- 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 Standards state that the Committee should receive periodic reports on the work of internal audit.
- 1.2 The Audit and Governance Committee approved the 2020/21 Audit Plan on 17 March 2020 and revisions necessary due to the Covid-19 response on 21st October 2020. The Committee receives quarterly progress reports.

2. PROGRESS REPORT

- 2.1 The Internal Audit Progress Report for the period 01 October 2020 to 31 December 2020 (Q3) is attached at Appendix 1.

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service supports all council priorities.
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	There are no specific risks associated with this report.
Officer Contact	<p>Lisa Marron Audit Manager Lisa.marron@nwleicestershire.gov.uk</p> <p>Elizabeth Warhurst Head of Legal and Commercial Services elizabeth.warhurst@nwleicestershire.gov.uk</p>



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report 2020/21 Q3

1. Introduction

1.1. Internal Audit is provided through a shared service arrangement by North West Leicestershire District Council. 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 progress against the 2020/21 Internal Audit Plan up to 31st December 2020.

2. Internal Audit Plan Update

2.1. During Q3 good progress has been made against the 20/21 audit plan. Since the last update report one final audit report has been issued, two audits are at the draft reporting stage and four are in progress. More details can be found in Appendix A.

2.2. The Rent Accounting audit report was issued with a substantial opinion. The executive summary is included in Appendix B.

3. Internal Audit Recommendations

3.1. Internal Audit monitor and follow up all critical, high and medium priority recommendations. All overdue Internal Audit recommendations are included in Appendix C for information.

3.2. It is noted that a small number of recommendations due to be implemented have been delayed due to the impact of Covid-19 on the individual services. The Audit Manager does not have any concerns to highlight at this time and where appropriate extensions to target dates have been agreed.

4. Internal Audit Performance Indicators

4.1. Progress against the agreed Internal Audit performance targets is documented in Appendix D. Up until the end of Q2 the audit team were mostly redeployed to support the COVID-19 response. In agreement with CLT the audit plan was reviewed and revised, with work starting on the plan as soon as possible in Q3. This means that performance has been able to improve during Q3 and is expected to continue during Q4 providing the IA team and the services being audited are not subject to further disruption due to Covid-19.

Appendix A

2020/21 AUDIT PLAN AS AT 31ST DECEMBER 2020

Audit Area (Report No.)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
Health and Safety – COVID-19	Audit	8	1	In progress							
Rent Accounting (1)	Audit	8	8	Final Report Issued	Substantial	-	-	-	1	-	
Domestic Heating Services Contract	Audit	6	1	In progress							
Grounds Maintenance	Audit	6		Scheduled for Q4							May be able to remove from the plan as reviewing key elements as part of Health and Safety – Covid-19 audit.
CCTV	Audit	5		Scheduled for Q4							May need to consider removing from the plan as days exceeded on other audits.
Safeguarding	Audit	6	13	Report drafting							Days exceeded as broader audit scope than originally envisaged.
Income Collection	Audit	8		Engagement plan agreed							
Creditors	Audit	8	9	Report drafting							
Debtors	Audit	8		Scheduled for Q4							
Main accounting system and budgetary control	Audit	8		Scheduled for Q4							
HR and Payroll	Audit	8	2	In progress							
Treasury Management	Audit	8	3	In progress							

Central Control	Audit	6		Engagement plan agreed							
Fire safety and management (all properties)	Audit	8		Scheduled for Q3							Put back to Q4 due to auditor resources.

Audit Opinion Key

Opinion	Definition
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited

Audit Recommendations Key

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.

SUMMARY OF FINAL AUDIT REPORTS ISSUED BETWEEN 01 OCTOBER 2020 AND 31 DECEMBER 2020

Rent accounting**Key Findings**

Areas of positive assurance identified during the audit:

- Changes to rent accounts are adequately controlled in order to prevent any unauthorised changes.
- Rent charges for new build properties correctly calculated and in line with policy.
- All write offs reviewed had been authorised appropriately.
- All the expected rents to income reconciliations have been completed and are up to date.
- Suspense account regularly reviewed and cleared.

The main areas identified for improvement are:

- An appendix to the Rents Policy documenting the process followed to calculate and agree the rent charge for new / acquired properties.
- Ensuring active user accounts are valid, as testing highlighted regular review of system access was not being carried out. It should be noted that no recommendation has been made as a review of all system users and their access needs will be carried out as part of the move to the new system in January 2021.

One low priority recommendation was made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
There should be an appendix to the Rents Policy showing the process followed to calculate and agree the rent charge for new / acquired properties.	Low	Agreed	Housing Management Team Manager	Already Implemented

Appendix C

RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 31ST DECEMEBER 2020 (CRITICAL, HIGH AND MEDIUM ONLY)

Report		Recommendation	Rating	Officer Responsible	Target Date	Internal Audit Comments	
2019/20 Audits							
9	General Fund Assets	1	A single asset register should be maintained which contains all council assets. Each asset should have a unique reference number in order that it can be easily identified and responsibility for maintaining the asset register should be clearly assigned.	Medium	Finance Team Manager in conjunction with Property Services Manager	<p>31st May 2020</p> <p>30th Sept 2020</p> <p>31st Dec 2020</p>	Audit follow up in June 2020 established that recommendation has not be implemented due to Covid-19. Target date extended further due to staffing issues. This will be followed up in January 2021 and may be addressed by the work on the annual reconciliation between records which external audit recommended for 20/21.
11	Affordable Housing – S106/Commut ed Sums	3	There should be a formal approval process in place to confirm agreement to the amount of commuted sum that is required in lieu of affordable housing. Details of how the sum has been arrived at and evidence to confirm this should be retained. Evidence that the approval process has been followed should accompany the request to Legal	High	Head of Planning and Infrastructure	<p>31st August 2020</p> <p>31st March 2021</p>	Follow up work in September 2020 found little progress due to other priorities (Covid-19) therefore extension agreed.

			Services when preparing the S106 agreement.				
13	Commercial Lettings	1	The service should review the procedures in place relating to Commercial Lettings. Where areas are identified that would benefit from there being written procedures in place these should be produced. As a priority this should include procedures for carrying out rent reviews to ensure these are reviewed on a timely basis.	High	Property Officer	30th Sep 2020 31 st March 2021	Due to staffing issues within the team combined with the impact of COVID-19 this recommendation has not yet been progressed therefore an extension has been agreed.
		2	Property Services should put in place a process whereby evidence is requested from tenants to confirm that they are complying with the terms of their lease agreement. Examples of this would be gas servicing / boiler maintenance, any relevant insurance etc.	Medium	Property Services Team Manager	30th Sep 2020 31 st March 2021	Due to staffing issues within the team combined with the impact of COVID-19 this recommendation has not yet been progressed therefore an extension has been agreed.

Appendix D

2020/21 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 31.12.20	Comments
Achievement of the Internal Audit Plan	21%	Up until the end of Q2 the audit team were mostly redeployed to support the COVID-19 response. In agreement with CLT the audit plan was reviewed and work started on the plan as soon as possible in Q3. Performance has improved during Q3 and is expected to continue during Q4.
Quarterly Progress Reports to Management Team and Audit and Standards Committee	On track	
Follow up testing completed in month agreed in final report	On track	Follow up testing up to date however some delays to implementation of recommendations due to Covid-19.
Annual Opinion Report - July 2020 Audit and Standards Committee Meeting	Achieved	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on returns for 19/20.
Compliance with Public Sector Internal Audit Standards	Conforms	External inspection carried out w/c 30 th November 2020 which confirmed that we conform with the Public Sector Internal Audit Standards. The full inspection report and action plan (minor recommendations and suggestions) is a separate agenda item at this committee meeting.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
JANUARY 2021

Title of Report	EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT	
Presented by	Lisa Marron Audit Manager	
Background Papers	Public Sector Internal Audit Standards	Public Report: Yes
Purpose of Report	To present the findings, and associated action plan, of the External Quality Assessment of Internal Audit that was carried out in November 2020.	
Recommendations	THE AUDIT AND GOVERNANCE COMMITTEE NOTE THE REPORT.	

