



AUDIT COMMITTEE

This meeting will be recorded and the sound recording subsequently made available via the Council's website: charnwood.gov.uk/pages/committees

Please also note that under the Openness of Local Government Bodies Regulations 2014 that other people may film, record, tweet or blog from this meeting. The use of any images or sound recordings is not under the Council's control.

To: Councillors Angell (Chair), Bolton, S. Bradshaw, Charles, Hadji-Nikolaou, C. Harris and Parsons (For attention)

All other members of the Council
(For information)

You are requested to attend the meeting of the Audit Committee to be held in Committee Room 2 - Council Offices on Tuesday, 19th November 2019 at 6.00 pm for the following business.

Chief Executive

Southfields
Loughborough

11th November 2019

AGENDA

1. APOLOGIES
2. MINUTES FROM THE PREVIOUS MEETING 3 - 5

The Committee is asked to confirm as a correct record the minutes of the meeting of the Committee held on 24th July 2019.

3. DISCLOSURES OF PECUNIARY AND PERSONAL INTEREST
4. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions were submitted.

- | | | |
|-----|---|-----------|
| 5. | <u>EXTERNAL AUDITORS - ANNUAL AUDIT LETTER 2018/19</u> | 6 - 18 |
| | A report of the External Auditors. | |
| 6. | <u>ENVIRONMENTAL AUDIT OUTCOMES - PROGRESS UPDATE</u> | 19 - 42 |
| | A report of the Head of Planning and Regeneration. | |
| 7. | <u>TREASURY MANAGEMENT - MID YEAR REVIEW</u> | 43 - 62 |
| | A report of the Head of Finance and Property Services. | |
| 8. | <u>INTERNAL AUDIT PLAN - PROGRESS</u> | 63 - 128 |
| | A report of the Head of Strategic Support. | |
| 9. | <u>RISK MANAGEMENT (RISK REGISTER) UPDATE</u> | 129 - 136 |
| | A report of the Head of Strategic Support. | |
| 10. | <u>COUNCIL'S USE OF REGULATION OF INVESTIGATORY POWERS ACT (RIPA)</u> | 137 - 139 |
| | A report of the Head of Strategic Support. | |
| 11. | <u>WORK PROGRAMME</u> | 140 - 142 |
| | Report of the Head of Strategic Support. | |
| 12. | <u>EXEMPT INFORMATION</u> | |
| | It is recommended that members of the public be excluded from the meeting during the consideration of this item on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and the public interest in maintaining the exemption outweighs the public interest of disclosing the information. | |
| 13. | <u>ANNUAL IT HEALTH CHECK (CODE OF CONNECTION)</u> | |
| | An exempt report of the Head of Customer Experience. | |

AUDIT COMMITTEE 24TH JULY 2019

PRESENT: The Chair (B. Angell)
The Vice Chair (Councillor Bolton)
Councillors Bradshaw, Charles, Hadji-Nikolaou,
C. Harris and Parsons

Democratic Services Officer (NA)
Strategic Director of Corporate Services
Head of Strategic Support

J. Machej – External Auditor

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. He also advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from this meeting, and the use of any such images or sound recordings was not under the Council's control.

66. MINUTES FROM THE PREVIOUS MEETING

The minutes of the meeting of the Committee held on 11th June 2019 were confirmed as a correct record and signed.

67. DISCLOSURES OF PECUNIARY AND PERSONAL INTEREST

No disclosures were made.

68. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions had been submitted.

69. EXTERNAL AUDIT - 2018/19 ANNUAL GOVERNANCE REPORT

A report of the External Auditor was submitted summarising the key issues identified during the External Auditor's audit of the Council's financial statements for the year ended 31 March 2019 and the External Auditor's 2018/19 assessment of the Council's arrangements to secure value for money (item 5 on the agenda filed with these minutes).

J. Machej, representing the External Auditors, attended the meeting to assist the Committee with the consideration of this item.

The Committee was advised that there was some outstanding work to complete on the audit surrounding the Local Government Pension Scheme but once the information had been received the audit could be completed.

RESOLVED that the report be noted.

Reason

The Committee was content with the report and had no specific areas of concern or actions that it wished to include as part of its decision.

70. STATEMENT OF ACCOUNTS 2018/19

A report of the Head of Finance and Property Services was submitted setting out the Council's Statement of Accounts 2018/19 (item 6 on the agenda filed with these minutes).

The Strategic Director of Corporate Services attended the meeting to assist the Committee with the consideration of this item.

The Committee was advised that the Chair had met with the Strategic Director for Corporate Services and the Head of Finance and Property Services to ask questions and was satisfied with the response.

The Committee were informed that clarification was still awaited on the Local Government Pension Scheme, and that this may require some further minor amendments to certain items in the statement of accounts.

The Chair thanked the Head of Finance and Property Services on behalf of the Committee for the hard work of the team in producing the accounts in time for the deadline.

RESOLVED

1. that the Statement of Accounts for the year ended 31st March 2019, as submitted at Appendix A to the report, be approved and that the Chair (as presiding person) be authorised to sign the accounts on behalf of the Committee;
2. that the Letter of Representation, as submitted at Appendix B to the report, be approved for signature by the Chief Financial Officer;
3. that authority be delegated to the Chair and Vice-chair of the Committee to agree any minor amendments or adjustments to the 2018/19 Statement of Accounts with the Chief Financial Officer following the meeting, should any such changes be necessary and subject to those being circulated to other members of the Committee beforehand.

Reasons

- 1.&2. To comply with the Accounts and Audit (England) Regulations 2015.
3. To enable any such minor amendments or adjustments to be made without the requirement for a further decision/meeting of the Committee.

71. ANNUAL GOVERNANCE STATEMENT 2018/19 AND REVIEW OF CODE OF CORPORATE GOVERNANCE

A report of the Head of Strategic Support was submitted setting out the Annual Governance Statement 2018/19 and the results of the annual review of the Council's Code of Corporate Governance (item 7 on the agenda filed with these minutes).

The Head of Strategic Support attended the meeting to assist the Committee with the consideration of this item.

RESOLVED

1. that the Annual Governance Statement, as included in the Statement of Accounts, be approved;
2. that the revised Code of Corporate Governance be approved.

Reasons

1. So that the Annual Governance Statement can be finalised and signed by the Leader of the Council and the Chief Executive in accordance with the required timescales.
2. To ensure that the Code of Corporate Governance is kept up to date and complies with best practice.

NOTES:

1. No reference may be made to these minutes at the Council meeting on 2nd September 2019 unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on the fifth working day following publication of these minutes.
2. These minutes are subject to confirmation as a correct record at the next meeting of the Audit Committee.

