

Meeting

Time/Day/Date



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Location		Council Chamber, Council Offices, Coalville				
Officer to contact		Democratic Services (01530 454512)				
		AGENDA				
Item			Pages			
1.	APOLOGIES FOR A	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 21 July 2021	3 - 8			
4.	COMMITTEE WORK PLAN					
	To note the Committ	ree's work plan	9 - 10			
5.	EXTERNAL AUDIT	PROGRESS REPORT				
	Report of the Head	of Finance	11 - 18			
6.	INTERNAL AUDIT F	PROGRESS UPDATE				
	Report of the Audit N	Manager	19 - 48			
7.	TREASURY MANAG SEPTEMBER 2021	GEMENT ACTIVITY REPORT APRIL 2021 -				
	Report of the Financ	e Team Manager	49 - 60			
8.	STANDARDS AND ETHICS - QUARTER 2 REPORT					
	Report of the Head	of Legal and Commercial Services	61 - 70			

**AUDIT AND GOVERNANCE COMMITTEE** 

6.30 pm on Wednesday, 20 October 2021

#### 9. **CORPORATE RISK UPDATE**

Report of the Strategic Director

71 - 82

## Circulation:

Councillor S Gillard (Chairman) Councillor N Smith (Deputy Chairman) Councillor E G C Allman

Councillor C C Benfield

Councillor J Clarke

Councillor M D Hay Councillor R L Morris

Councillor V Richichi

Councillor S Sheahan

Councillor M B Wyatt

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 21 JULY 2021

Present: Councillor S Gillard (Chairman)

Councillors N Smith, E G C Allman, C C Benfield, J Clarke, M D Hay, V Richichi and S Sheahan

In Attendance: Councillors

Officers: Mr A Barton, Mr D Bates, Miss A Wright, Mrs L Marron and Miss E Warhurst

**External Audit:** 

At the commencement of the meeting, the Chairman advised that Councillor E Allman would be joining the meeting remotely as he was currently self-isolating. In accordance with the law, he was able to participate in the meeting but would not be permitted to vote.

## 1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors R Morris and M Wyatt.

## 2. DECLARATION OF INTERESTS

No interests were declared.

## 3. MINUTES

Consideration was given to the minutes of the meeting held on 21 April 2021 and it was moved by Councillor S Gillard, seconded by Councillor N Smith and

RESOLVED:- That the minutes of the meeting held on 21 April 2021 be confirmed as a correct record.

## 4. COMMITTEE WORK PLAN

Consideration was given to the Work Plan and the Chairman invited the external auditor o speak to the Committee. Members were referred to the provisional timetable and it was explained why this was not now likely to be met due to the Pandemic and consequential sickness absence. It was anticipated that a solution would be communicated to the Authority by the end of this week with clarity around the revised timeframe.

By affirmation of the meeting it was

RESOLVED:- That the Committee Work Plan be noted.

## 5. INTERNAL AUDIT PROGRESS REPORT

The Audit Team Manager presented the report to the Committee which set out the Internal Audit Progress report for the period 1 April 2021 to 30 June 2021.

By affirmation of the meeting it was

RESOLVED:- That the Internal Audit Progress report be noted.

## 6. 2020/21 INTERNAL AUDIT ANNUAL OPINION REPORT

The Audit Team Manager presented the report to the Committee on the annual internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. It was noted that this is required by the Public Sector Internal Audit Standards and should be used to inform the Annual Governance Statement.

Having been moved by Councillor S Gillard and seconded by Councillor N Smith, it was subsequently

RESOLVED:- That the Internal Audit Annual Opinion Report be noted.

## 7. TREASURY MANAGEMENT ACTIVITY REPORT APRIL 2021 - JUNE 2021

The Finance Team Manager presented the report which informed Members of the Council's Treasury Management activity undertaken during the period April 2021 to June 2021.

Having been moved by Councillor V Richichi and seconded by Councillor J Clarke, it was subsequently

RESOLVED:- That the Treasury Management Activity Report April 2021 – June 2021 be approved.

## 8. CORPORATE RISK UPDATE

The Head of Finance presented the report on the latest version of the Corporate Risk Register as reviewed by the Risk Scrutiny Group and Corporate Leadership Team (CLT), in June 2021. It was noted that, in line with the policy, members of this Committee and Cabinet are to receive periodic updates on risks monitored through the Corporate Risk Register. Members were asked to review and note the risk update and provide any feedback they wish to be considered by the Risk Scrutiny Group/CLT at its next meetings.

In response to a question about the effects of climate change and how these are being risk managed, assurances were given that existing processes take account of the impact on economic, social and environmental factors. A further question was asked about the impact on what is being widely referred to as 'the pingdemic' which is a consequence of being in the vicinity of those who have tested positive for the virus. It was reported that this is addressed as part of the work undertaken by the Local Resilience Forum (LRF) which takes appropriate action in response to the information as soon as it is received.

Having been moved by Councillor S Gillard and seconded by Councillor N Smith, it was subsequently

RESOLVED:- That the comments of the Audit and Governance Committee on the Corporate Risk update be submitted for consideration by the Risk Scrutiny Group.

# 9. PROGRESS OF IMPROVEMENTS IDENTIFIED THROUGH ANNUAL GOVERNANCE REVIEW 2019/20

The Head of Finance presented the report on the progress made against improvements identified as part of the 2019/20 Annual Governance Review.

Having been moved by Councillor S Gillard and seconded by Councillor C Benfield it was subsequently

RESOLVED:- That the progress of improvements identified through the Annual Governance Review 2019/20, be noted.

#### 10. ANNUAL REVIEW OF THE COUNCIL'S CONSTITUTION

The Legal Services Team Manager presented the report on proposed improvements to the Council's processes and suggested changes to the Constitution, which were due to be recommended to Full Council. It was noted that in carrying out the review, officers have been consulted on areas of the Constitution that need updating. It was noted that it also takes account of requests from members raised through working party discussions. The entire Constitution has been reviewed, including the articles, responsibility for functions, rules of procedure and codes and protocols, but in most cases only minor changes have been made for consistency reasons. The report before the Committee sets out the key changes that are being proposed.

A question was raised on the subject of Band B contracts and whether members would have access to the records of the Head of Service in relation to how contracts are awarded. The Monitoring Officer advised that the 'need to know' principle would apply. Therefore, if a member needed to know in order to effectively carry out their duty as a member of the council then they may make a request. Each request would be considered given the facts at the time. A question was asked about larger contracts and what advice could be given on the changes now that we are no longer under the rules of the EU. The Legal Services Team Manager reported that there were currently no major differences as the Law encompassed the EU rules. Whilst this may change in the future, as it currently stood, we are still in the same position, other than a few small practical changes.

A debate ensued on the merits of enabling questioning at Planning Committee. The term 'in exceptional circumstances' had been suggested to be included in the rules for speaking to allow points of clarification to be raised and responded to whilst limiting the potential for unnecessary cross-examination. Members considered that all facts should be on the table and that they be given the opportunity to seek clarification on any points ahead of making a decision. The Head of Planning agreed that this would be enabled, but the suggestion was intended to limit the extent at which lots of questions are being asked which did not seek to establish the facts of the application and were in fact a cross examination of the applicant. It was therefore intended that the Chairman, with the support and guidance of officers, would enable questions 'in exceptional circumstances' if it was felt the question was reasonable and would help members to reach a decision. This debate became lively when the issue of the call in process was being discussed. The Council dealt with applications which were the subject of statutory time limits for determination, after which time the application had deemed permission. The report identified that these planning applications were susceptible to call in because of the way in which the call in process was drafted in the Constitution and that this presented practical or legal issues, whereby applications would have deemed permission before the item could be considered Planning Committee. This matter had been discussed at the Cross Party Planning Working Group and it was agreed that amendments to the Constitution on this point would be appropriate. The debate centred around the involvement of officers and the chairman in determining whether or not an application which had been called in found its way to Planning Committee. It was acknowledged that in every case where it had not proceeded to Committee, the decision and the reasons for how this decision was reached are sent to the ward member and subsequently published on the planning portal as part of the file notes for the application. One member made some disparaging comments about the current planning system and the way that it operated at the Council and these comments were supported in part by a fellow member and they were warned by the Monitoring Officer to be mindful about casting aspersions on the impartiality of officers; particularly with the references to coercion.

It was moved by Councillor V Richichi and seconded by Councillor J Clarke that the Constitution be amended to reflect that the decision on whether to allow a called-in

planning application to be progressed to Committee should not be determined by officers in consultation with the Chairman, but by the ward member.

The Monitoring Officer urged caution with this motion given that planning matters must be determined by members of the Planning Committee and not all ward members are members of the Planning Committee. She did suggest that some work be undertaken outside the meeting to establish what other Authorities did in this regard and how, if at all, they involved ward members.

The Head of Planning also assured the Committee that the Chairman undertook to liaise with the ward member ahead of making the decision so the provision of ward member involvement was already in place.

The Committee was advised that discussions could be held by the Cross Party Working Group about the planning call in process as a whole, but the references in the report were because of an anomaly in the Constitution and had no bearing on the process itself and could be recommended to Council by the Committee tonight. It was further suggested that the Cross Party Working Group could work closely with Councillor Richichi to enable him to help shape the call-in protocol.

Some members, whilst not wholly sure of their views on the issue of ward member involvement, did wish for it to be pursued by way of a debate at Council. The Monitoring Officer advised that a vote could be taken on this motion against her advice and she would seek to establish the legal position ahead of the debate at Council. She offered a further suggestion of inviting the Committee to vote on the recommendations with the exception of the part which referenced call-in so that this could be dealt with at a later date.

Following further discussion about the merits or otherwise of ward member involvement in the call-in process it was moved by Councillor V Richichi, seconded by Councillor J Clarke and subsequently

#### **RESOLVED:-**

- (1) That the changes proposed by the Annual Review of the Constitution be supported;
- (2) That Council be recommended to
  - a. adopt the proposed amendments to the Constitution at its meeting on 7 September 2021
  - b. consider changes to the planning call in process with a view to including ward member involvement having had regard to legal advice.

## 11. STANDARDS AND ETHICS - QUARTER 1 REPORT

The Head of Legal and Commercial Services presented the report on the figures for local determination of complaints and the ethical indicators for quarter 1 of 2021/2022.

Having been moved by Councillor S Gillard and seconded by Councillor C Benfield, it was subsequently

RESOLVED:- That the Standards and Ethics Quarter 1 Report, be noted.

## 12. REVIEW OF CORPORATE GOVERNANCE POLICIES 2021

The Interim Head of Finance reported on the review of corporate governance policies for 2021, noting that there were no major changes.