1.0 BACKGROUND

1.1. Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013, were revised on 1 April 2016 and further revised on 1 April 2017. The purpose of the PSIAS is to improve the professionalism and standing of internal audit, to support good governance in local government and to add value. The standards require periodic self-assessments and an assessment by an external person every five years. Blaby, Charnwood and North West Leicestershire Councils' internal audit teams were last externally reviewed in June 2015 (Blaby and North West Leicestershire) and August 2016 (Charnwood) and a re-evaluation was therefore due. There was a slight delay in the review as Charnwood joined the partnership in April 2020 and the Audit Manager wanted to ensure that everyone was following a consistent approach.

1.2. The external quality assessment was procured in adherence to NWLDC contract procedure rules and the Public Sector Internal Audit Standards guidance in selecting an appropriately qualified assessor. The approach was discussed with the shared service partners with the assessor, Elizabeth Humphrey of Tilia Solutions Corporate Governance Consultancy, selected by the Audit Manager and the Head of Legal and Commercial Services.

2. EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT

2.1. The external quality assessment was carried out w/c 30th November 2020 and took the form of validation of a self-assessment completed by the Audit Manager. The validation was carried out through a process of interviews with key officers and Chairs of Audit Committees (interviewees selected by the assessor), and document

review. The findings relate to each Council that is part of the Internal Audit Shared Service.

2.2. It is the assessors opinion that internal audit at Blaby, Charnwood and North West Leicestershire Councils **conforms with the PSIAS**. She identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity, stating that the team takes a flexible, structured and focussed approach to their audit assignments. It identified two minor non-compliances with the PSIAS, neither of which were deemed to affect the activities of the team.

2.3. The final report is included in full at Appendix 1, with the action plan produced by the Audit Manager included at Appendix 2. Although only two minor recommendations and two suggestions were made in the final report, the assessor did make further minor suggestions informally to the Audit Manager, therefore they are all included in the action plan.

Policies and other considerations	
Council Priorities:	An effective internal audit service supports all council priorities.
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	There are no specific risks associated with this report.
Officer Contact	Lisa Marron Audit Manager Lisa.marron@nwleicestershire.gov.uk Elizabeth Warhurst Head of Legal and Commercial Services elizabeth.warhurst@nwleicestershire.gov.uk



FINAL

Validation of a self-assessment of

**Blaby, Charnwood and North West Leicestershire Councils' Internal
Audit Team**

08 December 2020

Elizabeth Humphrey CPFA

Validation of a self-assessment of Blaby, Charnwood and North West Leicestershire Councils' Internal Audit Team (December 2020)

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013, were revised on 1 April 2016 and further revised on 1 April 2017. The purpose of the PSIAS is to improve the professionalism and standing of internal audit, to support good governance in local government and to add value. The standards require periodic self-assessments and an assessment by an external person every five years. Blaby, Charnwood and North West Leicestershire Councils' internal audit teams were last externally reviewed in June 2015 (Blaby and North West Leicestershire) and August 2016 (Charnwood) and a re-evaluation was therefore due. There was a slight delay in the review as Charnwood joined the partnership in April 2020 and the Audit Manager (referred to as the CAE below) wanted to ensure that everyone was following a consistent approach. The previous reviews were all full evaluations; the CAE decided to have a validation of a self-assessment this time. The self-assessment also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS.

The validation was carried out through a process of interview and document review. A list of interviewees is included at appendix 2. I should like to thank all those who took the time to talk to me for their help. I reviewed two audits and the CAE reviewed a further five, all carried out during the 2019/20 and 2020/21 financial years. I also checked key documents including the Charter and reports to the Audit Committee.

I agree with the CAE's assessment against the PSIAS that internal audit at Blaby, Charnwood and North Leicestershire Councils **conforms with the PSIAS** (see appendix 3 for details of the PSIAS ratings). I identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity and the team takes a flexible, structured and focussed approach to their audit assignments. I identified two minor non-compliances with the PSIAS, neither of which affects the activities of the team. In addition, the team could further develop its approach to audit planning, especially for individual audit assignments, by increasing the emphasis on the relevant council's corporate priorities, risks and auditee concerns. In this way, auditors can demonstrate the support that they give to Blaby, Charnwood and North Leicestershire Councils and their activities to deliver the councils' plans and improve services. I have made two recommendations (R) and two suggestions (S) to support this. The CAE will need to take action to implement these and an action plan is included as appendix 1.

Summary findings and recommendations

Standard	Conformance	Findings	Recommendations and suggestions	Rec no
Mission	Conforms	The mission is quoted in the Charter as required.		
Core principles of internal audit	Conforms	The team generally conforms to the core principles of internal audit. I have made some suggestions to develop this further.		
Code of Ethics	Conforms	All interviewees stressed the emphasis placed on ethics by the audit team and their independence and objectivity. There was no overt reference to the <i>Seven Principles of Public Life</i> in audit guidance.	Refer to or quote the <i>Seven Principles of Public Life</i> in the Manual or elsewhere	R1
Attribute standards				
1000 Purpose, authority and responsibility	Conforms	The Charter includes all the required information apart from a definition of the nature of assurance services provided to the councils (standard 1000.A1).	Define the nature of assurance services in the Charter	R2
1100 Independence and objectivity	Conforms	Independence and objectivity underpin the work carried out by the team.		
1200 Proficiency and due professional care	Conforms	Audits are carefully planned, taking a risk-based approach, but this could be more overt for individual engagements.	Place risk at the front of all audit planning, especially in discussions with auditees	S1
1300 Quality assurance and improvement programme (QAIP)	Conforms	Internal audit meets the standards with regards to QAIP activities. However, they could be more integrated into audit activities and I have made some suggestions to achieve this.	Look for ways to integrate QAIP activities across the audit team and audit year, by carrying out rolling reviews or similar	S2

Standard	Conformance	Findings	Recommendations and suggestions	Rec no
Performance standards				
2000 Managing the internal audit activity	Conforms	Internal audit is well managed, with good planning, guidance and the expected reporting to senior management and the three councils' audit committees.		
2100 Nature of work	Conforms	Internal audit's work covers all the areas required by the PSIAS and LGAN. It could be improved by increasing the links to the councils' corporate priorities, so demonstrating the contribution that internal audit makes to delivery for each council and auditees.		
2200 Engagement planning	Conforms	Engagements are well planned, with a detailed engagement plan. Planning could be further improved with greater clarity about audit objectives and how the auditee and council will benefit from audit's work.		
2300 Performing the engagement	Conforms	The review showed that audits are well-performed and clearly documented.		
2400 Communicating the results	Conforms	Audit reports are clear and complete, and acknowledge satisfactory performance by giving an assurance level for each area examined.		
2500 Monitoring progress	Conforms	The follow-up process complies with the standards.		
2600 Communicating the acceptance of risks	Conforms	There was no evidence that risks have been left unmitigated following an audit, highlighting the priority given to audit findings.		

The Audit Manager has details of my conclusions, standard by standard.

Elizabeth Humphrey CPFA

Appendix I: action plans

Recommendations

No	Recommendation	Response	Responsible officer	Action date
R1	Refer to or quote the <i>Seven Principles of Public Life</i> in the Manual or elsewhere	Agreed. This will be included in the Internal Audit Charter as part of the next annual review in September 2021.	Audit Manager	September 2021
R2	Define the nature of assurance services in the Charter	Agreed. This will be included in the Internal Audit Charter as part of the next annual review in September 2021.	Audit Manager	September 2021

Suggestions

No	Suggestion	Response	Responsible officer	Action date
S1	Place risk at the front of all audit planning, especially in discussions with auditees	Agreed.	Audit Team	January 2021
S2	Look for ways to integrate QAIP activities across the audit team and audit year, by carrying out rolling reviews or similar	Agreed. Will develop a rolling programme from 21/22.	Audit Manager	June 2021

Appendix 2: interviewees

Person	Position	Council
Bev Angell	Chair of Audit Committee	CBC
Kerry Beavis	Senior Auditor	
Richard Bennett	Head of Planning and Regeneration	CBC
Tracy Bingham	Head of Finance	NWLDC
Chris Brown	Community Safety Team Manager	NWLDC
Rose Carrier	Auditor	
Luke Clements	Waste Operations Manager	BDC
Cllr Stuart Gillard	Chair of Audit and Governance Committee	NWLDC
Diane Harris	Auditor	
Cllr Mark Jackson	Chair of Audit and Standards Committee	BDC
Simon Jackson	Director of Environmental and Corporate Services	CBC
Lisa Marron	Audit Manager	
Sarah Pennelli	Strategic Director	BDC
Adrian Ward	Head of Strategic Support	CBC
Elizabeth Warhurst	Head of Legal and Commercial Services	NWLDC

Appendix 3: conformance gradings

Conforms	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially conforms	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
Non-conforming	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the audit committee.