Annual Audit Letter

Charnwood Borough Council

Year ending 31 March 2019





CONTENTS

1. Executive summary
2. Audit of the financial statements
3. Value for Money conclusion
4. Other reporting responsibilities
5. Our fees
6. Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Charnwood Borough Council for the year ended 31 March 2019. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 31 July 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2019 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
Other information published alongside the audited financial statements	<p>Our auditor's report issued on 31 July 2019 included our opinion that:</p> <ul style="list-style-type: none">• The other information in the Statement of Accounts is consistent with the audited financial statements.
Value for Money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p>
Reporting to the group auditor	<p>In line with group audit instructions issued by the NAO, on 31 July 2019 we reported to the group auditor in line with the requirements applicable to the Council's WGA return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements	Unqualified
-------------------------------------	-------------

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, issued to the Council on 31 July 2019, stated that, in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

Financial statement materiality	Our financial statement materiality is based on 2% of Gross Revenue Expenditure at a Surplus/Deficit on Provision of Services level	£1,752,000
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£53,000
Specific materiality	We applied a lower level of materiality to the following areas of the accounts: <ul style="list-style-type: none">• Officers Remuneration• Members Allowances• Audit Fee	<div>£116,000</div> <div>£92,000</div> <div>£15,000</div>

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our response to significant risks

As part of our continuous planning procedures, we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee in our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
Management override of controls Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We addressed this risk by performing audit work in the following areas: <ul style="list-style-type: none">• Documenting our understanding of the processes and controls in place to mitigate the risks identified;• Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;• Evaluating the business rationale for any significant transactions outside the course of the business;• Understanding the oversight given by those charged with governance of management process over fraud;• Making enquiries of management and Internal Audit regarding actual or any suspicions of fraud; and• Considering whether the Council's accounting policies are consistent with industry standards.	There were no matters arising from our work on management override of controls
Valuation of property, plant and equipment and investment properties The Council's accounts contain material balances relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to the high degree of estimation uncertainty associated with those held at valuation, we determined there was a significant audit risk in this area.	We addressed this risk through: <ul style="list-style-type: none">• Reconciling valuations from the valuer's report to those recorded in the Fixed Asset Register;• Testing a sample of assets valued during the year to valuation reports;• Where material, testing the basis for impairment of assets, the value and correct accounting treatment;• Critically assessing the Council's valuer's scope of work and methodology used; and• Considering the impact of any assets not valued during the year.	There were no significant issues arising from our work and we were satisfied the valuation of property, plant and equipment, investment properties and assets held for sale were materially correct.

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Identified significant risk	Our response	Our findings and conclusions
<p>Defined benefit liability valuation</p> <p>The Council's accounts contain material liabilities relating to the local government pension scheme. 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 determined there was a significant risk in this area.</p>	<p>We addressed this risk through:</p> <ul style="list-style-type: none">• Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by the consulting actuary engaged by the National Audit Office;• Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.• Critically assessing the competency, objectivity and independence of the Leicestershire Pension Fund's Actuary, Hymans Robertson;• Liaising with the auditors of the Leicestershire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; and• Performing a walkthrough of payroll transactions at the Council to understand how pension contributions which are deducted and paid to the Pension Fund by the Council.	<p>A material adjustment was made, increasing the Council's net pension liability by £3,936k, due to the impact of two on-going legal cases (Guaranteed Minimum Pension equalisation and the McCloud judgment) that were not taken into account by the Council's actuary in their original valuation, in addition to updating estimated asset return values to an actual basis.</p> <p>Following the amendment being made, we obtained the assurance required, with no other significant issues arising we were required to highlight to you.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

Our work did not identify any deficiencies in internal control as part of our audit.

3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion	Unqualified
----------------------------	-------------

Our approach to Value for Money

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

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

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

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

In our Audit Completion Report, we reported that we had identified no significant Value for Money risks and our auditor's report, issued to the Council on 31 July 2019 concluded that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Below testing threshold
Other information published alongside the audited financial statements	Consistent

The NAO’s Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council’s external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

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

We have not exercised any of these statutory reporting powers.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 31 July 2019.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Audit Committee in February 2019.

We have completed our work for the 2018/19 financial year, but at the time of producing this report, we have not yet finalised our audit fees for the year. We carried out additional audit work to address the risk of material misstatement on the Council's pension liability, arising from the actuarial impact of GMP and McCloud, as described on page 5, resulting in a proposed additional fee of £750. Whilst approved by the Strategic Director of Corporate Services this fee variation also requires the approval of Public Sector Audit Appointments Limited, before it can be finalised.

For the 2018/19 financial year, we can confirm that our final fees are expected to be as follows:

Area of work	2018/19 proposed fee	2018/19 final fee
Delivery of audit work under the NAO Code of Audit Practice	£42,325	£43,075
Housing Benefit Subsidy Claim	£9,850	£9,850

Fees for other work

Our assurance work on the Housing Benefit Subsidy Claim is a permitted service. We confirm that we have not undertaken any non-audit services for the Council in the year.

6. FORWARD LOOK

Audit Developments

Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. We have responded to the National Audit Office’s consultation on the content of the Code (<https://www.nao.org.uk/code-audit-practice/about-code/>).

A new Code will be laid in Parliament in time for it to come in to force no later than 1 April 2020.

Financial Resilience

Fair Funding Review

The Council will need to incorporate the outcome of the Spending Review, due in the latter half of 2019, to its Medium Term Financial Plan. The Spending Review will set out the department allocations for 2020/21 and potentially beyond. Regardless of the timing and period covered by the Spending Review, the Council recognises the key issue is the management of general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. It must, therefore, ensure it clarifies and quantifies how it will bridge the funding gap through planned expenditure reductions and/ or income generation schemes.

Local Authority Financial Resilience Index

CIPFA is moving forward with its financial resilience index, which it believes will be a barometer on which local authorities will be judged. We would expect the Council to have at least considered the index once it is formally released.

Commercialisation

The National Audit Office will be publishing a report on Commercialisation during 2019. Depending on the Council’s appetite for Commercialisation, we would expect the Council to consider the outcome of the report and ensure any lessons learnt are incorporated into business practice.

Further, the UK Debt Management Office’s Annual Report, published on 23 July 2019, reported that, as at 31 March 2019, the Public Works Loan Board’s loan book was £78.3 billion with 1,308 new loans totalling £9.1 billion advanced during the year. As a result, we expect local authorities to clearly demonstrate:

- the value for money in the use of Public Works Loan Board funds to acquire commercial property; and
- the arrangements for loan repayment through the updated Statutory Guidance on Minimum Revenue Provision in 2019/20, 2020/21 and beyond.

Financial Reporting

UK Local Government Annual Accounts

The CIPFA/LASAAC Local Authority Code Board specifies the financial reporting requirements for UK local government. A consultation is underway to inform the direction and strategy for local government annual accounts. We will be submitting our response and suggest practitioners also voice their opinion.

Lease accounting

The implementation of IFRS 16 Leases in the Code is delayed until 1 April 2020. The Council will need a project plan to ensure the data analysis and evaluation of accounting entries is completed in good time to ensure any changes in both business practice and financial reporting are captured.



6. FORWARD LOOK (CONTINUED)

Next year’s audit and how we will work with the Council

We will focus our work on the risks that your challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

In the coming year we will continue to support the Council by:

- continued liaison with the Council’s Internal Auditors to minimise duplication of work;
- attending Audit Committee meetings and presenting an Audit Progress Report including updates on regional and national developments; and
- hosting events for staff, such as our Local Government Accounts workshop.

We will meet with the Council to identify any learning from the 2018/19 audit and will continue to share our insights from across local government and relevant knowledge from the wider public and private sector.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

The Council has taken a positive and constructive approach to our audit and we wish to thank Members and officers for their support and co-operation during our audit.