By affirmation of the meeting it was

RESOLVED:- That the corporate governance policies for 2021 be noted ahead of consideration by Cabinet at its meeting in September 2021.

The meeting commenced at 6.30pm and closed at 8.03pm

The meeting commenced at Time Not Specified

The Chairman closed the meeting at Time Not Specified



## **AUDIT AND GOVERNANCE COMMITTEE – WORK PROGRAMME** (as at 12/10/21)

Issue	Report Author	Meeting at which will be reported
January 2021		
2020/21 Audit Completion Report	Dan Bates, Head of Finance	19 January 2022
Annual Governance Statement 2020/21	Dan Bates, Head of Finance	19 January 2022
Annual Statement of Accounts 2020/21	Dan Bates, Head of Finance	19 January 2022
Assessment of Going Concern Status	Dan Bates, Head of Finance	19 January 2022
Treasury Management Activity Report April 2021 - December 2021	Anna Wright, Finance Team Manager & Deputy S151 Officer	19 January 2022
2020/21 Audit Completion Report	Dan Bates, Head of Finance	19 January 2022
Corporate Risk Update	Andy Barton, Strategic Director of Housing and Customer Services	19 January 2022
Report to those Charged with Governance 2020/21	Dan Bates, Head of Finance	19 January 2022
Internal Audit Progress Report	Kerry Beavis, Audit Manager	19 January 2022
Progress of Improvements Identified through Annual Governance Review 2020/21	Dan Bates, Head of Finance	19 January 2022
Committee for Standards in Public Life - Best Practice Recommendations Update	Elizabeth Warhurst, Head of Legal and Commercial Services	19 January 2022
Standards and Ethics - Quarter 3 Report	Elizabeth Warhurst, Head of Legal and Commercial Services	19 January 2022

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Issue	Report Author	Meeting at which will be reported
April 2022		
Treasury Management Stewardship Report 2021/22	Anna Wright, Finance Team Manager & Deputy S151 Officer	20 April 2022
External Audit Strategy Memorandum	Dan Bates, Head of Finance	20 April 2022
Corporate Risk Update	Andy Barton, Strategic Director of Housing and Customer Services	20 April 2022
Internal Audit Progress Report	Kerry Beavis, Audit Manager	20 April 2022
Progress of Improvements Identified through Annual Governance Review 2020/21	Dan Bates, Head of Finance	20 April 2022
Annual Report on Grants and Claims	Dan Bates, Head of Finance	20 April 2022
Accounting Policies and Materiality 2021/22	Dan Bates, Head of Finance	20 April 2022
2021/22 Annual Audit Letter	Dan Bates, Head of Finance	20 April 2022
Internal Audit Annual Plan 2022/23	Kerry Beavis, Audit Manager	20 April 2022
Annual Standards and Ethics Report	Elizabeth Warhurst, Head of Legal and Commercial Services	20 April 2022
Standards and Ethics - Quarter 4 Report	Elizabeth Warhurst, Head of Legal and Commercial Services	20 April 2022

## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL



# AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20 OCTOBER 2021

Title of Report	EXTERNAL AUDIT PROGRESS REPORT				
Presented by	Dan Bates Head of Finance and Section 151 Officer				
Background Papers	External Audit Strategy Memorandum – Audit Committee 21 April 2021  Public Report: Yes				
Purpose of Report	To provide Members with the External Auditor's progress report.				
Recommendations	THAT THE COMMITTEE NOTES THE REPORT				

## 1.0 BACKGROUND

- 1.1 The report attached at Appendix A is the External Auditor's Mazars LLP, first progress report in respect of the 2020/21 audit year.
- 1.2 The report provides an update for the Committee on the progress of the audit of the Council's annual accounts.
- 1.3 A representative from Mazars is in attendance to present the report.

Policies and other considerations, as appropriate					
Council Priorities:	Not relevant				
Policy Considerations:	Not relevant				
Safeguarding:	Not relevant				
Equalities/Diversity:	Not relevant				
Customer Impact:	Not relevant				
Economic and Social Impact:	Not relevant				
Environment and Climate Change:	Not relevant				
Consultation/Community Engagement:	Not relevant				
Risks:	Not relevant				
Officer Contact	Dan Bates Head of Finance and Section 151 Officer dan.bates@nwleicestershire.gov.uk				

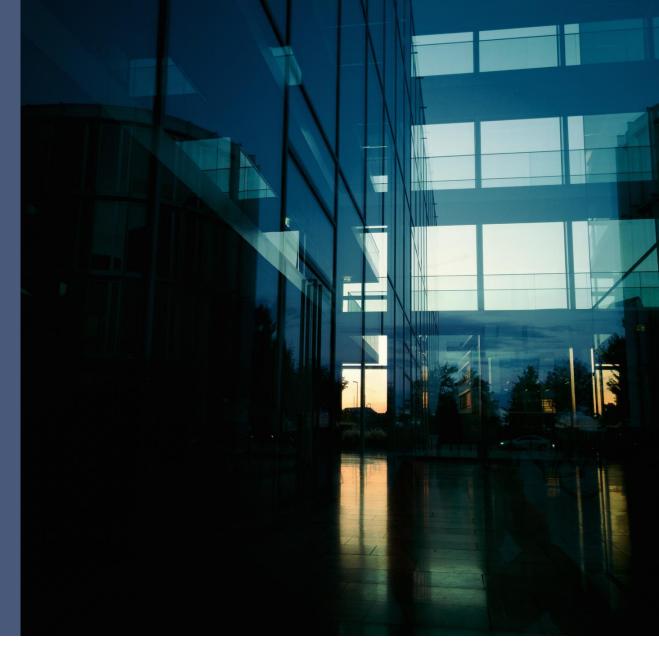


Appendix A

# **Audit Progress Report**

North West Leicestershire District Council – Year ended 31 March 2021

October 2021





## Status of the audit

The detailed scope of our work as your appointed auditor for 2020/21 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 on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

During the course of the audit we have had the full co-operation of management. The audit is again being carried out remotely. We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the co-operation and support provided.

## Significant audit risks

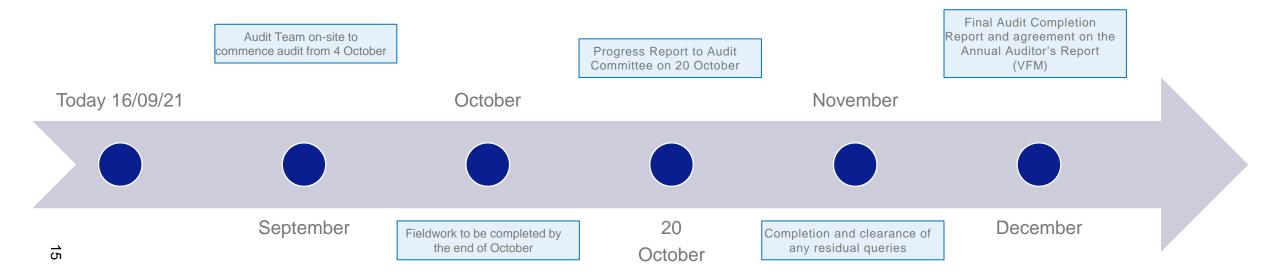
As part of our planning procedures, we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment 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, with a reminder of those significant risks set out in the table below.

	Significant audit risks: description	Fraud	Error	Judgement
1	Management override of controls	•	-	-
4	This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.			
	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 there is a risk of material misstatement due to fraud on all audits.			
2	Net defined benefit liability valuation	-	•	•
	The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.			
	Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.			
3	Valuation of land & buildings, council dwellings, investment properties (where material) and assets held for sale (where material)	-	•	•
	The Council's accounts contain material balances and disclosures relating to its holding of council dwellings and land & Buildings, with the majority required to be carried at valuation. The valuation of these assets is complex and is subject to a number of management assumptions and judgements.			
	Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.			
4	Covid-19 grant recognition	-	•	-
	Throughout 2020/21, the Government has provided substantial sums of financial support to local authorities. These grants are material and we have identified the completeness and accuracy of this income as an audit risk.			



## Status of the audit



## **Timeline**

Our audit is in line with our expected timeline as set out in the diagram above.

## 2020/21 New approach to assessing arrangements for Value for Money

In our Audit Strategy Memorandum, we explained the new approach to our assessment of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

We continue to review the Council's board papers and meet with management and review reports by regulators to inform our 2020/21 value for money risk assessment, this process is ongoing throughout the audit year. In addition.

Our evaluation is ongoing and to date, no significant weaknesses have been identified that need to be brought to the attention of Members.

## Delay in the 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'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts. We expect to issue the audit report but delay the issue of the Audit Certificate until the following procedures are complete:

- Value for Money We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021 and expect to report our findings in the 2020/21 Annual Auditors Report within 3 months of giving our audit opinion (Appendix A).
- Whole of Government Accounts The National Audit Office has not yet issued its Group Instructions for local authority audits.

We will update the Audit Committee when more information is known.



# Appendix A

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

**Dear Committee Members** 

#### Audit letter - Delay in issuing the Auditor's Annual Report

The 2020 Code of Audit Practice requires us to issue our Auditor's Annual Report, which includes our commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources (our VFM commentary) within 3 months of issuing our opinion on the financial statements, and before 30<sup>th</sup> September. Where this is not possible, we are required to write to you setting out the reasons for the delay in an 'audit letter'. For the purposes of compliance with the Code of Audit Practice, this letter constitutes the 'audit letter'.

As a result of the ongoing pandemic, the National Audit Office updated its guidance to auditors in April 2021 to allow auditors to delay the completion of their work on VFM arrangements. The revised guidance requires auditors to complete their work and issue their Auditor's Annual Report no more than three months after the date of the opinion on the financial statements.

In the Wational Audit Office guidance, we have not yet issued our Auditor's Annual Report including our VFM commentary. We expect to publish the Auditor's Annual Report in December 2021.

Yours sincerely

Mark Surridge

For and on behalf of Mazars LLP

Mark Sundge



# Mark Surridge, Key Audit Partner

mark.surridge@mazars.co.uk

## Mazars

2 Chamberlain Square Birmingham B3 3AX



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\*where permitted under applicable country laws.

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.

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## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

# AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20 OCTOBER 2021



Title of Report	INTERNAL AUDIT PROGRESS RE	INTERNAL AUDIT PROGRESS REPORT				
Presented by	Kerry Beavis Audit Manager					
Background Papers	Public Sector Internal Audit Standards Public Internal Audit Plan 2021/22	Report: Yes				
Purpose of Report	To inform the Committee of progress against the Internal Audit plan for 2021/22 and to highlight any incidences of significant control failings or weaknesses that have been identified.					
Recommendations	THE AUDIT AND GOVERNANCE COMMITTEE NOTE THE REPORT.					