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EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT ACTION PLAN JANUARY 2021

No	Recommendation/suggestion in final report	Response	Responsible officer	Action date
R1	Refer to or quote the <i>Seven Principles of Public Life</i> in the Manual or elsewhere	Agreed. This will be included in the Internal Audit Charter as part of the next annual review in September 2021.	Audit Manager	September 2021
R2	Define the nature of assurance services in the Charter	Agreed. This will be included in the Internal Audit Charter as part of the next annual review in September 2021.	Audit Manager	September 2021
S1	Place risk at the front of all audit planning, especially in discussions with auditees	Agreed.	Audit Team	January 2021
S2	Look for ways to integrate QAIP activities across the audit team and audit year, by carrying out rolling reviews or similar	Agreed. Will develop a rolling programme from 21/22.	Audit Manager	June 2021

Minor suggestions during informal feedback	Response	Responsible officer	Action date
Include discussion items at team meetings on how we demonstrate: <ul style="list-style-type: none"> • Integrity • Objective and free from undue influence (independent) 	Agreed. A standing item will be added to agenda to discuss/share experiences of team on audits focusing on integrity and objectivity.	Audit Team	Feb 2021

Suggest that limitations should be moved from front of engagement plan and report to an appendix and/or shortened significantly as this could be seen as sending a defensive message at the start.	Will review relevant paragraphs and consider whether/how we should move this.	Senior Auditor	Feb 2021
Include references to how Internal Audit work aligns with the strategies, objectives and risks of the organisation in the engagement plan.	Agreed. The annual audit plan is aligned therefore can add this to introduction section in engagement plan. This will be added to template to make sure it is included.	Senior Auditor	Feb 2021
In addition to including in the annual reports, add a statement to individual audit reports to say "audits carried out in consideration of requirements of International Standards for the Professional Practice of Internal Auditing" for example. Also all audit reports issued should include name of Chief Audit Executive so this could be combined.	Agreed. Other local authority reports to be reviewed to decide on preferred wording.	Senior Auditor	Feb 2021
Add reference to the sampling strategy followed to the Audit Manual.	Agreed. The sampling strategy has been added to the Manual.	Audit Manager	Completed
Reflect other sources of assurance to be relied on in the annual plan and annual report.	Agreed. Where other sources of assurance are used this is reflected in the annual report however will also reflect any intended reliance in the annual plan.	Audit Manager	Feb 2021
Need evidence of review/sign off of testing programmes if not prepared by Audit Manager/Senior Auditor.	Agreed. Prepared by and approved by to be added to relevant section on engagement programme/working papers.	Senior Auditor	Feb 2021

Review categories of recommendations - five categories may be a bit more than is needed. Simple H/M/L could be sufficient but explanations are clear.	Agreed. The categories will be streamlined to four – we will remove the advisory category as low and advisory are very similar and we do not follow up either formally.	Senior Auditor	Feb 2021
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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
JANUARY 2021

Title of Report	TREASURY MANAGEMENT ACTIVITY REPORT APRIL 2020 TO DECEMBER 2020	
Presented by	Anna Wright Finance Team Manager and Deputy S151 Officer	
Background Papers	<u>Treasury Management Strategy Statement 2020/21</u> Council 25 February 2020	Public Report: Yes
Purpose of Report	To inform Members of the Council's Treasury Management activity undertaken during the period April 2020 – December 2020.	
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 second report to be presented in 2020/21, 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 25 February 2020.
- 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 & OTHER FACTORS

2.1 Economic and interest rate forecasts are provided on a regular basis by our treasury advisors (Arlingclose).

Economic background: Some good news came during the quarter as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA) and a Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline. The MHRA approved the two vaccines in December and the rollout to individuals in the highest priority groups began in earnest. Having been agreed with the European Union (EU) on Christmas Eve, the Brexit trade deal was voted through the House of Commons by 521 votes to 73 and then written into law after passing through the House of Lords and given royal assent.

The Bank of England (BoE) maintained Bank Rate at 0.1% during the quarter but extended its Quantitative Easing programme by £150 billion to £895 billion. In its December interest rate announcement, the BoE noted that plans to roll out COVID-19 vaccines would reduce some of the downside risks to the economic outlook but that recent rises in the number of infections is likely to lead to weaker GDP growth than had been predicted in its November Monetary Policy Report.

Government initiatives continued to support the economy as the furlough (Coronavirus Job Retention) scheme was extended once again to April 2021, supporting some 10 million jobs, and meaning that by then time the government would have provided taxpayer support to jobs for over a year.

GDP growth rebounded by 16.0% (upwardly revised from first estimate of 15.5%) in Q3 2020 (Jul-Sep) according to the Office for National Statistics (ONS), pulling the annual growth rate up to -8.6% from -20.8% in Q2. Construction rose by a huge 41% over the quarter, services output was up almost 15% as was production output. However, recent monthly estimates of GDP have shown growth is slowing and only a 1.1% monthly rise was managed in September.

The headline rate of UK Consumer Price Inflation (CPI) rose to 0.3% year/year in November, below expectations (0.6%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.6% year/year (0.8% expected). The weaker-than-expected readings were due to falling prices for clothing as Black Friday deals started earlier than usual and for food and non-alcoholic drinks.

In the three months to October, labour market data showed the unemployment rate increased from 4.3% to 4.9% while wages rose 2.7% for total pay in nominal terms (2.8% for regular pay) and was up 1.9% in real terms (2.1% for regular pay). The employment rate fell to 75.2% from 75.8%. Unemployment is expected to increase strongly once the various government job support schemes come to an end, with the BoE predicting unemployment could peak at almost 8% in the second quarter of 2021.

The US economy rebounded at an annualised rate of 33.4% in Q3 2020 (Jul-Sep), fuelled by more than \$3 trillion in pandemic relief. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25%. The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

Financial markets: Equity markets continued to rise, and the Dow Jones beat its pre-crisis peak on the back of continued outperformance by a small number of technology stocks. The FTSE indices continued to perform well, with the more internationally focused FTSE 100 getting back to around 60% of its pre-March level while the more UK-focused FTSE 250 was closer to 80% of its previous peak over the same period.

Ultra-low interest rates remained, keeping gilts yields low but volatile over the period with the yield on some short-dated UK government bonds continuing to remain negative. The 5-year UK benchmark gilt yield started the October–December period at -0.07% and ended at -0.09% (with much volatility in between). The 10-year gilt yield fell from 0.23% to 0.19% over the same period but peaked at 0.40% in November during a volatile quarter. The 20-year fell from 0.76% to 0.69%. 1-month, 3-month and 12-month SONIA bid rates averaged -0.01%, 0.06% and 0.07% respectively over the three months.

At the end of December, the yield on 2-year US treasuries was around 0.12% while for 10-year treasuries the yield was 0.92%. German bund yields remain negative across most maturities.

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.