CONTACT

Mark Surridge

Director

Phone: +44 (0) 787 597 4291

Email: mark.surridge@mazars.co.uk

Jon Machej

Manager

Phone: +44 (0) 776 654 90252

Email: jon.machej@mazars.co.uk

AUDIT COMMITTEE - 19TH NOVEMBER 2019

Report of the Head of Planning and Regeneration Lead Member: Councillor Roy Rollings

Part A

ITEM 6 ENVIRONMENTAL AUDITS – REPORT ON OUTCOMES

Purpose of Report

The purpose of this report is to update the Committee on progress against actions identified in environmental audits undertaken for March 2019.

Recommendation

That the Committee notes the progress on actions identified from the environmental audit process.

Reasons

To ensure the Committee is kept informed of the Council's approach to managing environmental risks related to the Environmental Management System.

Policy Justification and Previous Decisions

The Council has an in-house Environmental Management System to manage legal compliance with environmental regulations and environmental impact arising from its activities and operations. The Council's Corporate Plan sets a commitment to 'take action to protect the environment for future generations' and the Council has adopted a Climate Change Strategy, a Carbon Management Plan, a Zero Waste Strategy and a Green Spaces Strategy towards this aim.

The driver for implementing and improving the Council's Environmental Management System comes from the Council's Environmental Policy which can be seen at https://www.charnwood.gov.uk/pages/environmental_management. The Policy was adopted by Cabinet in October 2015 and establishes a framework for setting objectives and targets for environmental improvement. A Carbon Management Plan has been approved by Cabinet in December 2015 to reduce the Council's impact on climate change. A Climate Change Strategy was adopted by cabinet on 10th May 2018. The Climate Change Strategy provides the action plan for the Council to maintain and potentially improve its environmental performance.

A climate change notice of motion was approved by Full Council on 24 June to note the findings from the International Panel on Climate Change report published in October 2018 (minute 23.1 19/20 refers). The report concluded that we have less than 12 years to act to avoid the worst impacts of climate change. The notice of motion set an aspiration for the council to achieve carbon neutrality from its own operations by 2030. The Council also committed to work with residents, businesses and other public bodies across the borough and region to deliver this ambitious goal through all relevant technologies, strategies and plans.

Audit Committee at its meeting on 11 June 2019, requested to receive an update to the November meeting in order to understand whether NCRs had been addressed (minute 56 19/20 refers).

Implementation Timetable including Future Decisions and Scrutiny

Reports will continue to be submitted to the Committee on an annual basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

The costs of preparing and providing strategic management for the implementation of the Environmental Management System are met from within the Planning and Regeneration Service budget. The costs of implementing the Environmental Management System in respect of operations and activities undertaken by the Council are met from within the existing budgets of individual service areas that the Environmental Management System covers. The Council's Sustainability Officer provides the strategic resource to manage the in-house Environmental Management System.

Risk Management

The risks associated with the decision Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
Failure to comply with environmental legislation leads to damage to environment, reputation, and civil or criminal action being taken against the Council	Likely (3)	Significant (2)	Moderate (6)	Access to Newground Legislation Service, Training, Raising Awareness, Internal audits
The Council fails to meet broader environmental objectives outlined within its policy	Unlikely (2)	Minor (1)	Very Low (2)	SMT and Audit Committees in place to review annual performance

Sustainability

An Environmental Management System will help ensure environmental legal responsibilities are met and more easily managed on a day to day basis. The Environmental Management System will help manage waste and resources more effectively and reduce cost.

Key Decision:	No
Background Papers:	None
Officer to contact:	Maria French Title Sustainability Officer (01509) 634802 Maria.french@charnwood.gov.uk

Part B

Background

1. The Council has an in-house Environmental Management System for Council owned property at Southfield Road / Information & Computer Services building, Loughborough Town Hall, Charnwood Museum, Oak and Ark Business Centres and Woodgate Chambers. It relates to the direct operations of the Council and not to any activities sub-contracted to other operators (such as domestic and municipal waste collection). The Environmental Management System does not deal with activities related to the enforcement of environmental or planning Regulations aimed at reducing impacts across the Borough, except where these relate directly to the Council's own actions and activities. The Sustainability Officer provides the resource to coordinate the in-house Environmental Management System programme overseen by the Senior Management Team. Implementation of the Environmental Management System is the direct responsibility of the service areas carrying out activities and operations that fall within its scope.

Legal Compliance

2. The Sustainability Officer has overall responsibility for keeping information on environmental aspects and their associated legislative requirements. 'Environmental aspects' are any element of the Council's activities that can interact with the environment. The current method of updating legal information about the environment is provided by Newground Legislation Update Service on a monthly basis.

Environmental Audits

3. Following the request by Audit Committee at its meeting on 11 June 2019, follow-up environmental audits took place in October 2019 to check progress with implementing actions identified during the March 2019 audits. A training session for building managers on the Legislation Update Service also took place on 19th September 2019. Training covered managing mitigation actions through the Legislation Update Service which enables urgency of the action required, deadlines and management oversight to be coordinated.

Audit Findings

4. The audit process identifies any activity it considers to be posing an environmental risk as either a Non-Conformance with Requirement (NCR - a non-fulfilment of a legal requirement), an 'issue' or a 'recommendation'. The former is the more serious finding in the sense that there is proof that a legal requirement is not being met, or a lack of evidence to prove that it is being met. An issue may be an instance where:
 - a) there is not a non-fulfilment of a legal requirement, but there is a lack of environmental best practice being used.
 - b) there is not currently a breach in legislation, but the issue should be addressed to avoid doing so in future.

A recommendation recognizes something which may later develop in to an NCR or issue and needs addressing.

5. Of the 14 outstanding NCRs, 10 have been resolved and 4 have programmes to ensure they are resolved in a timely manner. Of the 13 remaining Issues, 8 have been completed and 5 have programmes to ensure they are resolved in a timely manner. Of the 8 remaining Recommendations, all 8 have programmes to ensure they are considered in a timely manner.
6. Current progress on implementation of the audit findings are set out at Appendix A. A summary of the remaining outstanding Non-Conformance with Requirement (NCR) findings is presented below by site:

Charnwood Museum and Carillon Tower

7. There are two NCR's relating to Charnwood Museum. Mixed Recycling is collected through 'Love Loughborough' which is an initiative facilitated by Loughborough Business Improvement District. However, waste transfer documents have not been evidenced. No waste transfer documents for Love Loughborough mixed recycling collection or Clear-a-Bee waste collection were available (NCR 8 and 9). Waste providers have been contacted to provide correct paperwork and following October audits will be contacted again to ensure paperwork is received.

Town Hall

8. Under the TM44 regulations, companies are required to ensure that inspection of air conditioning systems are carried out. The inspection includes an assessment of the system's efficiency. There is no TM44 in place for the air conditioning unit used at site, which contains a refrigerant (NCR 16). Due to supplier issues an assessment has now been booked for November 2019. This will be followed up at the April audits.