#### 1.0 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 2021/22 Audit Plan on 21 April 2021. The Committee receives quarterly progress reports.

## 2.0 PROGRESS REPORT

2.1 The Internal Audit Progress Report for the period 01 July 2021 to 30 September 2021 (Q2) is attached at Appendix 1.

Policies and other considerations, as appropriate					
Council Priorities:	An effective internal audit service supports all council priorities.				
Safeguarding:	The report includes progress against the recommendations made during the 2020/21 Safeguarding Audit.				
Risks:	There are no specific risks associated with this report however if the Audit and Governance Committee did not receive periodic reports from Internal Audit, there would be a risk of not conforming with the Public Sector Internal Audit Standards.				
Officer Contact	Kerry Beavis Audit Manager kerry.beavis@nwleicestershire.gov.uk				







# INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council
Internal Audit Progress Report 2021/22 Q2

#### 1. Introduction

1.1. Internal Audit is provided through a shared service arrangement led by North West Leicestershire District Council and delivered to Blaby DC and Charnwood BC. 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 2021/22 Internal Audit Plan up to 30<sup>th</sup> September 2021.

## 2. Internal Audit Plan Update

- 2.1. The 2021/22 audit plan is included at Appendix A for information and shows the audits in progress. Since the last update report two final reports have been issued from the 2021/22 audit plan.
  - Leisure Recovery Support Substantial Assurance
  - High Value Grant Claims Arrangements Reasonable Assurance

The executive summaries for both reports are included at Appendix B.

- 2.2. The audits due to take place in Q3 are:
  - Estates Compliance Arrangements
  - Green Homes Grant Phase 1b Grant Certification
  - Grounds Maintenance
  - Fire Safety and Management Housing (Q3/4)

## 3. Internal Audit Recommendations

- 3.1. Internal Audit monitor and follow up all critical, high and medium priority recommendations. There are two overdue Internal Audit recommendations which are included in Appendix C for information.
- 3.2. Both CLT and Audit and Governance Committee were keen to track the progress of recommendations made following the Safeguarding Audit and Health and Safety – Covid-19 (final reports issued February and March 2021 respectively). Appendix D shows the progress to date against the Safeguarding and Health and Safety – Covid-19 recommendations.

#### 4. Internal Audit Performance Indicators

4.1. Progress against the agreed Internal Audit performance targets is documented in Appendix E. Work on the 21/22 audit plan is progressing in line with work scheduling.

#### 5. Internal Audit Charter

- 5.1. The Audit Manager has completed the annual review of the Charter, detailed in full in Appendix F. The following minor amendments have been made:
  - Reference to Seven Principles of Public Life added.
  - Section 13 changed from Consulting and Advisory work to Nature of Services, assurance definition added (13.1) and the purpose of our work explained (13.2).

 Paragraph 9.4 added to confirm our approach to carrying our work for organisations outside of the shared service.

## 6. Team Update

6.1. Lisa Marron, Audit Manager, has left the authority and Kerry Beavis has been successful in being appointed to take over. A recruitment exercise for the Senior Auditor post will commence shortly.

## Appendix A

## 2021/22 AUDIT PLAN AS AT 30th SEPTEMBER 2021

Audit Area	Туре	Planned	Actual	Status	Assurance	Recommendations				Comments
(Report No.)		Days	Days		Level	С	Н	М	L	
High value grant claim arrangements	Audit	8	16	Final	Reasonable	-	5	1	-	Planned days exceeded due to number of grants in scope and time taken to complete detailed testing on RHI.
Leisure Recovery Support	Audit	6	6	Final report issued	Substantial	-	-	-	-	
Risk Management	Audit	7	4	In progress						
Estates Compliance Arrangements	Audit	8	0.5	Engagement planning						
Green Homes Grant Phase 1b Certification	Certification	5	-	Scheduled Q2						
CCTV	Audit	6	-	Put back to Q4						Put back to Q4 from Q3 at the request of the service.
Grounds Maintenance	Audit	8	0.5	Engagement planning						
Fire Safety and Management - Housing	Audit	8	-	Scheduled Q3/Q4						
Key Housing Systems	Audit	12	-	Scheduled Q4						
Housing Rents	Audit	8	ı	Scheduled Q4						
Building Control	Joint Audit	8	ı	Scheduled Q4						
Project Management	Audit	8	•	Scheduled Q4						
Covid-19 Related Assurance	Assurance	20	7	As required						Work on Compliance and Enforcement Grant and Business Grants.
New finance system advisory	Advisory	10	1	Monthly						

## **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 or potential opportunities for management to improve the operational efficiency and/ or effectiveness of the system.

## **LEISURE RECOVERY SUPPORT**

# A sound symanagement are controls open consistently achievement of o

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.

## **Key Findings**

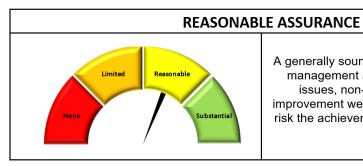
Areas of positive assurance identified during the audit:

- Financial information provided by Everyone Active is reviewed and challenged where appropriate.
- Support payments made to Everyone Active are in line with those agreed by Cabinet.
- Financial information has been accurately reported to Cabinet.
- Terms and conditions of the Sport England Grant are adhered to.

No recommendations for improvement were made.

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## **HIGH VALUE GRANT CLAIMS**



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.

## 1.1 Background

Following the failings in relation to not claiming Renewable Heat Incentives (RHI) Grants and the lost income as a result (reported to Audit and Governance Committee in January 2021 and April 2021), it was requested that an audit was included in the 2021/22 Audit Plan to provide assurance that processes were in place to prevent similar occurrences happening in future for this and other high value grant schemes.

The figure reported to Audit and Governance Committee (April 2021) of a further four claims which could be submitted was correct at this time as it related to those that were originally deemed to be out of time. It should be noted that the work programme has continued as planned and difficulties accessing properties to carry out installations have been resolved resulting in more eligible installations, and therefore the figures referenced in this audit report are additional.

The RHI scheme allowed applications for RHI grants to be made within 12 months of the installation of an appliance and was originally due to close on 31<sup>st</sup> March 2021. However, the scheme was updated in April 2021 with closure of the scheme being extended to 31<sup>st</sup> March 2022. The update also brought about a relaxation of restrictions with applications no longer being required to be submitted within 12 months of installation of an appliance, applicable to post 1<sup>st</sup> April 2019 installations only.

Whilst this extended opportunity to claim RHI grant has been in place since April 2021 there has been lack of clarity between regulations and the updated OFGEM guidance and confusion as to whether the scheme had closed on 31<sup>st</sup> March 2021.

Internal Audit have contacted OFGEM who have confirmed that RHI applications can be submitted for installations which have taken place from 1<sup>st</sup> April 2019, closure of the scheme now being 31<sup>st</sup> March 2022. This is good news for the Council as this results in additional income for installations within this time period.

The following grants were reviewed during this audit:

Name	Estimated Value
Renewable Heat Incentive (RHI)	£3 million over life of scheme (7 years)
RTB 1-4-1	£650k in 2021/22
Reopen High Streets Safely / Welcome	£180k
Back Fund	
Office for Low Emission Vehicles Grant	£45k
DEFRA Property Flood Resilience Funding	£106k (Max £5k per household 30 grants)
Scheme	
Flood Related Council Tax Discount	£27k (27 grants)
MHCLG Flooding Scheme	£16k (Max £500 per household 32 grants)

## **Key Findings**

Arrangements for high value grant claims that were considered as part of this audit were found to be satisfactory with the following areas of positive assurance:

- Grant claims have been made in line with terms and conditions.
- Risks associated with grant reclaims/clawbacks are being managed effectively.

However areas for improvement were identified for the administration of the RHI Grants:

- Fully documented procedures and designation of roles and responsibilities.
- Comprehensive record of all eligible properties with their RHI claim status.
- Submission of applications for any outstanding and future installations and notification to Ofgem of sold properties.

The audit has not identified any further instances where income has been lost due to grant claims not having been submitted in time.

Five high and one medium priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. Procedures should be drawn up to cover the administration of the RHI Grant application process. This should include annual renewals, and notification to Ofgem when properties are sold under the RTB Scheme (see recommendation 6). If it is established that RHI grant is also payable for those installations under the Green Homes Grant Scheme then either the procedures should be updated or new procedures drawn up.	High	New procedures have been developed and implemented. These are currently in place and working effectively.	Housing Assets Team Manager	Complete (August 2021)
2. Those officers responsible for the process should be agreed. The officers should receive formal notification outlining their area of responsibility in the process.	High	Processes have been clearly defined by all officers including annual RHI claims and also support from other officers when annual leave or staff are unavailable in the Asset Management Team.  We have also now reviewed the administration logins with Ofgem and have updated the login details to reflect officers who are responsible for the data uploads.	Housing Assets Team Manager	Complete (August 2021)
3. There should be a comprehensive record which shows the status of the RHI grant application, date of installation and application, reference number etc. This should be sufficient to confirm that applications have been submitted, grants are being received, and renewals made and sold properties have been notified to Ofgem.	High	A live tracker has been established which clearly shows all RHI applications that are due following installations of ASHPs.	Housing Assets Team Manager	September 2021 Partially implemented at time of issuing this report.

		All sold properties are also logged as soon as we are aware. TP1 form is submitted as a sold property is confirmed.		
4. There should be monthly monitoring of the status of RHI applications for outstanding and new installations to ensure that the 31st March 2022 deadline is met for all eligible properties.	High	Through the tracker there is weekly monitoring, and a monthly report is be produced by the Housing Assets Team Manager to the Head of Housing.	Housing Assets Team Manager	August 2021 and ongoing. In progress.
5. For those properties identified where RHI applications can be submitted these should be processed as soon as possible.	High	All properties that can be claimed for have been fully audited and assessed against the Ofgem guidelines. This includes all properties where works have been completed and or registered after the 1st March 2019. The Housing Assets Team Manger has also reviewed previous claims and ensured that all claims have been made.	Housing Assets Team Manager	August 2021 and ongoing. In progress.
6. Ofgem should be notified of the two properties which have been sold under the RTB scheme so that any monies can be returned/transferred as required.	Medium	All SOLD properties are regularly checked and confirmed against the ASHP RHI tracker with Ofgem.	Housing Assets Team Manager	August 2021 and ongoing for any new RTB properties. Complete for the two RTB properties

				identified during this audit.
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## Appendix C

## RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 30<sup>th</sup> SEPTEMBER 2021

Rep	ort	Rec	ommendation	Rating	Officer Responsible	Target Date	Internal Audit Comments
2020	0/21 Audits						
3	Safeguarding	8	The Recruitment Policy should be updated and include safer recruitment processes which should be undertaken when recruiting to posts that have contact with vulnerable groups.	High	Head of HR and Organisational Development	Jun-21	IA follow up in September has found this hasn't yet been redrafted as advised this will follow on from the update of the DBS Policy.
10	Sundry Debtors	3	It should be confirmed whether there has been formal agreement by Corporate Leadership Team to commence recovery of sundry debts which relate to prior years.	High	Finance Team Manager	31-Jul-21	The Finance Team Manager has advised that progress against this recommendation is currently on hold until they have filled the vacant position whose task this would be.