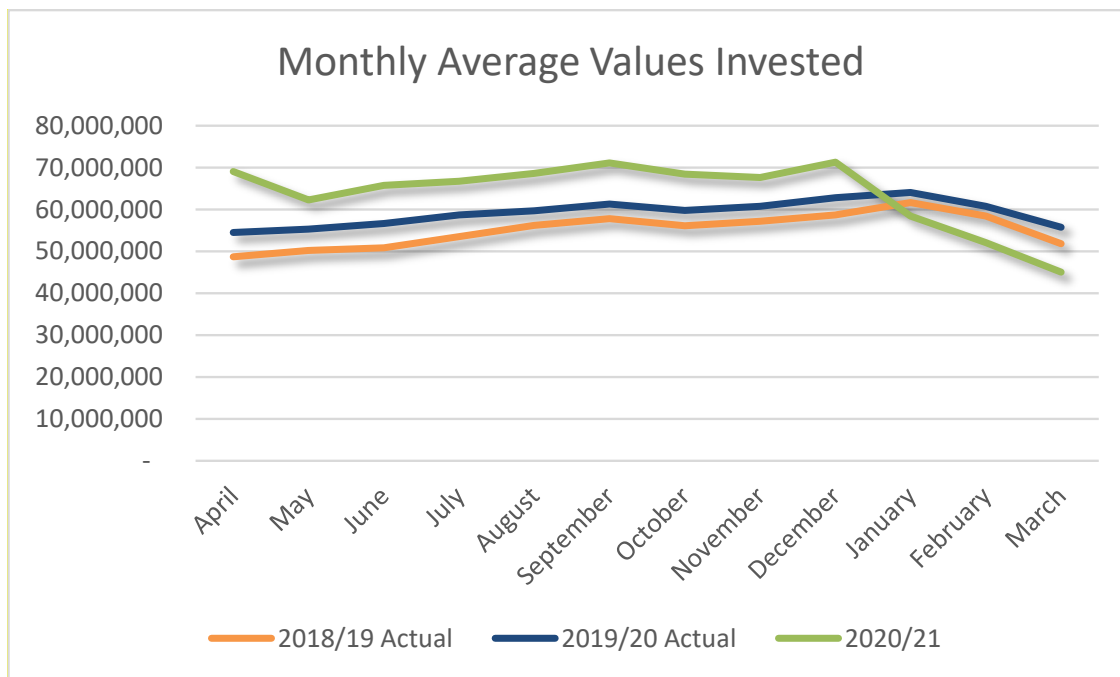
	Balance at 01/04/20 £m	Net Movement £m	Balance at 31/12/2020 £m
Long term borrowing - HRA	71.67	-0.6	71.03
Long term borrowing – General Fund	8.44	0.0	8.44
Other long-term liabilities - HBBC	0.09	0.0	0.09
Total Borrowing	80.20	-0.6	79.56
Long term investments – greater than 1 year	3.00	-3.0	0.00
Short term investments – less than 1 year	39.00	9.8	48.80
Pooled funds and Money Market Funds	8.70	11.3	20.00
Total Investments	50.70	18.1	68.80
Net debt	29.50	18.7	10.76

3.2 The investment position will vary 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, capital programme and interest on treasury activity.

3.3 In the period April 2020 to December 2020, the capacity for investment has increased by £18m. 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.
- Normally, Capital expenditure is heavily weighted towards the latter part of the financial year due to the time required to schedule programmes of work or award contracts. However, due to COVID impact, some capital projects have now slipped through the 2021.
- There was also influenced some timing difference between receipt of grants and expenditure.

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 2020/21, 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 2020/21 shows that the council does not need to borrow in 2020/21. Borrowing may be required by 2021/22 should the council wish to maintain its MIFID status which requires an investment balance of £10m at any one time, 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 2020/21 is £1.154m. A total £567k of this was paid by December 2020.

4.5 During the reporting period of April 2020 to December 2020, 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 2020/20 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 2020/21 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 In the first two quarters, the Authority received central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. £20.2m was received and temporarily invested in short-dated, liquid instruments such as call accounts and Money Market Funds. The majority of the funds were disbursed by the end of September. Further COVID support grants were received in quarter 3 and similar approach was taken to manage these funds with the expectation that this will be immediately spent.

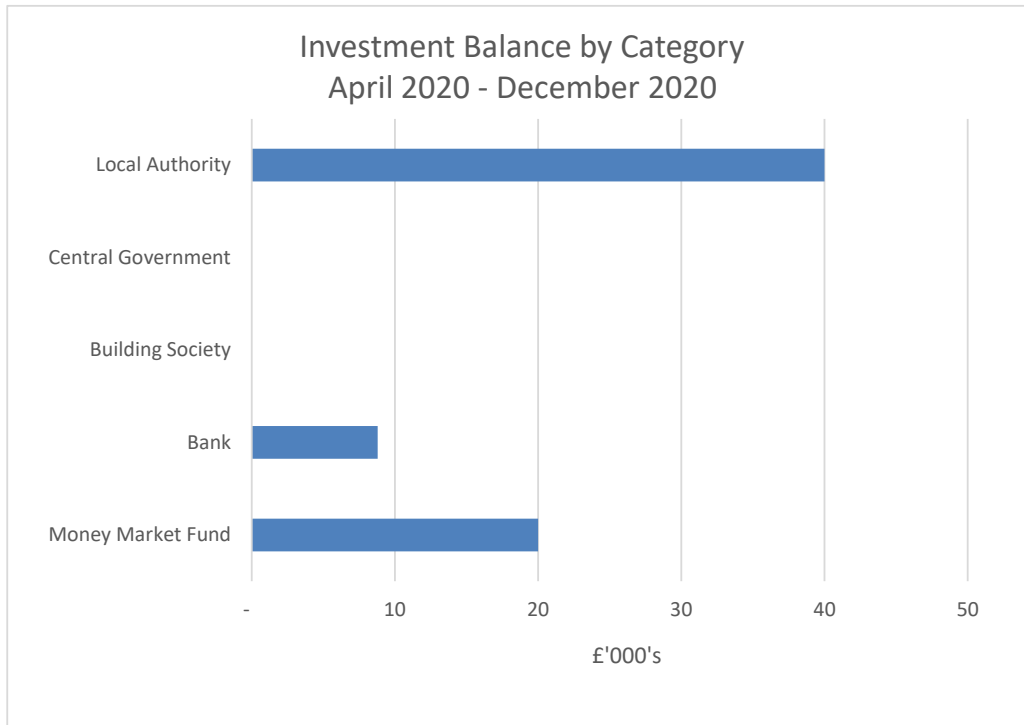
6.4 On 31st December, deposit rates on the Debt Management Account Deposit Facility (DMADF) dropped to negative rates ranging from -0.08% for overnight deposits to -0.01% for 6 months maturities.

6.5 The return on Money Market Funds net of fees remained very low between 0% and 0.1%. In many instances, the fund management companies have temporarily lowered or waived fees to maintain a positive net return.

6.6 To lower the inherent investment risk, the council has minimised the use of banks and continues to use other Local Authorities as investment counterparties. A range of lengths of investment, from overnight investments to short term up to 4 months have been utilised to ensure that the principles of security, liquidity and yield are followed.

6.7 With the COVID-19 pandemic situation, the council has taken a prudent approach on investments by limiting new Local Authority investments for a period of no more than 4 months. This has ensured that the council's Cashflow remained liquid throughout the year. A scenario base analysis was also undertaken, taking into account the estimated impact of the pandemic on income and expenditure on a monthly basis – this was monitored weekly.