Ark Business Centre

9. There is currently a release of trade effluent to storm drains in the car park from the mobile vehicle washing unit, and tenants, which is not permitted (NCR24). A permit to discharge has been made to Severn Trent Water. Authorisation is awaited for a discharge consent to foul drainage. Future tenants will be made aware that this activity is not permitted on site. Additional control measures are being put in place with works ordered to install a French drain outside the two responsible units for discharges to a foul sewer rather than storm drain. Works are expected to be completed by end 2019. It is unknown when Severn Trent will be able to authorize the discharge consent. This will be followed-up at the April audits.

Monitoring

16. To ensure actions identified by environmental audits are addressed in a timely way, the audit cycle is annual with a follow up audit, six months after the initial audit where Non-Conformance with Requirement NCRs or notes raised in the first audit are followed up on to determine progress. The outcome of the annual audit is considered by SMT and reported to Audit Committee.

Appendices

Appendix A - Summary Results of Follow-up Environmental Audits

Appendix A

Summary Results of Follow-up Audits

Southfield Road Offices															
Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
NCR 2	08.02.19	Waste Documentation on SIC Code discrepancy	Inability to fulfil compliance obligations	3	3	Scrap Metal <i>Waste Transfer Note showing Transfer on 08.01.19 in which CBC transferred scrap metal to TBD Morris Recycling Ltd. site in Shephed.</i> The note requires a valid SIC code for CBC.	TBD Morris Recycling should be contacted to inform them of the SIC code of Charnwood BC. SIC code should be 84.11/0 - General public administration duties	Lack of clarity as to what the SIC code is used for on notes and what it actually is (i.e. 84.11/0)	Discussions with waste providers should be undertaken so that templates of notes have the appropriate SIC code. If needed, CBC could create own template of note to ensure compliance is achieved.	Oct 2019	Annual collection. Will be actioned at next collection	Discussions with waste providers have taken place. The appropriate SIC code will now be used on waste documentation.	Closed		
						Batteries <i>Consignment note from H J Enthoven Ltd dated 7/11/18 for transfer of batteries from Southfield Road Offices.</i> SIC code discrepancy found	H J Enthoven Ltd should be contacted to correct the error. SIC code should be 84.11/0 - General public administration duties				Environmental Services progressing	Batteries are no longer collected at Southfield Road offices.	Closed		
Issue 1	08.02.19	System				Facilities management operates its own environmental management system separate to the centralised system. Although an environmental system is being used by the Facilities Manager and their department, this system is not the system which is used by Environmental Services team or the Sustainability Officer. This system has been devised by Facilities Management and operates independently. It is located on a shared drive which is not accessible to anyone other than Facilities Management.	Consideration as to how appropriate the current EMS is should be undertaken, and discussions with building managers should determine the best course of action to manage the environmental risks, opportunities and	Centralised system not appropriate for localised operational requirement of site.	Though best practice would be to have a system accessible by both the sites and the Sustainability Officer, a separate system for storage of documents and active environmental management would be appropriate as long as the IT and physical	Oct 2019	Legislation Update System (LUS) to be used to store EMS documentation. All sites will have access. Training to be provided September 2019.	A training session was completed on 19 th September. All sites have access to online system. The system holds environmental management information on environmental aspects and impacts linking these to legislation and relevant actions required to	Closed		

Southfield Road Offices															
Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
							compliance obligations at each site. A brief guide on requirements of such a system should be produced.		documents meet the legal and other compliance requirements of CBC.			ensure compliance.			
Issue 3	08.02.19	System				There was no evidence available to suggest that CBC Environmental Services co-ordinate the consignment of waste batteries from the Southfield Road Offices. If this is the case, the relevant duty of care compliance paperwork needs to be produced.	This should be located and filed with the other waste duty of care compliance documentation as appropriate. If not available, then CBC Environmental Services should be contacted to obtain this information.	Centralised system not appropriate for localised operational requirement of site.	The system which is used to store waste duty of care documentation should be easily accessible by all team members.	Oct 2019	Environmental Services progressing	Batteries are no longer collected at Southfield Road offices.	Closed		

Page 20

Woodgate Chambers

Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
NCR 4	08.02.19	Waste Documentation	Inability to fulfil compliance obligations	4	3	There is no hazardous waste consignment note for the transfer of waste fluorescent tubes from Woodgate Chambers to Southfield Road Offices. There is also no Upper Tier Waste Carriers Licence for Charnwood BC to transfer hazardous waste.	Stop transfers between sites until the correct course of action has been determined.	Lack of awareness that this was a requirement.	CBC could set up collection of waste by Mercury Recycling Ltd. from Woodgate Chambers as and when needed. Alternatively, CBC could obtain an Upper Tier Waste Carriers Licence and ensure that each time waste is transferred between sites a hazardous consignment note is completed.	Oct 19	Housing Services required to obtain an Upper Tier Waste Carriers Licence All transfers have been stopped until the upper tier waste transfer licence has been obtained by Housing,	The Environment Agency has confirmed that an upper tier licence is not required due to the waste being owned by CBC.	Closed		

Charnwood Museum															
Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
NCR 7	08.02.19	Waste Documentation	Inability to fulfil compliance obligations	3	3	General waste and recycling is collected by Veolia and is collected under mixed municipal waste 20 01 03. The waste transfer note season ticket is not signed by Charnwood BC. A signed copy of this note should be kept on file by Charnwood BC.	The transfer notes should be sought from the carriers.	Not receiving correct paperwork	Discussions with waste providers should be undertaken so that templates of notes have all the appropriate information on. If needed, CBC could create template of note to ensure compliance is achieved.	Oct 19	Being progressed	Discussions with waste providers have taken place. Documentation has been updated.	Closed		
NCR 8	08.02.19	Waste Documentation	Inability to fulfil compliance obligations	3	3	Sanitary waste is collected by Initial. The waste transfer note provided has no SIC code.	Initial should be contacted to provide them with the correct SIC code for Charnwood BC.	Lack of clarity as to what the SIC code is used for on notes and what it actually is (i.e. 84.11/0)	Discussions with waste providers should be undertaken so that templates of notes have the appropriate SIC code. If needed, CBC could create template of a note to ensure compliance is achieved.	Oct 19	Being progressed	Initial has been contacted to provide correct paperwork. The correct SIC code has been identified. Awaiting documentation from waste providers. Following the October audit waste providers to be contacted again. To follow-up in April Audits.	6	3	3