# Appendix D

## **Safeguarding Audit 2020/21 Recommendations Progress**

Recommendation	Priority	Response/Agreed	Officer Responsible	Implementation
		Action		Date with IA update
1 - Where departments have safeguarding responsibilities officers should ensure that these are relevantly recorded within	Medium	This will be addressed at the next meeting of the Risk	Strategic Director of Housing & Customer	Agenda item for next Risk Scrutiny Group
their business risk assessment.		Group (March 21). Comms to Risk Owners will be sent following meeting.  The risk is addressed at a corporate level on the corporate wide Risk Register.	Services (in his role as Chair of Risk Scrutiny Group)	meeting 21st March 2021  Update – discussed at 21st March RSG and team plans to be updated with a template risk but service specific
2 – The record of training for DSO's who have attended the two day external training and the DSO Induction Course should be updated.  It would also be advisable to record any future additional training attended by DSO's as this may be required by Human Resources.	Medium	Agreed – individuals responsible for recording their own training on ITrent as advised by HR. Community Safety will have a record of when DSO induction training has taken place.	Community Safety Officer & DSO	mitigations.  Target date April-21 –  IA follow up in May confirmed this has been implemented.
3 - With the current COVID situation and the intention for more agile working consideration should be given to introducing new ways of making staff aware of the safeguarding process and the Designated Safeguarding Officers.	Low	Agreed	Community Safety Officer & DSO	March 2021 and quarterly thereafter – IA do not formally follow up low priority recommendations.
4 - The capacity issues raised by the Head of Community Services should be reported formally to the Corporate Leadership Team. This should include the level of resource required for the service, allowing DSO's within services allocated time to	High	Agreed – report presented to Corporate Leadership Team – 27th January 2021	Head of Community Services in conjunction with the Community Safety Officer and DSO	Already implemented by time final audit report issued.

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perform this role, and identifying any opportunities for staff who are unable to perform their current roles as a result of the pandemic to be trained as DSO's.  Additionally consideration should be given to having safeguarding champions within specific services across the authority to be able to promote safeguarding, offer safeguardin advice and support within their areas, highlight any specific issues that the service is having and reduce the pressure on DSO's.				
5 - A Modern Slavery Statement should be produced annually and published on the Council website within six months of the councils year end. Government guidance should be followed when preparing this document. This guidance can be found at: <a href="https://www.gov.uk/guidance/publish-an-annual-modern-slavery-statement">https://www.gov.uk/guidance/publish-an-annual-modern-slavery-statement</a>	High	Agreed	Head of Finance (S151 Officer)	By September 2021
6 - The DBS Policy and procedure document should be update and approved. The current document should be shown as out date (if this is possible) and to contact HR for guidance until the new policy is available.  The updated policy and procedure should provide clear guidance and advice relating to DBS checks. This should cove the posts which are required to have DBS checks, obtaining of DBS checks, subscribing to the update service and who is responsible for carrying out the annual checking via the update service. The guidance should also refer to requirements when employing agency workers.	of e r	Agreed	Head of HR and Organisational Development	Target date - June 2021  IA follow up in July confirmed this has been implemented.
7 - All posts which are required to have a DBS check should be identified and recorded on ITrent. Details relating to the DBS check, date of check, reference number and confirmation that the annual recheck has been done should also be recorded on ITrent. Responsibility for ensuring that DBS checks are carried out on an annual basis should be documented and circulated.		Agreed that check information to be recorded on ITrent etc. There is no requirement by the DBS for annual checks to be carried out. If people don't subscribe to the update service a new check would be required. Good	Head of HR and Organisational Development	Target date - June 2021  Follow up in September confirmed this has been implemented.

		practice suggests new checks done every 2-3 years, not annually.		
8 - The Recruitment Policy should be updated and include safer recruitment processes which should be undertaken when recruiting to posts that have contact with vulnerable groups.	Medium	Agreed	Head of HR and Organisational Development	Target date - June 2021  IA follow up in September has found this hasn't yet been redrafted as advised this will follow on from the update of the DBS Policy.
9 - The Safer Recruitment e-learning module should be added to Learning Pool. The availability of this training should be communicated to all relevant staff.	High	Agreed	Senior HR Advisor	Already implemented by time final audit report issued.

## **Health and Safety – Covid-19 Audit 2020/21 Recommendations Progress**

Recommendation	Priority	Response/Agreed Acti on	Officer Responsible	Implementation Date
There should be a comprehensive record of all statutory Health and Safety inspections / checks that are required by the Council. This record should cover all services and be monitored and reported against on a regular basis to ensure checks have taken place as required.	High	Agreed	Head of Human Resources and Organisational Development in conjunction with the Head of Customer Services, Corporate Property and Assets in his role as Chair of the Statutory Duty Group.	Target date - June 2021  This is being progressed with improvement areas being identified and resolved. Internal Audit will review the records as part of the Estates Compliance

				Arrangements Audit in Q3.
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## Appendix E

## 2021/22 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 30.09.21	Comments
Achievement of the Internal Audit Plan	18%	Another audit (Risk Management) well underway and two due to start.
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	
Annual Opinion Report - July 2021 Audit and Standards Committee Meeting	Achieved	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on 13 returns for 19/20 and 3 for 20/21.
Compliance with Public Sector Internal Audit Standards	Conforms	External inspection carried out w/c 30 <sup>th</sup> November 2020 which confirmed that we conform with the Public Sector Internal Audit Standards.







## INTERNAL AUDIT CHARTER

#### **North West Leicestershire District Council**

#### **Version Control**

Author	Date	Action
Lisa Marron	May 2020	Aligned Charter for all
Audit Manager		authorities.
Lisa Marron	September 2021	Reference to Seven
Audit Manager		Principles of Public Life
		added.
		Section 13 changed from
		Consulting and Advisory
		work to Nature of Services,
		assurance definition added
		(13.1) and the purpose of
		our work explained (13.2).
		9.4 added to confirm
		approach to work for
		organisations outside of the
		shared service.

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#### 1 Introduction

- 1.1 The Accounts and Audit Regulations 2015 place a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance.
- 1.2 The Public Sector Internal Audit Standards (PSIAS), Attribute Standard 1000, require that the purpose, authority and responsibility of the internal audit activity are formally defined in an internal audit charter (hereafter referred to as the Charter), consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The chief audit executive is required to periodically review the Charter and present it to senior management and the 'board' for approval. Final approval of the Charter resides with the 'board'.
- 1.3 The Charter establishes the Internal Audit activity's position within the Council, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

#### 2 Definitions

#### 2.1 In line with the PSIAS:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

2.2 For the purpose of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

At this Council this shall mean the Audit and Governance Committee.

Senior Management – those responsible for leadership and direction of the Council. At this Council this shall mean the Corporate Leadership Team.

Chief Audit Executive –the person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the PSIAS. The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications. At this Council the Chief Audit Executive is the (Shared Service) Audit Manager.

#### 3 Mission and Purpose of Internal Audit

3.1 In line with the PSIAS the mission of Internal Audit is:

"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."

3.2 The purpose of Internal Audit is to review, appraise and report on the adequacy of risk management, control and governance processes across the Council.

#### 4 Professionalism

- 4.1 The Internal Audit activity will govern itself by adherence to the PSIAS. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.
- 4.2 The service, and individual staff, will be governed by the Code of Ethics of the relevant professional bodies of which they are a member in addition to the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics from the International Professional Practices Framework. The Core Principles are:
  - 1. Demonstrates integrity.
  - 2. Demonstrates competence and due professional care.
  - 3. Is objective and free from undue influence (independent).
  - 4. Aligns with the strategies, objectives and risks of the organisation.
  - 5. Is appropriately positioned and adequately resourced.
  - 6. Demonstrates quality and continuous improvement.
  - 7. Communicates effectively.
  - 8. Provides risk-based assurance.
  - 9. Is insightful, proactive, and future-focused.
  - 10. Promotes organisational improvement.
- 4.3 Internal Auditors who work in the public sector must also have regard to the Committee on Standards in Public Life's Seven Principles of Public Life, information on which can be found at <a href="https://www.public-standards.gov.uk">www.public-standards.gov.uk</a>.

#### 5 Scope of Internal Audit

- 5.1 There are no restrictions placed upon the scope of Internal Audit's work. Internal Audit work will usually include, but is not restricted to:
  - reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
  - evaluating and appraising the risk associated with areas under review and making proposals for improving the management of risks;
  - appraising the effectiveness and reliability of the risk management framework and recommending improvements where necessary;
  - assisting management and members to identify risks and controls with regard to the objectives of the Council and its services;

- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations and programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned; and
- reviewing the operations of the Council in support of the Council's Anti-Fraud and Corruption policy.

#### 6 Authority of Internal Audit

- 6.1 Internal Audit derives its authority from the Accounts and Audit Regulations 2015, this Charter and the Council's Constitution. Internal Audit staff have the authority to:
  - enter any Council owned or occupied premises or land at all reasonable times (subject to any legal restrictions outside the Council's control);
  - have access at all times to the Council's records, documents and correspondence;
  - require and receive such explanations from any employee or member of the Council as he or she deems necessary concerning any matter under examination; and
  - require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.
- 6.2 The Audit Manager shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.
- 6.3 All employees and members are requested to assist the Internal Audit activity in fulfilling its roles and responsibilities.

#### 7 Responsibility of Internal Audit

- 7.1 The Chief Audit Executive will be responsible for maintaining an adequate and effective internal audit function. The Internal Audit function will operate in accordance with the Public Sector Internal Audit Standards.
- 7.2 Internal Audit will have the responsibility to review, appraise and report as necessary on:

- the adequacy and effectiveness and application of internal controls, governance and risk management processes and systems;
- the extent of compliance with financial regulations and standing orders and approved policies and procedures of the Council plus the extent of compliance with external laws and regulation; and
- the extent to which the Council's assets and interest are accounted for and safeguarded from losses of all kinds arising from waste, inefficient administration, poor value for money, fraud or other cause.