6.8 The graph below shows the type of counterparties used by the council and the values currently invested.



- 6.9** The counterparties that the council currently use all meet the criteria set out in the Treasury Management Strategy Statement 2020/21 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**.
- 6.10** The average rate of return on the council's investment balances during the period was 0.37% for comparison purposes, the benchmark return at the end of December 2020 for the average 7-day London Interbank Bid Rate (LIBID) was 0.06% and the average 7 day London Interbank Offered Rate (LIBOR) rate was 0.07%. This shows that we are achieving a good rate of return against the benchmark.
- 6.11** The council's Treasury Management Advisors produce investment-benchmarking information quarterly. The latest available benchmarking data is at the 30 September 2020. The total rate of return achieved by the council takes into account the full year effect to date and is compared to 49 other district councils and the average of 128 local authorities, the yield is itemised by types of investments. At the time, the current internal investment return for the council of 0.16% is comparable to 0.30% achieved by 47 district councils and 0.27% achieved by the average of 125 of the local councils. The full benchmarking summary can be seen in **Appendix B**.
- 6.12** Short and long term interest rates continue to decline with the base rate by the Bank of England stuck at 0.10% and reduced local authorities' cash demand with grants received from central government. Our treasury advisors expect the rate to remain at this level, but further cuts to zero, or perhaps even to negative territory, cannot be completely ruled out. The downside risk is that the rate could drop to -0.20% in March 2021, -0.30% in June 2021 and -0.50% from September 2021 onwards.
- 6.13** The council will exhaust all options available, whilst complying with the Treasury Management Strategy Statement, before investing in negative interest investments. This is likely to feed through on low risk, short-term investment options. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this

may be less than the amount originally invested.

- 6.14 There were 63 investments made during the period totalling £215.8m and 57 maturities totalling £231.3m. The average balance held for the period was £67.9m.
- 6.15 The fixed term investments for the period were for amounts ranging between £1m and £5m.
- 6.16 The budget for investment income for 2020/2021 for General Fund and Housing Revenue Account is £300,701. Investment activity from April to December 2020 has generated £187,352 in interest for the financial year. The current outturn forecast is estimated to be £201,832.
- 6.17 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 £28,487 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.
- 6.18 Estimated interest for the year of £173,345 will 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 2020/21	Projected
General Fund	£190,799	£109,985
Housing Revenue Account	£109,902	£63,360
Sub-Total	£300,701	£173,345
External Balances		£28,487
Total	£300,701	£201,832

- 6.18 The COVID-19 support grants received from the central government were deposited in short term call accounts and money market funds as the council was required to disburse this to local businesses as soon as possible. Individual account limits on money market funds were maintained, but the aggregate money market limit of £20m as per TMSS was breached by an amount of £2m. This occurred on April 1 when the grants were received and was resolved on April 9 when grants were paid out to businesses. The Head of Finance and S151 officer was made aware of this in advance prior to the initial receipt of the grants. This was closely monitored through a weekly update on the council's Cashflow and investments.
- 6.19 The £5m limit on the Lloyds day-to-day banking account was breached by £1.2m on 1 July 2020. This occurred as a result of £5.7m in Council Tax, Business Rates and Rent being received on this date. As the funds were required the next day to make payments to preceptors (Fire, Police and Leicestershire County Council) and the money market funds were already at their approved limits. The Finance Team Manager and Deputy S151 Officer in the absence of the Head of Finance, approved the breach of the TMSS and to leave the funds in the Lloyds account overnight
- 6.20 There were no further breaches in quarter 3.

7.0 Treasury Advisor's Commentary – Arlingclose Ltd

- 7.1 NWLDC is currently taking a relatively low credit risk approach to its investment strategy by investing mainly in Money Market Funds (MMFs), local authorities and the UK central government. These options avoid the direct bail-in risk associated with bank deposits

(although indirect exposure is held via the MMFs, this is highly diversified). Client investment benchmarking over the past year suggests that the council usually takes lower credit risk compared to other local authorities while maintaining equivalent or higher average returns on internally managed investments. The council usually makes relatively short-term investments (up to 12 months). This is another way of limiting risk but does mean that the rate of return earned is relatively low. The council's investments have always been in the cash markets and this remains the case at the moment (as opposed to other asset classes such as property, bonds or equities). This is generally also a lower risk approach. Overall the council's focus is firmly on security and liquidity.

- 7.2** Other investment options that I think would fit with the council's current risk appetite include longer-term loans to local authorities (the council has done this before), covered bonds and loans to Registered Providers (housing associations), which would also require a longer investment horizon (3 to 5 years).
- 7.3** Going beyond this would be an alternative approach – that a portion of the investment portfolio is invested strategically for income rather than liquidity. This would involve investing in asset classes such as property, bonds and equities (typically via pooled funds). This would carry a different and typically higher set of risks but also generate a higher return. An appropriate risk/return balance is key and these would be long-term investments, the value of which would fluctuate over time.
- 7.4** The council has held reasonably significant investment balances for at least the 10 years that Arlingclose has advised the council. It could be argued that given investment balances have been available for the long term but usually reinvested for the short term then the opportunity to earn a higher level of income from the investments has been missed. Of course a higher risk/higher return approach would require the council to have an appropriate risk appetite.

8.0 SUMMARY


- 8.1** 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 2020 to December 2020. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 8.2** For the reporting period April to December 2020, 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.
- 8.3** For the reporting period, with the exception of the breaches detailed in section 6.18 as at quarter2, there hasn't been any further breaches and the council can confirm that it has complied with its Treasury Management Strategy Statement and Treasury Management practices.

Appendix A

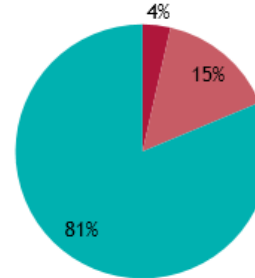
LIST OF COUNTERPARTIES, CURRENT INVESTMENT AND RATE

Counterparty	Length	From	To	Amount	Rate
Goldman Sachs MMF	Overnight	31/12/2020	01/01/2021	4,000,000.00	0.004%
BlackRock MMF	Overnight	31/12/2020	01/01/2021	6,000,000.00	0.003%
Aberdeen Asset Management MMF	Overnight	31/12/2020	01/01/2021	6,000,000.00	0.017%
Federated Investors MMF	Overnight	31/12/2020	01/01/2021	3,000,000.00	0.010%
CCLA MMF	Overnight	31/12/2020	01/01/2021	1,000,000.00	0.052%
Lloyds Main	Overnight	31/12/2020	01/01/2021	3,299,986.67	0.000%
Bank of Scotland	Overnight	31/12/2020	01/01/2021	1,500,000.01	0.000%
Lloyds Notice Account	32 days	31/12/2020	01/02/2021	2,000,000.00	0.050%
Santander Notice Account	35 days	31/12/2020	04/02/2021	2,000,000.00	0.150%
Blackburn with Darwen Council	276 days	03/04/2020	04/01/2021	2,000,000.00	0.970%
Walsall Metropolitan Borough Council	364 days	09/04/2020	08/04/2021	5,000,000.00	1.000%
Kingston-upon-Hull City Council	133 days	14/09/2020	25/01/2021	2,000,000.00	0.080%
Ashford Borough Council	91 days	20/10/2020	19/01/2021	5,000,000.00	0.050%
Conwy County Borough Council	88 days	30/11/2020	26/02/2021	3,000,000.00	0.030%
Surrey County Council	92 days	28/10/2020	28/01/2021	5,000,000.00	0.050%
Dover District Council	92 days	10/11/2020	10/02/2021	5,000,000.00	0.030%
Nottinghamshire Police	62 days	01/12/2020	01/02/2021	5,000,000.00	0.050%
Epping Forest District Council	51 days	25/11/2020	15/01/2021	5,000,000.00	0.150%
Stirling Council	90 days	18/12/2020	18/03/2021	3,000,000.00	0.030%
Total				68,799,986.68	