Charnwood Museum															
Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
						General waste and mixed recycling is collected by Veolia and is collected under mixed municipal waste. There is a discrepancy in the SIC code used on notes for the other sites.	Veolia should be contacted to provide them with the correct SIC code for Charnwood BC.	Lack of clarity as to what the SIC code is used for on notes and what it actually is (i.e. 84.11/0)	Discussions with waste providers should be undertaken so that templates of notes have the appropriate SIC code. If needed, CBC could create template of a note to ensure compliance is achieved.	Oct 19	Being progressed	Veolia has been contacted to provide correct paperwork. The correct SIC code has been identified and paperwork updated.	Closed		
NCR 9 Page 29	08.02.19	Waste Documentation	Inability to fulfil compliance obligations	4	3	Mixed Recycling is collected through 'Love Loughborough' which is an initiative facilitated by Loughborough Business Improvement District. However, waste transfer documents have not been evidenced. The waste transfer documents could not be accessed at the time of audit.	The transfer notes should be sought from the carriers.	Not receiving or storing paperwork from Love Loughborough.	The system which is used to store waste duty of care documentation should be easily accessible by all team members, and should contain all duty of care waste documentation.	Oct 19	Being progressed	The BID has been contacted to provide correct paperwork. Awaiting documentation from the BID. Following the October audit waste providers to be contacted again. To follow-up in April audits.	12	4	3
						A weighbridge ticket has been provided for the collection of waste by Clear-a-Bee. This does not show details of the waste transfer.	The transfer notes should be sought from Clear-a-Bee.	Lack of record keeping and lack of awareness from Clear-a-Bee	Each time Clear-a-Bee come to site, Charnwood Museum staff should ask for a waste transfer note to sign before the operative leaves.	Oct 19	Being progressed	Clear-a-Bee has been contacted to provide correct paperwork. Awaiting waste documentation from Clear-a-Bee. Following the October audit waste providers to be contacted again. To follow-up in April audits.	12	4	3

Charnwood Museum															
Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
NCR 11	08.02.19	Air con	Inability to fulfil compliance obligations	4	3	There are no records of F-Gas inspections and servicing being carried out	If records can be found these should be placed in an easy to access place on the online system. These inspections should be undertaken annually so if no inspection is present one should be booked immediately.	Not known	Set up calendar reminders to ensure compliance is renewed annually. Reports should be placed in an easy to access place on the online system.	Oct 19	Being progressed	Inspections are now in place twice yearly. Inspections have taken place in April and September 2019.	Closed		
NCR 12	08.02.19	Air con	Inability to fulfil compliance obligations	4	3	There is no TM44 in place for the air conditioning unit used at site, which contains a refrigerant.	A TM44 inspection should be booked immediately.	Lack of awareness that this was a requirement.	Set up calendar reminders to ensure compliance is renewed every 5 years.	Oct 19	Check unit size. If under 12kw regulations do not apply.	The unit is under 12kw and therefore the regulations do not apply.	Closed		
	08.02.19	System				NCR Previously raised about the equipment on the balcony has not been resolved after 6 months.	No immediate action can be taken but ensure sources of ignition are placed away from the items.	Lack of appropriate storage space	A more appropriate storage area needs to be found for such an eventuality happening again. This should be in an area away from visitors.	Oct 19	Lottery bid in place for Carillon project Review storage options due to length of project	Recent fire inspection states area is no longer a fire risk (risk to life). Items on balcony are from the Carillon Tower. Awaiting outcome of lottery bid and completion of works at the carillon before items can be moved.			

Charnwood Museum															
Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
Issue 7	08.02.19	System				Facilities management operates its own environmental management system separate to the centralised system. This is not always easily accessible. Although an environmental system is being used by the Building Manager and their department, this system is not the system which is used by Environmental Services team or the Sustainability Officer. This system has been devised by Management of the Museum and operates independently. It is located on a drive which not accessible to anyone other than Museum Management.	Consideration as to how appropriate the current EMS is should be undertaken, and discussions with building managers should determine the best course of action to manage the environmental risks, opportunities and compliance obligations at each site. A brief guide on the requirements of such a system should be produced.	Centralised system not appropriate for localised operational requirement of site.	Though best practice would be to have a system accessible by both the sites and the Sustainability Officer, a separate system for storage of documents and active environmental management would be appropriate as long as the IT and physical documents meet the legal and other compliance requirements of CBC.	Oct 19	Legislation Update System (LUS) to be used to store EMS documentation. All sites will have access. Training to be provided September 2019.	A training session was completed on 19 th September. All sites have access to online system. The system holds environmental management information on environmental aspects and impacts linking these to legislation and relevant actions required to ensure compliance.	Closed		
Issue 8	08.02.19	Waste	Inability to fulfil compliance obligations	4	1	The waste cooking oil stored in the waste yard prior to collection is not stored sufficiently to avoid contamination of a nearby drain if the containment system were to fail.	A containment method is required which can hold at least 110% of the maximum amount of oil which will be stored at any one time. This could take the form of a drip tray or tank. If the waste oil must be stored outside then this should be covered to ensure that rain water does not fill the	Lack of awareness that this was a requirement.	A limit to the amount of oil (this must be under 200L) which can be stored in the containment system at any one time is required to be determined with the cafe, based on waste collection and use of oil. This will ensure that the containment method is not overfilled.	Oct 19	Being progressed	A metal bin is in place to contain any spillages. Process being managed as part of catering contract.	Closed		

Charnwood Museum															
Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
							containment system.								
Recommendation 6	08.02.19	Waste				Waste fluorescent tubes should not be kept on site for more than 12 months. This is something the museum should be aware of for future reference.	Conversations with staff should determine when the fluorescent tubes became waste.	Lack of clarity and labelling	A labelling system for the waste tubes could be set up so that a sticker is added to each piece of waste and therefore how long it has been on site can be determined. These stickers should be checked every few months.	Oct 19	Being progressed	Tubes are stored securely in coffins. Due to a small volume collections exceed 12 months until coffins are full. Collections will be scheduled more frequently to ensure compliance.			
Recommendation 7	08.02.19	Energy				Investigation in to installation of de-stratification fans is recommended.	N/A	N/A	N/A	Oct 19	Being progressed	Possible energy saving option due to heat in the main area of the building rising to the ceiling requiring more energy to keep the area a comfortable temperature. The fans may re-circulate the hot air down to the lower levels, meaning less heating is required. This will be considered as part of energy efficiency audits.			

Charnwood Museum															
Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
Recommendation 8	08.02.19	System				A root-cause analysis of the reason for storage of items on the balcony should be undertaken.	See Issue 6	See Issue 6	See Issue 6	Oct 19	Being progressed	Items on balcony are from the Carillon Tower. Awaiting outcome of lottery bid and completion of works at the Carillon before items can be moved.			

Town Hall															
Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
NCR 13	08.02.19	Waste	Inability to fulfil compliance obligations	3	2	In the yard there are several paint tins with drying paint inside. This paint is drying so that it can be disposed of. There is risk that with lids off the tins, rain water could mix with wet paint and be released to the drains via run off. It could also contaminate the non-hazardous waste it is stored outside with	These tins should either be stored inside away from drains, or outside in a bunded area.	Lack of emergency preparedness	A dedicated area for drying paint should be set up in or storage cupboard or similar area.	Oct 19	Being progressed A metal cabinet may be used to contain paint tins.	Tins are now stored in a paint store	Closed		

Town Hall

Issue

Date Raised

Area

Overall Risk Rating

Likelihood

Impact

Non-conformity

Immediate Recommended action

Root Cause

Corrective Action to be taken (how do we stop it happening again)

Follow-up by

Update May 2019

Update Oct 2019

Overall Risk Rating

Likelihood

Impact

NCR 14

08.02.19

Waste Documentation

Inability to fulfil compliance obligations

4

1

Fluorescent tubes and batteries are collected by Mercury Recycling Ltd. and are stored in a secure coffin in the yard. The hazardous waste consignment note dated 22.03.18 shows the SIC code 43.21/0 which is different to the organisation's SIC code of 84.11/0. There is no SIC code on the waste transfer note between Love Loughborough and CBC.