#### 8 Reporting Lines

- 8.1 Day to day management of the Internal Audit team will be performed by the Chief Audit Executive. The Chief Audit Executive reports to the Board for organisational purposes but will report significant audit findings and audit progress directly to the Section 151 Officer. The Chief Audit Executive will keep the Section 151 Officer and the Board informed of progress and developments on a regular basis.
- 8.2 The Internal Audit team is employed by North West Leicestershire District Council and sits within the Legal and Commercial Services Team reporting to the Head of Legal and Commercial Services.
- 8.3 The Chief Audit Executive has free and unfettered access to the Chief Executive, Section 151 Officer, Monitoring Officer and Chair of the Audit Committee. The Chief Audit Executive will communicate and interact directly with the Board, including in and between Board meetings as appropriate.

#### 9 Independence and Objectivity

- 9.1 Internal Auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice. Internal Auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that Internal Auditors do not subordinate their judgement on audit matters to others.
- 9.2 To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the Internal Audit activity:
  - retains no executive or operational responsibilities;
  - operates in a framework that allows unrestricted access to senior management and the Board;
  - reports in their own name;
  - rotates responsibilities for audit assignments (where possible) within the Internal Audit team;

- completes individual declarations confirming compliance with rules on independence and conflicts of interest; and
- has a planning process which recognises and addresses potential conflicts of interest through Internal Audit staff not undertaking an audit for at least two years in areas where they have had previous operational roles.
- 9.3 If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to senior management and the Board. The nature of the disclosure will depend upon the impairment.
- 9.4 There may be times when Internal Audit are asked to provide audit services for other organisations outside of the shared service. The nature of this work will be formally set out and agreed in advance and, in line with the shared service inter-authority agreement, all partners will be consulted to ensure there are no conflicts of interest or objections to the work.

#### 10 Accountability

- 10.1 The Chief Audit Executive shall be accountable to the Board and the S151 Officer for:
  - providing, at least annually, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
  - reporting significant issues related to the processes for controlling the activities of the Council and its affiliates, including recommendations and status of implementation of improvements;
  - periodically providing information on the status and results of the annual audit plan and the sufficiency of the Internal Audit's function's resources; and
  - co-ordination with other significant assurance functions.

#### 11 Internal Audit Resources

- 11.1 The Chief Audit Executive will be professionally qualified (CIMA, CCAB or equivalent) and have wide Internal Audit and management experience, reflecting the responsibilities that arise from the need to liaise with Members, senior management and other professionals, both internally and externally.
- 11.2 The Head of Finance (Section 151 Officer) will provide the Chief Audit Executive with the appropriate resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the Internal Audit opinion.
- 11.3 The Chief Audit Executive will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit plan.

11.4 The annual plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Audit Executive can propose an increase in audit resource or reduction in the coverage if insufficient resources are available.

#### 12 Management Responsibilities

- 12.1 An Internal Audit service can only be effective if it receives the full co-operation of management. By approving this Internal Audit Charter the Board and Senior Management are mandating management to co-operate with Internal Audit in the delivery of the service by:
  - agreeing audit engagement plans no later than the agreed deadline, to include agreements on duration, scope, reporting and response;
  - sponsoring each audit at senior management level;
  - providing Internal Audit with full support and co-operation, including complete access to all records, data, property and personnel relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay;
  - responding to the draft internal report, including provision of management responses to recommendations, within the timescale requested by the audit team;
  - implementing agreed management actions in accordance with the agreed timescales; and
  - updating Internal Audit with progress made on management actions, informing Internal Audit of proposed changes and developments in processes and systems, newly identified significant risks and cases of a criminal nature.
- 12.2 Whilst the annual Internal Audit report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit will be agreed with the Board at the beginning of the year and presented in the annual Internal Audit plan (and subsequent agreed amendments). As such, the annual Internal Audit opinion does not replace responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities.

#### 13 Nature of Services

13.1 The Public Sector Internal Audit Standards define assurance as

"An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements."

- 13.2 In general the main purpose our work will be to provide assurance services to report to the shared service Councils and their Audit Committees. There may be times when our assurance is required by others for example it may be relied upon by partners of the shared service Councils or by Central Government for grant certification work. In all cases this will be clearly set out through engagement plans or grant declarations as appropriate.
- 13.3 The Public Sector Internal Audit Standards allow that Internal Audit may sometimes be more usefully focussed towards providing advice rather than assurance of core controls. Where appropriate, Internal Audit will act in a consultancy/advisory capacity by providing guidance and advice for strengthening the control environment, providing:
  - the objectives of the consulting/advisory engagement address governance, risk management and control processes to the extent agreed upon with the Council:
  - the scope of the consulting/advisory engagement has been clearly defined;
  - Internal Audit is considered to have the rights skills, experience and available resource;
  - management understand that the work being undertaken is not Internal Audit work; and
  - Internal Audit's involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and Internal Audit will not assume a management role in providing this advice.
- 13.4 When performing consultancy/advisory services, the auditor must maintain objectivity and not take on a management responsibility. The Chief Audit Executive is responsible for ensuring that all requests are reviewed in accordance with the above criteria and for making the final decision. The role which Internal Audit will assume on any particular advisory assignment will be agreed with the sponsor, will be documented within the assignment plan, and reported to the Board.

#### 14 Role of Internal Audit in Fraud-Related Work

- 14.1 The primary responsibility for maintaining sound systems of internal control including arrangements to prevent and detect fraud and corruption lies with senior management. An annual programme of internal audits is designed to assist this process by highlighting areas where controls are inadequate or are not operating.
- 14.2 All fraud investigations will be conducted in accordance with the Council's Constitution, Anti-Fraud and Corruption Policy and the Confidential Reporting (Whistleblowing) Policy.
- 14.3 All cases of suspected fraud and/or irregularity should also be reported to the Chief Audit Executive, with the exception of benefit fraud which should be reported to the Department of Work and Pensions. This is to ensure that appropriate action is taken and to enable the Chief Audit Executive to fully answer External Audit queries relating to the International Standard on Auditing (ISA) 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements".

#### 15 Relationships

15.1 The Chief Audit Executive and Internal Audit staff are involved in a wide range of relationships and the quality of those relationships impact on the quality of the audit function and the effective delivery of that function.

#### • Relationships with Management

The Chief Audit Executive and Internal Audit staff will maintain effective relationships with managers of the Council. Regular meetings will be held with key stakeholders and management will be consulted with during the audit planning process. Timing of audit engagements will be in conjunction with management.

#### Relationships with External Audit

Internal Audit have an established working relationship with the current external auditors which includes periodic meetings and plans and reports are shared.

#### • Relationships with Regulators and Inspectors

The Chief Audit Executive and Internal Audit staff will take account of the results and reports from any inspections when planning and undertaking Internal Audit work. Where appropriate the Chief Audit Executive will establish a dialogue with representatives of the appropriate inspection agencies.

#### • Relationships with Elected Members

The Chief Audit Executive will establish a working relationship with members, in particular members of the Audit and Governance Committee. The Chief Audit Executive has the opportunity to meet with the Chair of the Audit and Governance Committee if required.

#### 16 Quality Assurance

16.1 The Public Sector Internal Audit Standards require that the audit function is subject to a quality assurance and improvement programme that must include both internal and external assessments. The results are included in the Internal Audit Annual Report.

#### 16.2 Internal Assessments

All Internal Audit engagements are subjected to a thorough internal peer review of quality, to ensure that its work meets the standards expected from the Internal Audit staff. For example, the internal file quality reviews cover the following:

- the work is planned and undertaken in accordance with risks associated with areas under review;
- · sampling is undertaken in accordance with the agreed methodology; and
- the conclusions are fully supported by detailed work.
- 16.3 Internal Audit performance is also monitored in the following ways:
  - quarterly progress reports to the Board and senior management team;
  - customer satisfaction surveys following each audit;
  - monthly meetings with the Head of Finance (S151 Officer); and
  - monthly meetings with the Head of Legal and Commercial Services.

#### 16.4 External Assessments

An external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Executive will discuss options for the assessment with senior management including the S151 Officer and the Board.

#### 17 Records Retention

17.1 Audit engagement records will be retained for six years. This is in line with Local Government Association guidance.

#### 18 Review

18.1 The Internal Audit Charter will be reviewed annually by the Chief Audit Executive and presented to Senior Management and the Board for approval if any significant changes are identified.





#### AUDIT AND GOVERNANCE COMMITTEE - WEDNESDAY, 20 OCTOBER 2021

Title of Report	TREASURY MANAGEMENT ACTIVITY REPORT APRIL 2021 -SEPTEMBER 2021	
Presented by	Anna Wright Finance Team Manager and [	Deputy S151 Officer
Background Papers	Treasury Management Strategy Statement 2021/22  Council 23 February 2021	Public Report: Yes
Purpose of Report	To inform Members of the Council's Treasury Management activity undertaken during the period April 2021 to September 2021.	
Recommendations	THAT MEMBERS APPROVE AS APPROPRIATE.	THIS REPORT AND COMMENT

#### 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 2021/22 designed 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 23 February 2021.
- 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:** The economic recovery from the coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation. While the Monetary Policy Committee meeting ended with policy rates unchanged, the tone was more hawkish.

Government initiatives continued to support the economy over the quarter but came to an end on 30<sup>th</sup> September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3% and 6.3% respectively over the period. However, part of the robust growth figures is due to bases effect from a decline in average pay in the spring of last year associated with the furlough scheme.

Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices. The ONS' preferred measure of CPIH which includes owner-occupied housing was 3.0% year/year, marginally higher than expectations for 2.7%.

The easing of restrictions boosted activity in the second quarter of calendar year, helping push GDP up by 5.5% q/q (final estimate vs 4.8% q/q initial estimate). Household consumption was the largest contributor. Within the sector breakdown production contributed 1.0% q/q, construction 3.8% q/q and services 6.5% q/q, taking all of these close to their pre-pandemic levels.

The US economy grew by 6.3% in Q1 2021 (Jan-Mar) and then by an even stronger 6.6% in Q2 as the recovery continued. The Federal Reserve maintained its main interest rate at between 0% and 0.25% over the period but in its most recent meeting made suggestion that monetary policy may start to be tightened soon.

The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at 1.85 trillion.

**Financial markets:** Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period, albeit with a bumpy ride towards the end. The Dow Jones hit another record high while the UK-focused FTSE 250 index continued making gains over pre-pandemic levels. The more internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.

Inflation worries continued during the period. Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe, or more transitory, that was previously thought. However, an increase in gas prices in the UK and EU, supply shortages and a dearth of HGV and lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instance, leading to higher prices.