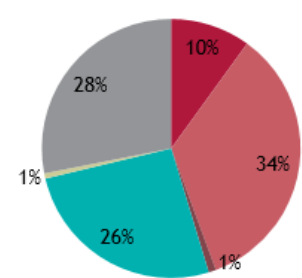
Appendix B

			
Investment Benchmarking 30 September 2020			
	NW Leicestershire	49 English Non-Met Districts Average	128 LAs Average
Internal Investments	£62.7m	£30.9m	£74.1m
Cash Plus & Short Bond Funds	£0.0m	£1.5m	£1.8m
Strategic Pooled Funds	£0.0m	£12.2m	£11.8m
TOTAL INVESTMENTS	£62.7m	£44.7m	£87.6m
Security			
Average Credit Score	3.78	4.15	4.16
Average Credit Rating	AA-	AA-	AA-
Average Credit Score (time-weighted)	3.78	4.20	4.14
Average Credit Rating (time-weighted)	AA-	AA-	AA-
Number of Counterparties / Funds	15	13	13
Proportion Exposed to Bail-in	19%	65%	64%
Liquidity			
Proportion Available within 7 days	36%	41%	51%
Proportion Available within 100 days	89%	59%	70%
Average Days to Maturity	44	51	18
Market Risks			
Average Days to Next Rate Reset	51	70	56
Strategic Fund Volatility	-	6.7%	8.2%
Yield			
Internal Investment Return	0.16%	0.30%	0.27%
Cash Plus & Short Bond Fund - Total Return	-	1.10%	1.06%
Strategic Funds - Total Return	-	-3.53%	-3.92%
Total Investments - Total Return	0.16%	-0.87%	-0.46%
All External Funds - Income Only Return	-	3.52%	3.45%
All External Funds - Capital Gains/Losses	-	-6.56%	-6.78%
Total Investments - Income Only Return	0.16%	1.31%	0.90%

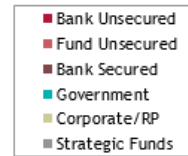
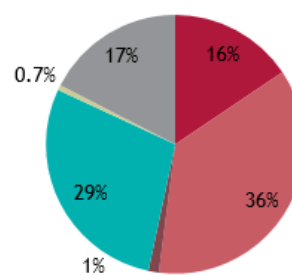
NW Leicestershire



English Non-Met Districts



All Arlingclose Clients



Notes

- Unless otherwise stated, all measures relate to internally managed investments only, i.e. excluding external pooled funds.
- Averages within a portfolio are weighted by size of investment, but averages across authorities are not weighted.
- Credit scores are calculated as AAA = 1, AA+ = 2, etc.
- Volatility is the standard deviation of weekly total returns, annualised.

Policies and other considerations, as appropriate	
Council Priorities:	Value for Money
Policy Considerations:	Treasury Management Strategy Statement 2020/21 Council 25 February 2020
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment and Climate Change:	Not applicable.
Consultation/Community Engagement:	Not applicable
Risks:	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.
Officer Contact	Anna Wright Finance Team Manager and Deputy S151 Officer anna.wright@nwleicestershire.gov.uk 01530 454492

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
JANUARY 2021

Title of Report	UPDATE ON STATUS OF IMPLEMENTATION OF ANNUAL GOVERNANCE STATEMENT IMPROVEMENTS	
Presented by	Tracy Bingham Head of Finance and Section 151 Officer	
Background Papers	2019/20 Annual Governance Statement	Public Report: Yes
Purpose of Report	To provide Committee members with an update in respect of progress made against improvements identified as part of the 2019/20 Annual Governance Statement.	
Recommendations	THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTES AND COMMENTS ON THE REPORT	

1.0 BACKGROUND

- 1.1 Members reviewed and approved the Annual Governance Statement (AGS) in respect of the 2019/20 year at its meeting on 24 November 2020.
- 1.2 A total of 5 improvement areas were identified through this review, where it was recognised that the Council could strengthen its governance arrangements. There were three improvements carried forward from the 2018/19 AGS and a further two identified as part of the 2019/20 review.
- 1.3 All of the improvements were scored as fair, meaning that satisfactory governance exists in these areas but improvements are required in order for “good governance” to be met in respect of the particular area. There were no significant issues identified for 2019/20.
- 1.4 Committee members have previously agreed that progress against improvement areas will be reported at regular intervals and the AGS of future years will report on the progress/completion of improvements areas or significant issues from the prior period.
- 1.5 This update is the first update members have received on 2019/20 improvements.

2.0 PROGRESS MADE IN RESPECT OF IMPROVEMENT AREAS 2019/20

- 2.1 Of the 5 improvements identified, 1 is complete and the remaining 4 remain underway.
- 2.2 Full details can be found in Appendix A.

Policies and other considerations, as appropriate	
Council Priorities:	Good governance underpins the council's ability to deliver against all of its priorities.
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	None.
Officer Contact	Tracy Bingham Head of Finance and Section 151 Officer tracy.bingham@nwleicestershire.gov.uk

PROGRESS MADE IN RESPECT OF IMPROVEMENTS IDENTIFIED THROUGH THE REVIEW OF THE ANNUAL GOVERNANCE STATEMENT 2019/20

CIPFA/SOLACE Principle	Improvement	Owner	Target Completion	Status Update January 2021
D: Determining the interventions necessary to optimise the achievement of the intended outcomes	Review service and financial planning timetable	Head of Finance	June 2021	Review will be undertaken at the end of the service and financial planning timetable for 2021/22. Improvement is therefore on track for implementation by target date.
E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it	Review the effectiveness of the current arrangements for managing assets	Head of Customer Services, Corporate Property and Assets	September 2021	The Property services team has undergone an external review to understand any areas of improvement and opportunity within the service (Q2 2020/21). Following the review a live project is now in place, with external support, to deliver an improvement programme over Q3-Q4 2020/21. This work will lead to a more robust approach to asset management.
	Develop organisational requirements for benchmarking of services <i>(carried forward from 2018/19)</i>	Head of HR and Organisational Development	March 2021	Improvement on track for implementation by target date.
F: Managing risks and performance through robust internal control and strong public financial management	Develop and implement anti-fraud awareness raising programme <i>(carried forward from 2017/18)</i>	Head of Finance	March 2021	Improvement on track for implementation by target date. Anti-fraud and corruption and anti-money laundering policies refreshed Q2 2020/21.
	Procure new finance system <i>(carried forward from 2017/18)</i>	Head of Finance	March 2021	Complete Contract for new finance system awarded.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY,
20 JANUARY 2021



Title of Report	CORPORATE RISK UPDATE	
Presented by	Andy Barton Strategic Director	
Background Papers	None	Public Report: Yes
Purpose of Report	To provide Committee members with an update in respect of the Council's corporate risk register.	
Recommendations	THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTES AND COMMENTS ON THE LATEST CORPORATE RISK REGISTER FOR CONSIDERATION BY THE RISK SCRUTINY GROUP.	

1.0 Risk Register Update

- 1.1 As part of the agreed Risk Management approach this report presents the latest version of the Corporate Risk Register as reviewed at the last meeting of the Risk Scrutiny Group. In line with the policy, members of this Committee, and Cabinet are to receive periodic updates on the high level risks monitored through the Corporate Risk Register.
- 1.2 The updated Risk Register can be found at Appendix 1 and a summary of changes since the last update in October 2020 is set out below.

Risk No	Risk Title	Changes made by Risk Scrutiny Group
1	Death / serious harm to a vulnerable person receiving a council service and safeguarding compliance	Scores unchanged – comments added to show current audit underway for compliance, updated references and definitions to focus the risk more clearly
3	Insufficient resources due to unplanned / unforeseen absences / vacancies	Likelihood reduced to 2 - reflecting more realistic number of likely events. Commentary updated to reflect COVID pandemic experience.
6	Failure to respond to an emergency in an appropriate manner	Scores unchanged - text refined to add in comments re concurrent events and strengthening response.
10	Council is subject to fraud, corruption or theft	Scores unchanged – commentary updated to reflect COVID related grants work & fraud training refresh

14	Council is subject to large scale and medium term reduction in staffing/supplies/increase in restrictions etc leading to risks and ongoing medium/long term impacts on either the financial or reputational standing of the Council	Likelihood score increased from 1 to 2 – based on latest finance monitoring illustrating the cost of delivering against COVID changes over medium term - service cost rises and ways to address updated – see financial reporting to Cabinet and Council
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1.3 The Strategic Director acts as lead for corporate risk and is satisfied that the main risks posed to the organisation have been captured within the risk register and that control measures to mitigate these risks are appropriate. The report is based on an update in December 2020, any further update on significant changes in risk will be provided at the meeting.