The correct SIC code for Charnwood BC should be communicated to Mercury Recycling Ltd. and Love Loughborough.

Lack of clarity as to what the SIC code is used for on notes and what it actually is (i.e. 84.11/0)

Discussions with waste providers should be undertaken so that templates of notes have the appropriate SIC code. If needed, the Council could create a template of note to ensure compliance is achieved.

Oct 19

Being progressed

Discussions with waste providers have taken place.

The correct SIC code will be used on next transfer.

Closed

NCR 15

08.02.19

COSHH

Risk of release of chemicals to environment / human health if release not handled correctly or in timely manner

1

4

No COSHH R.A. or MSDS readily available. To manage environmental risk, it is important that COSHH Risk Assessments and Materials Safety Data Sheets (MSDS) are readily accessible in order to provide an emergency response to potential spills and release to air. These Risk Assessments and MSDS need to be readily accessible in the event of an emergency. The notes are kept on the IT system and were not readily accessible. Three chemicals were sampled which are used (C1T - RTU Cleaner Sanitiser, Bactosol Beerline Cleaner and Dr Johnson's Sterilising Fluid). MSDS sheets and COSHH assessments could not be found at the time of audit.

If COSHH Risk Assessments are available on the IT system then these should be printed and stored with chemicals at each site, as a hard copy.

Lack of review

A full COSHH Audit is recommended. This would entail the creation of a register of all chemicals used at site, the production of a COSHH Risk Assessment for each and the request/sourcing of an MSDS for each. It is recommended that these are kept in paper form where the chemicals are kept. If any chemicals are brought in to the site for use, a risk assessment and MSDS should be produced immediately, prior to both use and storage.

Oct 19

Being progressed

COSHH sheets are now stored in a central point on the S Drive.

Closed

Page 34

Town Hall															
Issue	Date Raised	Area	Overall Risk Rating	Likeli hood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow -up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likeli hood	Impact
NCR 16 —	08.02.19	AHU	Inability to fulfil compliance obligations	4	3	There is no TM44 in place for the air handling units used at site, which contain a refrigerant.	A TM44 inspection should be booked immediately.	Lack of awareness that this was a requirement	Set up calendar reminders to ensure compliance is renewed every 5 years. Reports should be placed in an easy to access place on the online system.	Oct 19	Being progressed Inspection booked June 2019	Delay in getting a TM44 inspection due to difficulty finding a supplier. Will be in place early November. To follow-up in April audits.	9	3	3
Issue 9 —Page 35	08.02.19	System				Facilities management operates its own environmental management system separate to the centralised system. This is not always easily accessible. Although an environmental system is being used by the Building Manager and their department, this system is not the system which is used by Environmental Services team or the Sustainability Officer. This system has been devised by Management of the Town Hall and operates independently. It is located on a drive which not accessible to anyone other than Town Hall Management. No evidence of waste duty of care compliance could be provided for General Waste (Bakers), Mixed Recycling (Bakers), Mixed Recycling (Love Loughborough Scheme), Glass (Bakers) and Sanitary Waste, as the team member who manages the waste compliance was off sick on the day of audit. This documentation should be readily accessible by at least one team member on site at any time to demonstrate compliance.	Consideration as to how appropriate the current EMS is should be undertaken, and discussions with building managers should determine the best course of action to manage the environmental risks, opportunities and compliance obligations at each site. A brief guide on the requirements of such a system should be produced.	Centralised system not appropriate for localised operational requirement of site.	Though best practice would be to have a system accessible by both the sites and the Sustainability Officer, a separate system for storage of documents and active environmental management would be appropriate as long as the IT and physical documents meet the legal and other compliance requirements of Charnwood BC.	Oct 19	Legislation Update System (LUS) to be used to store EMS documentation. All sites will have access. Training to be provided September 2019.	A training session was completed on 19 th September. All sites have access to an online system. The system holds environmental management information on environmental aspects and impacts linking these to legislation and relevant actions required to ensure compliance.	Closed		
Recommendation 9	08.02.19	Waste				Waste in yard is mixed together and kept in a disorganised fashion.	Waste stored in the yard should be tidied and segregated properly.	N/A	Segregation of yard sections is recommended.		Being progressed	All staff have been reminded through team briefings about the separation of waste.			

Town Hall															
Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
Recommendation 10	08.02.19	Energy				A lighting expert should be employed to determine a more energy efficient lighting solution for the foyer.				Oct 19	Being progressed	This will be considered as part of Carbon Neutrality site energy audits.			
Recommendation 11	08.02.19					F-Gas equipment should be properly labelled.				Oct 19	Being progressed	This will form part of TM44 inspection.			

Oak Business Centre															
Issue	Date Raised	Area	Overall Risk Rating	Likeli hood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow -up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likeli hood	Impact
NCR 19	08.02.19	Waste documentatio n	Inability to fulfil compliance obligations	4	3	A waste transfer note is required for transfer of waste fluorescent tubes from one site to another. There are waste fluorescent tubes in the basement of the Oak Business Centre. It was verbally confirmed that the tubes are removed regularly by the Property Team and taken to the coffin at the Southfield Road Offices. This transfer would require a hazardous waste consignment note for the movement of the waste tubes and the appropriate licence	The documents should be sourced on the IT system or requested from the waste management companies. If a hazardous note is not being produced for the transfer of fluorescent tubes, this should be completed at the next collection.	Lack of awareness that this was a requirement.	The system which is used to store waste duty of care documentation should be easily accessible by all team members. If a hazardous note is not being produced for the transfer of fluorescent tubes, this should be completed for all collections.	Oct 19	Housing Services required to obtain an Upper Tier Waste Carriers Licence All transfers have been stopped until the upper tier waste transfer licence has been obtained by Housing,	The Environment Agency has confirmed an upper tier licence is not required due to waste being owned by CBC.	Closed		
	08.02.19	Waste documentatio n	Inability to fulfil compliance obligations	4	3	Several wooden pallets were stacked in the car park next to the bins. It was verbally confirmed that these are collected by another company but the paperwork is kept by the company with no paperwork for this retained at the Oak Business Centre. This paperwork is required to be kept on site, or on a digital readily accessible system, so that waste duty of care compliance can be demonstrated.	The paperwork should be acquired from the carrier immediately and kept on file.	Lack of awareness that this was a requirement.	Each time the carrier comes to site, the Oak Business Centre staff should ask for a waste transfer note to sign before the operative leaves.	Oct 19	Being progressed	CBC not responsible for this waste disposal. Tenant has been made aware paperwork must be kept.	Closed		
	08.02.19	System				Facilities management operates its own environmental management system separate to the centralised system. Although an environmental system is being used by the Facilities Manager and their department, this system is not the system which is used by Environmental Services team or the Sustainability Officer. This system has been devised by Facilities Management and operates independently. It is located on a shared drive which not accessible to anyone other than Facilities Management.	Consideration as to how appropriate the current EMS is should be undertaken, and discussions with building managers should determine the best course of action to manage the environmental	Centralised system not appropriate for localised operational requirement s of site.	Though best practice would be to have a system accessible by both the sites and the Sustainability Officer, a separate system for storage of documents and active environmental management would be	Oct 19	Legislation Update System (LUS) to be used to store EMS documentatio n. All sites will have access. Training to be provided September 2019.	Training provided 19 th September All sites have access to the online system.	Closed		