The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.33% by the end of June 2021 and then climbing to 0.64% on 30th September. Over the same period the 10-year gilt yield fell from 0.80% to 0.71% before rising to 1.02% and the 20-year yield declined from 1.31% to 1.21% and then increased to 1.36%.

The Sterling Overnight Rate (SONIA) averaged 0.05% over the quarter.

Credit review: Credit default swap spreads were flat over the most of period and are broadly in line with their pre-pandemic levels. In late September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but are now falling back. The gap in spreads between UK ringfenced and non-ringfenced entities continued to narrow, but Santander UK remained an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 53bps and Lloyds Banks Plc the lowest at 32bps. The other ringfenced banks were trading between 37-39bps and Nationwide Building Society was 39bps.

Over the period Fitch and Moody's upwardly revised to stable the outlook on a number of UK banks and building societies on our counterparty list, recognising their improved capital positions compared to last year and better economic growth prospects in the UK.

Fitch also revised the outlooks for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable from negative. The rating agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.

The successful vaccine rollout programme is credit positive for the financial services sector in general and the improved economic outlook has meant some institutions have been able to reduce provisions for bad loans. While there is still uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is in a generally better position now compared to earlier this year and 2020.

At the end of the period Arlingclose had completed its full review of its credit advice on unsecured deposits. The outcome of this review included the addition of NatWest Markets plc to the counterparty list together with the removal of the suspension of Handelsbanken plc. In addition, the maximum duration for all recommended counterparties was extended to 100 days.

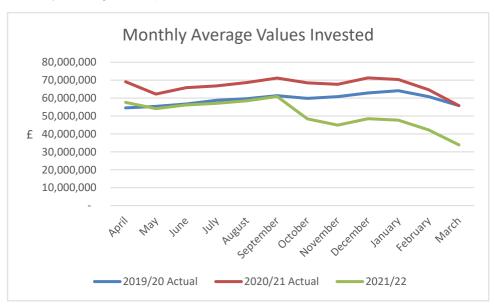
As ever, the institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review.

#### 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 01/04/21 £m	Net Movement £m	Balance at 30/09/2021 £m
Long term borrowing - HRA	70.52	-0.58	69.94
Long term borrowing – General Fund	8.44	0.00	8.44
Other long-term liabilities - HBBC	0.08	0.00	0.08
Total Borrowing	79.04	-0.58	78.46
Long term investments – greater than 1 year	0.00	0.00	0.00
Short term investments – less than 1 year	38.78	-2.93	35.85
Pooled funds and Money Market Funds	11.50	6.50	18.00
Total Investments	50.28	3.57	53.85
Net debt	28.76	-4.15	24.61

- 3.2 In the period April 2021 to September 2021, the capacity for investment has increased by £3.57m. 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. This was further impacted by COVID due to difficulty in sourcing resource and materials.
  - There was also some influence on the timing difference between receipt of grants and expenditure.
- 3.3 The average value of investments per month are represented in the graph below, illustrating the cash flow trends throughout the year. The current pattern up to September 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 2021/22 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 2021/22 shows that the council may need to borrow short term in March 2022, this will be monitored closely up until the period. Borrowing may also be required later in 2022/23 should the council wish to maintain its MIFID status which requires an investment balance of £10m at any one time.
- 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 four PWLB loan repayments due this year. The first two are annuity loans that require part of the principal to be paid each year. The first payment totalling £0.59m was made on 28 September and the second of the same amount will be made in March 2022. The remaining two loans, totalling £13m, relate to the repayment of two maturity loans that will be paid in March 2022. All these loans were taken out in 2012 as part of the self-financing of the Housing Revenue Account.
- **4.5** During the reporting period of April 2021 to September 2021, the council's cash flow remained positive and therefore no temporary loans were required.

#### 5.0 DEBT RESCHEDULING ACTIVITY

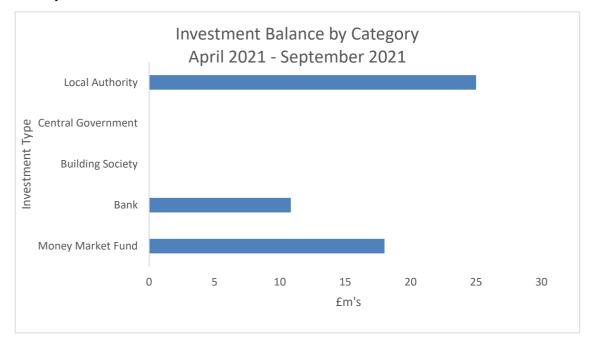
- 5.1 The council's Debt Rescheduling Strategy 2021/22 establishes a flexible approach where the rationale for rescheduling could be one or more of the following:
  - Savings in interest costs with minimal risk.
  - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
  - Amending the profile of maturing debt to reduce any inherent refinancing risks.
- No opportunities for debt rescheduling were identified that 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. Two of the PWLB loans will be repaid this financial year as outlined in section 4.4.

#### 6.0 INVESTMENT ACTIVITY

- **6.1** The main objective of the council's Investment Policy and Strategy 2021/22 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.
- During the period April 2021 to September 2021 the deposit rates on the Debt Management Account Deposit Facility (DMADF) have remained stable at 0.01%.
- The return on Money Market Funds net of fees remained very low between 0.00% and 0.02%. In many instances, the fund management companies have temporarily lowered or

waived fees to maintain a positive net return.

- 6.5 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 9 months have been utilised to ensure that the principles of security, liquidity and yield are followed.
- 6.6 The graph below shows the type of counterparties used by the council and the values currently invested.



- 6.7 The counterparties that the council currently use all meet the criteria set out in the Treasury Management Strategy Statement 2021/22 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**.
- 6.8 The average rate of return on the council's investment balances during the period was 0.05%, for comparison purposes, the benchmark return at the end of September 2021 for the average 7 day London Interbank Offered Rate (LIBOR) was 0.04%. This rating system will be being phased out at the end of the year and replaced with the 7-day Sterling Over Night Rate (SONIA), which was at 0.05%.
- 6.9 The council's Treasury Management Advisors produce investment-benchmarking information quarterly. The latest available benchmarking data is at the 30 June 2021. The total rate of return achieved by the council takes into account the full year effect to date and is compared to 46 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 0.06% is significantly lower than the 0.12% achieved by 46 district councils and 0.11% achieved by the average of 128 local councils. This is in part due to a number of higher yield investments maturing and being reinvested at a lower rate due to the current investment environment. The full benchmarking summary can be seen in **Appendix B**.
- 6.10 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, until at least 2022.
- 6.11 There were 39 investments made during the period April 2021 to September 2021 totalling £137.5m and 31 maturities totalling £136m. The average balance held for the period was

- £57.382.219.
- 6.12 The fixed term investments for the period were for amounts ranging between £1m and £5m.
- 6.13 The budget for investment income for 2021/2022 for General Fund and Housing Revenue Account is £14,000. Investment activity from April to September 2021 has generated £15,500 in interest for the financial year. The current outturn forecast is estimated to be £19,742.
- 6.14 Of this total forecast, an element is applied to balances held on external income. This external income largely represents balances from \$106 contributions that have not yet been spent. The estimated amount forecast to be applied is approximately £1,700 subject to the balances remaining at the end of the financial year. There is no budget applied to this element as \$106 contributions are only achieved when specific conditions are met and are anticipated to be spent.
- 6.15 Estimated interest for the year of £19,774 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 2021/22	Projected
General Fund	£8,905.95	£9,682.61
Housing Revenue Account	£5,129.90	£5,577.61
Sub-Total	£14,035.85	£15,260.22
External Balances		£4,482.20
Total	£14,035.85	£19,742.41

6.16 There was a breach of the Treasury Management Strategy Statement (TMSS) on 20 July 2021. A local authority failed to pay back our investment on the agreed date despite every effort made to remind them. This caused our bank account to be £4.7m overdrawn for one day. The Local Authority in question was charged our bank overdraft charges and one day interest.

#### 7.0 Treasury Advisor's Commentary – Arlingclose Ltd

- 7.1 NWLDC is currently taking a relatively low credit and liquidity risk approach to its investment strategy by investing mainly in Money Market Funds (MMFs), local authorities and the UK central government for short terms (up to 12 months). These options avoid the direct bail-in risk associated with bank deposits (although indirect exposure is held via the MMFs, this is highly diversified).
- 7.2 The council's focus is on security and liquidity and this approach combined with the current interest rate environment means investment returns are at low levels. Given these low returns, the council's level of real return (i.e. adjusting for inflation) is negative. The latest client investment benchmarking exercise that NWLDC took part in (June 2021) showed the council's credit risk (as measured by credit ratings) and return in line with the average for other local authorities on internally managed investments.
- 7.3 Other investment options that may 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).
- **7.4** 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).

7.5 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.

#### 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 2021 to September 2021. 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 September 2021, 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, there has been one breach as outlined in section 6.16 of this report. Outside of that it can be confirmed that the Treasury Management Strategy Statement and Treasury Management practices have been complied with.

Appendix A

LIST OF COUNTERPARTIES, CURRENT INVESTMENT AND RATE

Counterparty	Length	Amount	Rate
Goldman Sachs MMF	Overnight	2,000,000.00	0.00%
GOIGITIATI SACTIS IVIIVIF	Overnight	2,000,000.00	0.00%
Blackrock MMF	Overnight	2,500,000.00	0.01%
Aberdeen Asset Management MMF	Overnight	4,500,000.00	0.01%
Federated Investors MMF	Overnight	3,000,000.00	0.01%
CCLA MMF	Overnight	6,000,000.00	0.02%
Lloyds Main	Overnight	4,835,275.89	0.00%
Lloyds Notice Account	32 days	2,000,000.00	0.03%
Santander Notice Account	35 days	2,000,000.00	0.15%
Lloyds Market Call Account	Overnight	2,000,000.00	0.01%
Isle of Wight	277 days	5,000,000.00	0.09%
Guilford Borough Council	276 days	5,000,000.00	0.09%
Surrey County Council	183 days	5,000,000.00	0.06%
Monmouthshire County Council -			
Caldicot	183 days	5,000,000.00	0.08%
Surrey Heath Borough Council	184 days	4,000,000.00	0.03%
Hinckley & Bosworth BC	7 days	1,000,000.00	0.40%
Total		53,835,275.89	