1.4 The 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 at its next meeting.

Policies and other considerations, as appropriate	
Council Priorities:	Effective risk management underpins the ability of the Council to deliver against its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	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
Officer Contact	Andy Barton Strategic Director Andy.barton@nwleicestershire.gov.uk

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 and safeguarding compliance	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. Ensuring compliance with Safeguarding legislation and practise.	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 (temp cover during recruitment) 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. A computerised system of reporting and managing reports introduced in 2019, will ensure constant reminders of new cases, sending alerts at all points in the procedure. 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.	4	2	8	Stable
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.	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.	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	
			Internal financial systems and regulations not being properly applied.						Financial planning processes have been documented and are reviewed regularly. Internal and External audit of systems and accounts. Procurement of new finance system with increased controls and monitoring underway Membership of CIPFA and engagement of Arling Close gives access to specialist advice, analysis and expertise.				
3	REPUTAITONAL/ LEGAL COMMERCIAL Insufficient resources due to unplanned / unforeseen absences / vacancies	Council unable to perform its statutory duties. Council's Partners unable to perform duties. Use of external resources at significantly higher cost. Short / Medium Term Exposure	Failure to horizon scan and interpret future needs in crucial roles. Inability to recruit to vacancies / retain staff. unexpected or unplanned event (eg pandemic)	4	3	12	Head of HR and OD	Chief Executive	Advance planning will help to mitigate this risk; recent COVID expereince demonstrates NWL able to react and adjust 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, and boyant at present. 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. 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'.	3	2	6	reduced
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.	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.	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	
			Procurement procedures are not followed. The council contributes to modern slavery via it's contracts and supplies.						Training programme previously in place now under review and due to be redesigned. Roadmap to procurement changes starting to be enacted Commitment to ensure our contracts and supplies don't contribute to modern day slavery and exploitation.				
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. Changes in working practises causing unintended risk/exposure	3	3	9	Legal Services Team Manager	Head of Legal & Support Services	Policies and procedures are in place and rolled out. Regularly reviewed and compliance is monitored. Corporate Governance training is undertaken annually and includes information governance as appropriate to reflect changes in legislation. E-learning module updated in 2019 and rolled out as mandatory annual training for all staff. The Council has a dedicated SIRO and DPO. Corporate Governance Groups are in place to scrutinise impacts/issues arising. Internal audit was carried out in December 2019. The outcome of the audit was a Grade 1. One medium risk recommendation Information Governance Team to cooperate with the supervisory authority and monitor compliance with Data Protection laws.	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. Breakdown in relationship with other responders.	Lack of planning, training and exercising of Emergency plans Inadequate Corporate Business Continuity Management. Lack of procedural understanding	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. Business Continuity exercises show the readiness of the Council to deal with emergencies. System of ICO / FLM duty rotas is in place & continued reassessment for ongoing incidents. Strengthening of available out of hours cover in times of multiple events in place for NY	4	1	4	Stable
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.	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.	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	
			<p>Limited staff awareness of possible threats.</p> <p>Lapse in security awareness and basic processes from a technical and human perspective.</p>						<p>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.</p> <p>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.</p> <p>Quarterly Cyber Security awareness training held for staff and new starters, to protect staff at work and in the office.</p> <p>New business services are run in remote fully resilient data centres and existing systems are being progressively migrated to these cloud computing centres.</p> <p>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.</p> <p>An annual external audit of IT assessed the organisation's IT arrangements in a range of areas against best practice. (The outcome of the audit in 2019 was, GRADE 1, with one recommendation, which has already been addressed and provides assurance that the organisation's IT arrangements are solid, sound and secure).</p>				

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	Chief Executive	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 without 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. Policy Refreshed late 2020 - refresh of training underway. 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. New Covid related Grants all subject to external audit and compliance checks.	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	
			Poor monitoring of / adherence to financial systems Changes in working practises causing unintended risk/exposure					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 and due to cease from April 2020). 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.					
84	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, with comprehensive scenario analysis of worst and best case funding scenarios and changes in economic climate. Self-Sufficiency Programme developed to manage the council's ongoing financial sustainability. Self-Sufficiency reserve established fund transformation and commercial activities to sustain financial position. 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.	2	3	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	
12	POLITICAL / ORGANISATIONAL The Council is affected by Local Government Reorganisation	<p>a) Change to Local Government structure in Leicestershire/East Midlands, including potential merger of district councils/county council or development of a Combined Authority for the East Midlands, either of which could lead to:</p> <ul style="list-style-type: none"> - 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	<p>Active engagement with political leaders and Chief Executives across the County and East Midlands so NWL's needs are taken into account in the proposals.</p> <p>Open and transparent communication of NWL position to all stakeholders.</p> <p>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.</p>	3	3	9	Stable
13	POLITICAL / ORGANISATIONAL The Council is affected by the UK's departure from the EU, including a potential 'no deal' Brexit	<p>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.</p> <ul style="list-style-type: none"> - 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 January 2020 of the UK's exit. Deal then to be negotiated by End 2020.	4	4	16	Chief Executive and Head of Economic Regeneration	Director of Housing & Customer Services/ Chief Executive	<p>Engage with National Local Authority steering groups for border control at strategic & operational levels.</p> <p>Implement communication strategy for local businesses so technical notices are shared, with appropriate signposting.</p> <p>Work with LLEP and Chamber of Commerce to provide business advice and support to address changes to legislation & certification.</p> <p>Monitor political developments on EU withdrawal closely.</p> <p>Establish contingency plans after scenario based assessment of resources required for increase in checks and controls, & access to alternative IT systems.</p> <p>Conduct localised assessment of potential impact around East Midlands Airport.</p> <p>Participate in Multi-agency Leicestershire Resilience Forum framework , with risk assessment and mitigation plan to be prepared.</p> <p>Internal BREXIT group reestablished</p>	2	4	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	
14	ORGANISATIONAL/FINANCIAL Council is subject to large scale and medium term reduction in staffing/supplies/increase in restrictions etc leading to risks and ongoing medium/long term impacts on either the financial or reputational standing of the Council	Financial, reputational and political damage to Council.	Pandemic, national/global infrastructure interruption, supply chain mass failure over medium / long time period	4	4	16	Chief Executive, Directors, Heads of Service	Chief Executive	Full LRF related resilience measures in place, significant recovery work already underway, full emergency planning issue activated - see detailed COVID19 risk register as example applied	4	2	8	Increased

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 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

Assessing the impact of a risk:

1 Low	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
2 Medium	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 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
3 High	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
4 Very high	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 Financial loss over £1m. Adverse national media attention – national televised news report Litigation almost certain and difficult to defend Breaches of law punishable by imprisonment

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
JANUARY 2021

Title of Report	STANDARDS AND ETHICS - QUARTER 3 REPORT	
Presented by	Elizabeth Warhurst Head of Legal and Commercial Services and Monitoring Officer	
Background Papers	None	Public Report: Yes
Purpose of Report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 3 of 2020/2021	
Recommendations	THE REPORT BE RECEIVED AND NOTED.	

1.0 BACKGROUND

- 1.1 The Standards and Ethics Report provides information in two categories: Local Determination of Complaints and Ethical Indicators.
- 1.2 The Quarter 3 Report follows the revised format and includes commentary where there is a variation in trends reported.

Policies and other considerations, as appropriate	
Council Priorities:	Our communities are safe, healthy and connected
Policy Considerations:	N/A
Safeguarding:	Safeguarding in relation to Modern Slavery
Equalities/Diversity:	N/A
Customer Impact:	Customers have the opportunity to report on measures that are included in this report.
Economic and Social Impact:	N/A
Environment and Climate Change:	N/A
Consultation/Community Engagement:	Customers have the opportunity to report on measures that are included in this report.
Risks:	By receiving this information members will be able to manage risks.
Officer Contact	Elizabeth Warhurst Head of Legal and Commercial Services elizabeth.warhurst@nwleicestershire.gov.uk

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Standards and Ethics

Quarter 3 Report

2020-2021

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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 2020/21.

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.

Local Determination of Complaints

The Monitoring Officer received 5 complaints in Quarter 3 of 2020/21.