Oak Business Centre															
Issue	Date Raised	Area	Overall Risk Rating	Likeli hood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow -up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likeli hood	Impact
							risks, opportunities and compliance obligations at each site. A brief guide on the requirements of such a system should be produced.		appropriate as long as the IT and physical documents meet the legal and other compliance requirements of Charnwood BC.						
Issue 12	08.02.19	Waste	Inability to fulfil compliance obligations	4	2	There are loose cigarette butts on the ground in the car park.	These should be removed immediately by an appropriate party.	Lack of staff co-operation.	Verbal and written warnings and signage above cigarette bin.	Oct 19	Being progressed	Area is cleaned on an ongoing basis	4	4	1
Issue 13	08.02.19	Waste	Inability to fulfil compliance obligations	4	2	Fluorescent tubes loose and at risk of breakage.	It is recommended that tubes are stored in a coffin or similar box to reduce the risk of breakage.	Lack of awareness that this was a requirement.	As in immediate action.	Oct 19	Being progressed	Tubes are stored in a secure area.	4	2	2
Issue 14	08.02.19	Waste	Inability to fulfil compliance obligations	4	2	The bins are accessible to the public if the gates to the car park are open. There is not currently an issue with fly-tipping at this site, but the bins should be secured by the gate while not in use, or contained within a locked area, to keep the waste safe and secure.	The access to the bin area can perhaps be coordinated with a current key-fob system or similar.	Lack of awareness that this was a requirement.	As in immediate action.	Oct 19	Change in contractor has led to plastic bins with no lock rather than previous metal lockable containers	Site is secured overnight. CCTV operational. Discussions with waste provider to take place to address action. To follow-up in April audits.	8	4	2

Oak Business Centre															
Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
Recommendation 13	08.02.19	Energy				Outside lights in the car park were left on all day. Photocells for these lights could reduce the use of the lighting when not required	N/A				Being progressed	To be considered as part of lighting efficiency upgrade programme			

Ark Business Centre															
Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
NCR 24 Page 39	08.02.20	Water	Inability to fulfil compliance obligations	4	3	Charnwood BC require a permit for the discharge of trade effluent in to drains managed by the site, from the mobile vehicle washer	Charnwood BC require a permit for the discharge of trade effluent in to drains managed by the site, from the mobile vehicle washer	Lack of awareness that this was a requirement.	Until a permit is acquired, a notice should be issued to tenants that they are not to order the mobile washing unit until further notice.	Oct 19	Being progressed All tenants have been notified 6 tenants have been identified with discharges to storm water Potential to cripple a small business if worked stopped immediately Cost for a site interceptor would require capital expenditure.	Application to discharge made to Severn Trent. Awaiting authorisation. Works have been ordered to install a French drain in front of the two units in question for discharge to go to foul sewer rather than storm drain.	9	3	3

Ark Business Centre

Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
Issue 15	08.02.19	System				Facilities management operates its own environmental management system separate to the centralised system. Although an environmental system is being used by the Building Manager and their department, this system is not the system which is used by Environmental Services team or the Sustainability Officer. This system has been devised by Management of the Ark Business Centre and operates independently. It is located on a drive which not accessible to anyone other than Ark Business Centre Management.	Consideration as to how appropriate the current EMS is should be undertaken, and discussions with building managers should determine the best course of action to manage the environmental risks, opportunities and compliance obligations at each site. A brief guide on the requirements of such a system should be produced.	Centralised system not appropriate for localised operational requirements of site.	Though best practice would be to have a system accessible by both the sites and the Sustainability Officer, a separate system for storage of documents and active environmental management would be appropriate as long as the IT and physical documents meet the legal and other compliance requirements of CBC.	Oct 19	Legislation Update System (LUS) to be used to store EMS documentation. All sites will have access. Training to be provided September 2019.	A training session was completed on 19 th September. All sites have access to an online system. The system holds environmental management information on environmental aspects and impacts linking these to legislation and relevant actions required to ensure compliance.	Closed		
Issue 16	08.02.19	Waste	Inability to fulfil compliance obligations	4	1	Waste segregation: recycling waste was found in the general waste bin in the outside bin area	Management at Ark Business are, in the opinion of the auditor, doing all they can to encourage tenants to segregate waste in the communal bins.	Lack of tenant co-operation.	Though at the time of audit there was recyclable waste in the general waste, it is felt that Charnwood BC should continue with the level of education and communication with tenants which is currently in action.	Oct 19	Being progressed	Ongoing work with tenants in place on waste segregation.	4	4	1

Ark Business Centre															
Issue	Date Raised	Area	Overall Risk Rating	Likelihood	Impact	Non-conformity	Immediate Recommended action	Root Cause	Corrective Action to be taken (how do we stop it happening again)	Follow-up by	Update May 2019	Update Oct 2019	Overall Risk Rating	Likelihood	Impact
Issue 17	08.02.19	Waste documentation	Inability to fulfil compliance obligations	3	2	Printer cartridges were being collected in the foyer in cardboard box. It was verbally confirmed that they were removed by a courier. No service agreement was available.	Carrier Air Handling should be contacted to obtain the f-gas competency of the last engineer to carry out f-gas inspections at site.	Lack of awareness that this was a requirement.	The system which is used to store waste duty of care documentation should be easily accessible by all team members, and whenever waste leaves site, the duty of care documentation should be signed and obtained.	Oct 19	Being progressed	Paperwork is now in place	Closed		
Recommendation 17	08.02.19	Energy				Daylight sensors could reduce energy use in sunny areas of the building					Being progressed	Motion sensors are in place.			

Likelihood	Very Likely (4)	4	8	12	16
	Likely (3)	3	6	9	12
	Unlikely (2)	2	4	6	8
	Remote (1)	1	2	3	4
		Minor (1)	Significant (2)	Serious (3)	Major (4)
		Impact			

OVERALL RISK RATING	
12 - 16	HIGH
6 - 9	MODERATE
3 - 4	LOW
1 - 2	VERY LOW

AUDIT COMMITTEE 19TH NOVEMBER 2019

Report of the Head of Finance and Property Services

Lead Member: Councillor Tom Barkley

Part A

ITEM TREASURY MANAGEMENT UPDATE – MID-YEAR REVIEW FOR THE 6 MONTHS ENDED 30TH SEPTEMBER 2019

Purpose of Report

This report reviews the Treasury Management Strategy and the Annual Investment Strategy, plus the various Prudential Borrowing and Treasury Indicators for the first six months of 2019/20.

Recommendations

1. That it be recommended to Council that the Prudential Borrowing limits (the Operational Boundary and Authorised limits) are both increased by £15m to cover the financial implications of the Investment Strategy Cabinet Report (minute ref 32, 19th September 2019) and the Purchase of Fleet Cabinet Report (minute ref 29, 13th September 2018).
2. That it be recommended to Council to note this mid-year review of the Treasury Management Strategy Statement, Prudential Borrowing and Treasury Indicators plus the Annual Investment Strategy, as set out in Part B.