#### Appendix B

#### Investment benchmarking 30th June 2021



#### **Investment Benchmarking** 30 June 2021

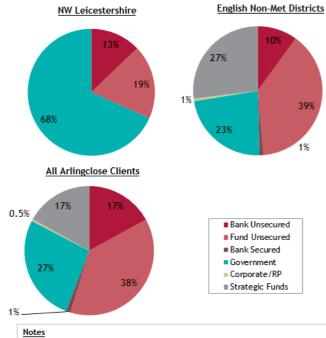
Cash Plus & Short Bond Funds £0.0m £1.6m £2.7	TOTAL INVESTMENTS	£55.6m	£49.2m	£98.0m
	Strategic Pooled Funds	£0.0m	£13.4m	£11.9m
internat investments £55.0m £54.2m £65.4	Cash Plus & Short Bond Funds	£0.0m	£1.6m	£2.7m
Internal Investments 555 6m 524 2m 592 4	Internal Investments	£55.6m	£34.2m	£83.4m

c			
Security			
Average Credit Score	4.61	4.60	4.64
Average Credit Rating	A÷	A+	A+
Average Credit Score (time-weighted)	4.47	4.61	4.51
Average Credit Rating (time-weighted)	AA-	A+	A+
Number of Counterparties / Funds	14	12	13
Proportion Exposed to Bail-in	32%	68%	67%
Liquidity			
Droportion Available within 7 days	229	E19	569

Proportion Available within 7 days	32%	51%	56%
Proportion Available within 100 days	64%	61%	71%
Average Days to Maturity	80	41	12

Market Risks			
Average Days to Next Rate Reset	89	166	50
Strategic Fund Volatility	-	2.9%	3.8%

Yield			
Internal Investment Return	0.06%	0.12%	0.11%
Cash Plus Funds - Income Return	-	0.41%	0.37%
Strategic Funds - Income Return	-	4.21%	4.28%
Total Investments - Income Return	0.06%	1.22%	0.82%
Cash Plus Funds - Capital Gain/Loss	-	0.35%	0.40%
Strategic Funds - Capital Gain/Loss	-	7.47%	7.28%
Total Investments - Total Return	0.06%	3.32%	2.13%



- 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.
- $\bullet$  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 2021/22 Council 23 February 2021	
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	



#### NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL



### AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20 OCTOBER 2021

Title of Report	STANDARDS AND ETHICS	G - QUARTER 2 REPORT							
Presented by	Elizabeth Warhurst Head of Legal and Commer Officer	cial Services and Monitoring							
Background Papers	None	Public Report: Yes							
Purpose of Report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 2 of 2021/2022								
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 2 Report include updates on the progress of ongoing cases as requested by members at the Q4 20/21 meeting.

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	Customer have the opportunity to report on
Engagement:	measures that 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



# Standards and Ethics Quarter 2 Report 2021-2022



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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 2021/22.

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 1 complaint in Quarter 2 of 2021/22.

1 complaint received in Quarter 2 was unable to be progressed as one part of the complaint did not meet the initial tests and the second part of the complaint did not amount to a breach of the Code of Conduct.

#### 2.1 Assessment Sub-committee Decisions

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

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

0 complaints have been resolved informally in Quarter 2.

#### 2.2 Timeliness of Decision

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

#### 3.3 Review Requests

There have been 0 review requests in Quarter 2. Review requests can only be made following a decision of 'No further Action' by the Assessment Subcommittee 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:



## **Ethical Indicators**

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



## Freedom of Information Requests

		Q1			Q2			Q3			Q4	
	19/20	20/21	21/22	19/20	20/21	21/22	18/19	19/20	20/21	18/19	19/20	20/21
Total Number (FOIs)	84	55	102	100	93	107	69	79	152	109	79	94
% answered on time	99%	72.2%	81.9%	95.8%	84.1%	71.9%	100%	99%	75%	91%	95.8%	86%
Average per month	28	18	34	33	31	36	23	26	51	36	26	31
Average response time (days)	11	15	14	10	13	13	11	10	17	10	11	11
Business as usual (BAUs)	59	27	1	73	24	14	55	62	26	73	65	11
Withheld due to exemption/fees (FOI and BAU)*	6	10	19	18	16	12	5	7	31	10	8	10
Transfers (TFRs)	18	14	18	22	18	12	32	30	25	42	33	23
Subject access requests (SARs)	2	3	1	12	6	2	2	6	12	7	5	5
Internal Reviews	tbc	1	0	tbc	tbc	2	tbc	tbc	0	tbc	2	0
Environmental Information Requests/ Land Charges Searches (personal)	437	213	6	367	1	491	5	308	2		334	11

All statistics presented from 2021/22 Q2 should be viewed in the context of the pandemic and the subsequent disruption to services. 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.

- The number of requests received in Q2 has risen slightly (107) since the previous quarter but over the last 4 quarters this appears somewhat stable. The new higher level of requests maybe a new norm rather than a reaction to the pandemic.
- The number of cases handled as BAUs has increased to 14.
- Currently there are 11 outstanding requests.
- The number of **SARs** received has remained low (2). This is low in comparison to the past few years.
- Overall we are still seeing some fluctuation in performance, we hope with the new system for handling all requests will improve efficiency.



## FOI Exemptions for Q2 21/22

Exemption	Description	FOI	BAU	Total
S21	Information Already Reasonably Accessible	3		3
S22	Information Intended for Future Publication	3		3
S27	International Relations			
S28	Relations within the UK			
S29	The Economy			
S30	Investigations			
S31	Law Enforcement	3		3
S32	Court Records			
S36	Effective Conduct of Public Affairs			
S38	Endangering Health and Safety			
S39	Environmental Information			
S40	Personal Information of the Requester/Personal Information	3		3
S41	Confidentiality			
S42	Legal Professional Privilege			
S43	Trade Secrets and Prejudice to Commercial Interests			
S44	Prohibitions on Disclosure			
Total	Number need not match the number of cases. Multiple exemptions may apply to one case.	12	0	12

## **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.

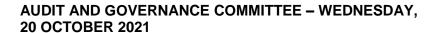
Subject Access Request a request by an individual to see information an organisation holds on them

**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.



#### NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL





Title of Report	CORPORATE RISK UPDA	TE
Presented by	Andy Barton Strategic Director	
Background Papers	None	Public Report: Yes
Purpose of Report	To provide Committee mem the Council's corporate risk	bers with an update in respect of register.
Recommendations		OVERNANCE COMMITTEE ON THE LATEST CORPORATE NSIDERATION BY THE RISK

#### 1.0 BACKGROUND

- 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 on 4 Oct 2021. In line with the policy, members of this Committee, and Cabinet are to receive periodic updates on 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 is set out in the below table.
- Out of the 14 active risks, 0 are Red, 9 are Amber and 5 are Green. Over the last two meetings a developing risk (no 15) was identified which relates to possible long medium term impacts of post COVID on both council service provision and demand for services. The Risk Scrutiny Group have decided at this point to leave in place the existing risks and not carry this new potential risk further as it is considered covered by those already on the register, hence 15 has been removed.

Risk Ref	Risk Title	Summary of Change
4	LEGAL / FINANCIAL Contracts	Summary text updated to reflect developing
	are not properly procured and	MTFS and current process - no changes to
	managed	scores.
11	FINANCIAL / COMMERCIAL /	Summary text updated to reflect developing
	ECONOMIC	MTFS and current process – no changes to
	The Council is subject to a	scores.

	reduction in income	
12	"POLITICAL/ ORGANISATIONAL The Council is affected by Local Government Reorganisation"	Residual Risk Reduced Likelihood reduced to 1 - reflecting the time period should any change come forward. LGR is now no longer being pursued by government, County Deals are not linked to LGR hence significant reduction in assessment impact and Likelihood.

- 1.4 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.
- 1.5 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 all 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 and non financial risks
Officer Contact	Andy Barton Strategic Director Andy.Barton@nwleicestershire.gov.uk

#### APPENDIX 1 Last Review Date -041021

	Corporate Risk Register												
Ref No.	Risk Description	Consequence	Cause		nherent Risl		Responsibility	Responsible	Control Measures		Residual Risk		
				Impact	Likelihood	Rating	of	to		Impact	Likelihood	Rating	Movement of Risk
	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 compliace with Safeguarding legislation and practise.	Modern slavery.	4	3	12	Community Safety Team Manager	Head of Community Services	The organisation has the following structures in place; A recent audit with action plan of reasonable assurance An identified Corporate Lead (Head of Service) with a Portfolio Holder lead An identified Team responsible for	3	2	6	Stable
			poor safeguarding assurnace						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 Head of Community 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				
/3									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.				
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	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 Monthly management reviews monitor actual spend against budgets and forecast to the end of the year.	4	1	4	Stable

				Corpo	orate Risk Re	egister							
Ref No.	Risk Description	Consequence	Cause		Inherent Ris		Responsibility	Responsible	Control Measures		Residual Risk		
			Internal financial systems and regulations not being properly applied.	mpatt	Likelihood	Nating	of	to	Monthly reporting and challenging at CLT, and reported to Cabinet quarterly Sound policies and procedures are in place.  Financial planning processes have been documented and are reviewed regularly.  Internal and External audit of systems and accounts.  Procurement of new finance system with increased controls and monitoring underway	Impact	Likelihood	Rating	Movement of Risk
/4	REPUTAITONAL/ LEGAL COMMERCIAL Insufficient resources due to unplanned / unforeseen absences / vacancies / changes to financial picture	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.  Changes to income or financial climate  Inability to recruit to vacancies / retain staff.  unexpected or unplanned event (eg pandemic)	4	3	12	Head of HR and OD	Chief Executive	Membership of CIPFA and engagement of Arling Close gives access to specialist advice, analysis and expertise.  Current and forecasted balance MTFS, although uncertanty regarding future gov funding streams and impacts of changes such as DevCo/Freeport etc  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 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	Stable