4 complaints received in Quarter 2 were withdrawn in Quarter 3. One complaint received in Quarter 3 was withdrawn in Quarter 3. 2 complaints were unable to be progressed as it was determined that the code of conduct was not engaged.

2.1 Assessment Sub-committee Decisions

There has been 1 Assessment Sub-committee meeting in this quarter regarding 3 separate complaints.

The Monitoring Officer pursues an informal dispute resolution process prior to initiating formal proceedings via the Sub-committee route.

One complaint received in Quarter 2 has been resolved informally in Quarter 3.

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 3. 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

Ethical Indicators

PERFORMANCE INDICATOR	Q1			Q2			Q3			Q4		
	18/19	19/20	20/21	18/19	19/20	20/21	18/19	19/20	20/21	18/19	19/20	20/21
Instances of concerns raised re Modern Slavery	n/a	0	0	n/a	1	0	n/a	0	0	n/a	0	
Instances of concerns raised re Modern Slavery referred to national agencies	n/a	1	0	n/a	1	0	n/a	0	0		0	
Number of whistle blowing incidents reported	0	0	0	0	0	0	0	0	0	n/a	0	
Number of Challenges to procurements	n/a	0	0	n/a	0	0	n/a	0	0		0	
Public interest Reports	0	0	0	0	0	0	0	0	0		0	
Objections to the Councils Accounts	0	0	0	0	0	0	0	0	0		0	
Disciplinary action relating to breaches of the Member/Officer Protocol	0	0	0	0	0	0	0	0	0		0	
Follow up action relating to breaches of the Member/Officer Protocol	0	0	0	0	0	0	0	0	0	n/a	0	

Modern Slavery – It is the statutory duty of the Council to refer all concerns raised regarding modern day slavery to the national agencies. This does not mean that Modern Slavery has been confirmed. The case referred in Q1 was found not to be Modern Slavery. The figures show that where reported to the Council, we are promptly complying with our duty to report.

Freedom of Information Requests

	Q1			Q2			Q3			Q4		
	18/19	19/20	20/21	18/19	19/20	20/21	18/19	19/20	20/21	18/19	19/20	20/21
Total Number (FOIs)	43	84	55	57	100	93	69	79	152	109	79	
% answered on time	84%	99%	72.2%	96%	95.8%	84.1%	100%	99%	75%	91%	95.8%	
Average per month	14	28	18	19	33	31	23	26	51	36	26	
Average response time (days)	12	11	15	9	10	13	11	10	17	10	11	
Business as usual (BAUs)	58	59	27	86	73	24	55	62	26	73	65	
Withheld due to exemption/fees (FOI and BAU)*	7	6	10	11	18	16	5	7	31	10	8	
Transfers (TFRs)	29	18	14	32	22	18	32	30	25	42	33	
Subject access requests (SARs)	3	2	3	3	12	6	2	6	12	7	5	
Internal Reviews**	tbc	tbc	1	tbc	tbc	tbc	tbc	tbc	0	tbc	2	
Environmental Information Requests/ Land Charges Searches (personal)	40	437	213	47	367	1	5	308	2		334	

* Withheld due to exemptions has been moved up the table so that it sits below FOI's and BAU's thereby making it easier to compare and put into context the number of exemptions applied.

** Appeals has been amended to Internal Review as appeals were consistently zero but a number of reviews had been requested during 2019/2020.

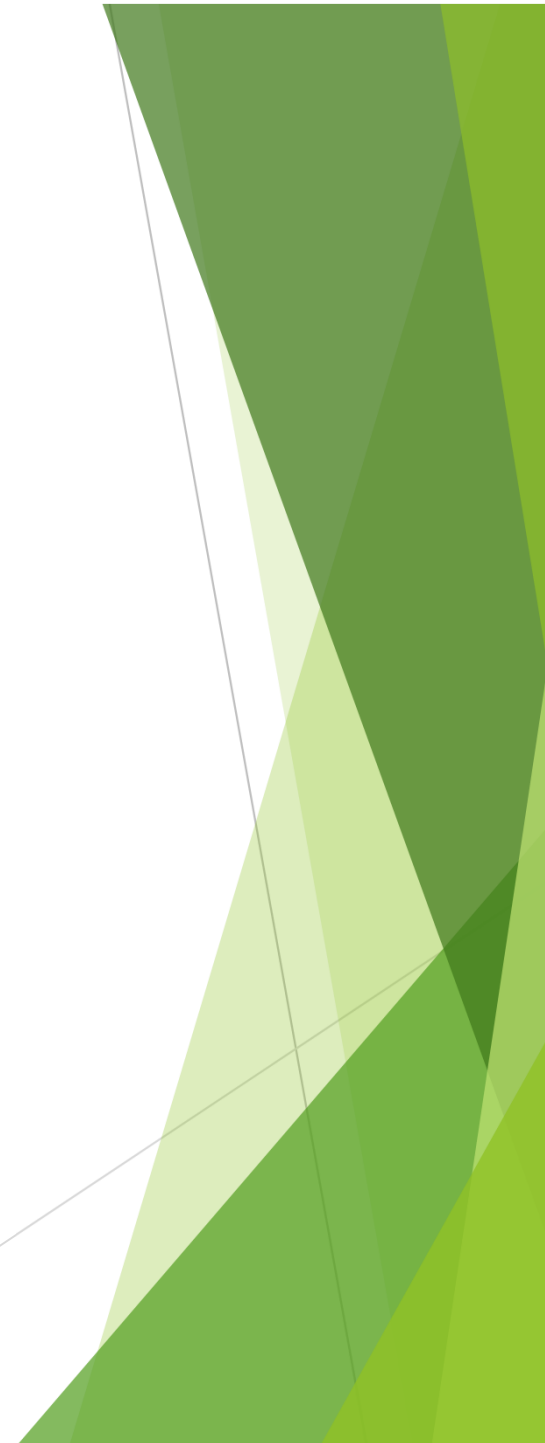
All statistics presented from 19/20 Q4 should be viewed in the context of the pandemic and the subsequent disruption to service. The standard FOI timescale for response is 20 days, however the ICO has expressed leniency given that work relating to the pandemic should be given priority over completing FOI work.

- Q3 has experienced a surge in number of requests received (**152**, up from 93) which has had clear impact on the number of requests **answered on time**, just **75%**.
- The number of cases handled as **BAUs** remains low (**26**), which is indicative of the rising response time.
- Currently there are **41 outstanding FOIs**.
- **Average response time** has risen to **17 days**, however as outstanding requests are completed this figure may ultimately change.
- The number of **SARs** received has doubled again to **12**. Given the time demanding nature of SARs, this may also have contributed to the deterioration of FOI performance.

FOI Exemptions for Q2 20/21

Exemption	Description	FOI	BAU	Total
S21	Information Already Reasonably Accessible	7	3	10
S22	Information Intended for Future Publication	2	1	3
S27	International Relations			
S28	Relations within the UK			
S29	The Economy			
S30	Investigations			
S31	Law Enforcement	5	3	8
S32	Court Records			
S36	Effective Conduct of Public Affairs	1		1
S38	Endangering Health and Safety			
S39	Environmental Information			
S40	Personal Information of the Requester/Personal Information	5	1	6
S41	Confidentiality			
S42	Legal Professional Privilege			
S43	Trade Secrets and Prejudice to Commercial Interests	2		2
S44	Prohibitions on Disclosure	1		1
Total	<i>Number need not match the number of cases. Multiple exemptions may apply to one case.</i>	23	8	31

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Definitions

Business as usual Information requested can be sent quickly and easily within the normal course of business

Land Charges specific information about a particular property

Ombudsman Complaint a customer has followed Stage 1 and 2 complaints procedure but unhappy with the outcome they are entitled to take complaint to the Local government Ombudsman who will decide if the Council has a case to answer.

Subject Access Request a request by an individual to see information an organisation holds on them

Transfers requests received that fall out of our remit i.e. Adult social Care or Highways

Environmental Information Request a right for any person to request access to environmental information held by public authorities.

Likely to contain exempt information under paragraph(s) 1,2,3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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