				Corpo	rate Risk Re	gister							
Ref No.	Risk Description	Consequence	Cause	ı	nherent Ris	k	Responsibility	Responsible	Control Measures		Residual Risk	3	
				Impact	Likelihood	Rating	of	to		Impact	Likelihood	Rating	Movement of Risk
4	LEGAL / FINANCIAL	Council liable to incur additional costs, contract	Failure to monitor	3	3	9	Finance Team	All Heads of	Oversight Board structure in place	2	3	6	Stable
	Contracts are not properly	overrun, litigation and potential health & safety	contractors appropriately.				Manager.	Service	to oversee major project work &				
	procured and managed	issues as well as service disruptions.					All Team		compliance group now in place to				
							Managers.		oversee these elements of				
									contracted work.				
			Legal and procurement						Corporate procurement support				
			teams not consulted when						and legal team to support where				
			contractors are engaged.						necessary on contract				
			Loss of key staff or supplier.						management.				
			Loss of key stall of supplier.						Corporate procurement team re- established and charged with				
									reviewing Procurement Strategy as				
									part of MTFS.				
									ľ				
			Procurement procedures are						Analysis of sepnd undertaken and				
			not followed.						procurement toolkit to be				
									produced to cover majority of				
									lower value procurments with high				
			The council contributes to						value and complex procurements				
			modern slavery via it's						to be supported by specialised				
_	LECAL / TECHNOLOGICAL	Manatan analtica from ICO advance multicity	contracts and supplies.			_	1 1 C i		function.			_	0. 11
5	LEGAL / TECHNOLOGICAL Loss or unlawful use of	Monetary penalties from ICO, adverse publicity, private litigation and personal criminal liability of	Systems not in place to protect sensitive data.	3	3	9	Legal Services	Head of Legal	Policies and procedures are in	2	2	4	Stable
	personal data constituting	officers.	protect sensitive data.				Team Manager	& Support	place and rolled out. Regularly reviewed and compliance is				
	breach of data protection	officers.						Services	monitored.				
	legislation		Staff are not properly trained						Corporate Governance training is				
	icgisiation		in managing information,						undertaken annually and includes				
7			and do not follow internal						information governance as				
75			procedures.						appropriate to reflect changes in				
									legislation. E-learning module				
									updated in 2019 and rolled out as				
									mandatory annual training for all				
									staff.				
			Changes in working practises						The Council has a dedicated SIRO				
			casuing unintended						and DPO.				
			risk/exposure										
									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				
								1	cooperate with the supervisory				
								1	authority and monitor compliance				
								1	with Data Protection laws.				
6	LEGAL / REPUTATIONAL /	General public at risk of harm or unable to access	Lack of planning, training	4	3	12	Head of Human	Chief	Business continuity plans have	4	1	4	Stable
	COMMERCIAL Failure to	relevant services (e.g. emergency	and exercising of Emergency				Resources and	Executive	been documented, policies and				
	respond to an emergency	accommodation or rest centre).	plans				Organisation	1	procedures are in place.				
	in an appropriate manner						Development						
								1					

				Corpo	rate Risk Re	egister							
Ref No.	Risk Description	Consequence	Cause		nherent Ris	k	Responsibility	Responsible	Control Measures		Residual Risk	(	
		Adverse publicity.	Inadequate Corporate	Impact	Likelihood	Rating	of	to	The LRF partnership arrangement	Impact	Likelihood	Rating	Movement of Risk
		"Business as usual" not possible without	Business Continuity						with all Leicestershire and Rutland				
		appropriate business continuity plan in place.	Management.						authorities provide resilience				
		appropriate business continuity plan in place.	management						during civil emergency situations.				
									g :				
		Breakdown in relationship with other responders.	Lack of procedural						Business Continuity exercises show				
			understanding						the readiness of the Council to deal				
									with emergencies. System of ICO / FLM duty rotas is				
									in place & continued reassessment				
									for ongoing incidents.				
									Tor ongoing moderns.				
	LEGAL/	"Business as usual" would not be possible. Cost	Systems not in place or kept			40	ICT Manager	Head of	Fully resilient environment in place				0.11
· /	TECHNOLOGICAL/	of repelling cyber threat and enhancing security	current to deflect any	4	4	16	ici ivianager	Customer	with no single points of failure for	3	2	6	Stable
	COMMERCIAL	features.	foreseeable cyber attack.					Services	core systems, other critical				
	Infiltration of ICT systems							Services	systems use cold standby				
									equipment.				
			Limited staff awareness of						Yearly IT security health check and				
			possible threats.						PEN (penetration) testing carried				
									out, by a CREST security accredited				
									supplier, with remediation action				
									plan in place to mitigate any risks found.				
_			Lapse in security awareness						Phishing campaigns ran twice a				
6			and basic processes from a						year to test staff security				
			technical and human						awareness and feed back results to				
			perspective.						CLT, with improvement plans in				
									place for those who have not				
									passed the test.				
									Quarterly Cyber Security				
									awareness training held for staff				
									and new starters, to protect staff				
									at work and in the office.				
									Name has been as a second				
									New business services are run in remote fully resilient data centres				
									and existing systems are being				
									progressively migrated to these				
									cloud computing centres.				
									Phishing campaigns ran twice a				
1									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.				
									Latest Audit / assessments all				
									confirm secure environment				
	I	1			l		l	l	l l		1		

	Corporate Risk Register												
Ref No.	Risk Description	Consequence	Cause		nherent Ris		Responsibility	Responsible	Control Measures		Residual Risk		
				Impact	Likelihood	Rating	of	to		Impact	Likelihood	Rating	Movement of Risk
									Improved business recovery arrangements have been implemented to minimise recovery time. Accreditation to Cyber Essentials Plus and the Public Services Network.				
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	Greater use of professional project managers for key projects. Work ongoing to address project methodologies deployed across the council. Greater use of external / out of subject board members. Board structure covering all major porjects in place  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 2020 was, GRADE 1, with one recommendation, which has already been addressed and provides assurance that the	3	2	6	Stable
g	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	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.	4	1	4	Stable

				Corpo	rate Risk Re	gister							
Ref No.	Risk Description	Consequence	Cause		nherent Ris	k	Responsibility	Responsible	Control Measures		Residual Risk	ζ	
				Impact	Likelihood	Rating	of	to		Impact	Likelihood	Rating	Movement of Risk
10	FINANCIAL / LEGAL /	Financial, reputational and political damage to	Lack of checks and balances	4	3	12	Head of Finance.	Directors	Utilising Internal Audit to conduct	3	2	6	Stable
	REPUTATIONAL	Council.	within financial regulations.				All Team		audits of individual projects or				
	Council is subject to fraud,						Managers &		Project management more widely.				
	corruption or theft						Heads of Service.		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				
			Poor budget / contract						Policies & procedures in place,				
			management.						governance processes are				
									documented and in operation,				
									ongoing assessments and reviews				
									are performed. Completion of the				
									Annual Governance statement.				
			Poor monitoring of /						A policy framework that includes				
			adherence to financial						Anti-Fraud and Corruption Policy,				
			systems						Confidential Reporting				
									(Whistleblowing) Policy and Anti-				
									Money Laundering Policy. Policy				
									Refreshed late 2020 - refresh of				
									training underway.				
			Changes in working practises						The Internal Audit annual planning				
ά	1		casuing unintended						process takes into account high				
α	9		risk/exposure						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.				
									Internal control and governance				
									arrangements such as segregation				
									of duties, schemes of delegation,				
									bank reconciliations of fund				
									movements, and verification				
									processes.				
									Destining and store of the control of				
									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.				
1		I			1		l l	l		j	I		l l

				Corpo	orate Risk Re	gister							
Ref No.	Risk Description	Consequence	Cause		Inherent Ris		Responsibility	Responsible	Control Measures		Residual Risk		
				Impact	Likelihood	Rating	of	to .	Information on how to report fraud is on the website including relevant links.	Impact	Likelihood	Rating	Movement of Risk
79	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, and will be reviewed in light of October 21 Comprehensive Spending Review. Change in budgeting focus from incremental to outcomes focussed expected to identify quick wins and pland for longer term self-sufficiency. 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
12	POLITICAL / ORGANISATIONAL The Council is affected by Local Government Reorganisation	a) Change to Local Government structure in Leicestershire/East Midlands, including potential merger of district councils/county council or development of a Combined Authority for the East Midlands, either of which could lead to:  - Change in location for service delivery/staff - Reduction of control over local matters  - Change in financial situation  - Staff redundancies  - Alternative political structure and governance arrangements  - Changes in services to be provided and organisation culture  - Deterioration in staff morale and negative effect on staff recruitment and retention  - Ineffective engagement with staff, Members and residents in considering, and responding to, proposals.  - Diversion of senior staff resources to respond to proposals.		4	3	12	Chief Executive and Head of Legal and Support Services.	Chief Executive	Active engagement with political leaders and Chief Executives across the County and East Midlands so NWL's needs are taken into account in any proposals. Open and transparent communication of NWL position to all stakeholders. Senior management and politicians stay close to project and monitor progress. Internal and external communication plans in place, including for key decision points. Gov stance changed to no longer pursue LGR - County Deals not linked to LGR.		3	3	Reduced

				Corpo	rate Risk Re	gister							
Ref No.	Risk Description	Consequence	Cause		nherent Ris	k	Responsibility	Responsible	Control Measures	Residual Risk			
				Impact	Likelihood	Rating	of	to		Impact	Likelihood	Rating	Movement of Risk
13	POLITICAL / ORGANISATIONAL The Council is affected by the UK's departure from the EU, including a potential 'no deal' Brexit	The UK's departure from the EU, including an inability to agree the terms of the exit by 31 October 2019 could lead to: - increase in checks on goods by Environmental Officers at East Midlands Airport meaning increase in resources / costs uncertainty and subsequent regime around tariffs, access to markets, migrant labour and transport of goods in / out of EU could impact on businesses in district / region leading to decline in business rates and employment levels potential need for increased storage facilities at entry / exit points and associated increases in freight traffic, putting pressure on local infrastructure - potential withdrawal of access to EU wide IT systems (e.g. relating to imported foodstuffs) - diversion of staff resources into contingency planning.	UK departure from EU, including inability of the EU and UK govt to agree terms by 31 January 2020 of the UK's exit. Deal then to be negotiated by End 2020.	4	4	Rating 16	of Chief Executive and Head of Economic Regeneration	Strategic Director & Chief Executive	Engage with National Local Authority steering groups for border control at strategic & operational levels. Implement communication strategy for local businesses so technical notices are shared, with appropriate signposting. Work with LLEP and Chamber of Commerce to provide business advice and support to address changes to legislation & certification. Establish contingency plans after scenario based assessment of resources required for increase in checks and controls, & access to alternative IT systems. Watching brief localised assessment of potential impact around East Midlands Airport. Participate in Multi-agency Leicestershire Resilience Forum framework, with risk assessment	Impact 2	3	Rating 6	Movement of Risk Stable
80									and mitigation plan to be prepared. Applied for and gainted additional support funding for Port activity				
14	ORGANISATIONAL/FINANCI AL 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	Balanced budget achieved with additonal government grant support. Continued active engagment and lobbying to ensure that all options for support are considered and actioned where possible. Are some serice areas that continue to struggle to maintain services due to restrictions / staffing shortages.	3	2	6	Stable

	Corporate Risk Register											
Ref No.	Risk Description	Consequence	Cause	Inherent Risk	Responsibility	Responsible	le Control Measures	Residual Risk				
				Impact Likelihood R	ating of	to		Impact Likelihood Rating	Movement of Risk			
	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										
	A+O71+B80:C93+O71+B80	:C93+O71+B80:C93+B80:C93										
	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 ∞<sub>3 High</sub> 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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