Reasons

1. To ensure that the Treasury Management Strategy and Prudential borrowing limits are updated to cover the proposed £10m Investment in Commercial Property recommended in the Investment Strategy Cabinet Report 19th September 2019 and £5m to cover the purchase of fleet for Environmental Services Contract; this will expand the borrowing headroom limits to meet the relevant financial implications.
2. To ensure that the Council's governance and management procedures for Treasury Management reflect best practice and comply with the Revised CIPFA Treasury Management in the Public Services Code of Practice, Guidance Notes and Treasury Management Policy Statement, that funding of capital expenditure is taken within the totality of the Councils financial position, and that borrowing and Investment is only carried out with proper regard to the Prudential Code for Capital Finance in Local Authorities.

Policy Justification and Previous Decisions

The Capital Strategy including the Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy, Prudential & Treasury Indicators must be approved by Council each year and reviewed half yearly. This review is set out in the attached report as Part B. The Strategy for the year was approved by Council on 25th February 2019.

Recommendation 1 in this report seeks to ensure that the Prudential Borrowing limits are increased to reflect the financial implications of two previous Cabinet decisions, as noted within the recommendation.

Implementation Timetable including Future Decisions and Scrutiny

This report will be available for the Audit Committee on 19th November 2019. If approved by Cabinet the recommendations to Council will be considered at the full Council meeting on 20th January 2020.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no direct financial implications arising from this report.

Risk Management

There are no direct risks arising from the recommendation in this report. Risks associated with the Treasury Policy etc. in general are included in Part B.

Key Decision:	No
Background Papers:	None
Officer to contact:	Lesley Tansey Head of Finance & Property Services 01509 634828 Lesley.tansey@charnwood.gov.uk
	Sarah Allen Senior Income Officer 01509 634819 Sarah.allen@charnwood.gov.uk

Part B

1. Background

1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities have been required to prepare a Capital Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

1.2 Proposed Changes Borrowing Limits - The Operational Boundary and The Authorised Limit

In reviewing the mid-year position, proposals set out in recent Cabinet reports may require the need to borrow externally, therefore it is necessary to increase the Operational boundary limit by £15m and the Authorised Limit by £15m. The Operational Limits is the limit which external debt is not normally expected to exceed. In most cases this would be similar figure to the CFR but may be lower or higher depending on the levels of actual debt and the ability to fund under borrowing by other cash recourses. The Authorised limit is the borrowing limit which external debt is prohibited, and this limit needs to be set by full Council. This limit reflects the level external debt which, while not desired, could be afforded in the short term.

1.3 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

“The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Audit Committee:

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2019/20 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2019/20;
- A review of the Council's borrowing strategy for 2019/20;
- A review of any debt rescheduling undertaken during 2019/20;
- A review of compliance with Treasury and Prudential Limits for 2019/20.

2. Economics and Interest Rates

2.1 Economics Update

UK. This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or 31 October, with or without a deal. However, in September, his proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October, though one is likely before the end of 2019. So far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. At the time of writing, (first week in October), the whole Brexit situation is highly fluid and could change radically by the day. Given these circumstances and the likelihood of an imminent general election, any interest rate forecasts are subject to material change as the situation evolves. If the UK does soon achieve a deal on Brexit agreed with the EU, including some additional clarification wording on the Irish border backstop, then it is possible that growth could recover relatively quickly. The MPC could then need to address the issue of whether to raise Bank Rate when there is very little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the MPC would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in government departments and services annual expenditure budgets and expenditure on infrastructure projects, to boost the economy.

The first half of 2019/20 has seen UK **economic growth** fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. The MPC meeting of 19 September reemphasised their concern about the downturn in world growth and also expressed concern that the prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019 but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

With regard to the **labour market**, despite the contraction in quarterly GDP growth of -0.2%q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not over stretched and so will be able to support growth going forward. This would then mean that the MPC will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

In the **political arena**, if there is a general election soon, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening. The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates again in September to 1.75% - 2.00% and is thought likely to cut another 25 bps in December. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1 and then fell to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in

the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy. On the political front, Austria, Spain and Italy are in the throes of forming coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress also still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. The trade war with the US does not appear currently to have had a significant effect on GDP growth as some of the impact of tariffs has been offset by falls in the exchange rate and by transshipping exports through other countries, rather than directly to the US.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide

downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

2.2 Interest Rate Forecasts

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View										
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

The above forecasts have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That's shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a "gradual pace and to a limited extent" is now also conditional on "some recovery in global growth". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September MPC meeting sounded even more concern about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth.

Bond yields / PWLB rates. There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on

consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

What we have seen during the last half year is a near halving of longer term PWLB rates to completely unprecedented historic low levels. There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but due to a correlation between US treasuries and UK gilts, which at various times has been strong but at other times weaker, in the UK. However, forecasting the timing of this and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious. Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt fuelled boom which now makes it harder for economies to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The Balance of Risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash. There has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for eleven years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although

central banks have made statements that they expect it to be much lower than before 2008. Central banks could, therefore, over or under-do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor, though more recently concerns have arisen over her health.
- **Other minority EU governments**. Austria, Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within

the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

3. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS), for 2019/20 was approved by this Council on 25th February 2019.

- The TMSS previously approved requires revision in the light of economic and operational movements during the year. The proposed changes and supporting detail for the changes are set out below and detailed in Section 1.2:

Prudential Indicator 2019/20	Proposed Change	Budget £ '000	Actual £'000
Authorised Limit	£111,000	£96,000	£81,190
Operational Boundary	£96,190	£81,190	81,190
Capital Financing Requirement	£81,190	£81,190	£81,190

4. The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

4.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	2019/20 Original Estimate	Actual Spend 30/9/2019
	£m	£m
General Fund	5,959	1,099
HRA	9,094	808
Total capital expenditure	15,053	1,907

The Actual Capital spend is slow for the first half of the year and excludes commitments. The is being closely monitored and will be addressed in the Capital Monitoring Amendment report to Cabinet in December 2019.

4.2 Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2019/20 Current Budget £m
Total Capital Budget	15.1
Financed by:	
Capital receipts	2.7
Capital grants	3.1
Capital reserves (MRR)	8.3
Revenue	1.00
Total financing	15.1
Borrowing requirement	0

4.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast Capital Financing Requirement.

Prudential Indicator – the Operational Boundary for external debt

	2019/20 Current Budget £m	Current Position £m
CFR – Non Housing	0	0
CFR – Housing	81,190	81,190
Total CFR	81,190	81,190
Net movement in CFR	0	0
Borrowing	81,190	81,190
Total Debt (yearend position)	81,190	81,190

4.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2019/20 Original Estimate £m	Actual Position 30/9/2019 £m
Borrowing (Gross External Debt)	81,190	81,190
Less Investments	(35,956)	(58,810)
Net Borrowing (External Debt)	45,234	22,380

The Head of Finance & Property Services reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2019/20 Original Indicator	Current Position
Borrowing	96,000	81,190
Total	96,000	81,190

5. Investment Portfolio 2019/20

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As shown by forecasts in section 3.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short-term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

The average level of funds available for investment purpose during the first half year was £50.05m. Internal investments as at 30th September 2019 and the investment portfolio yield for the first 6 months of the year is 0.97% against a benchmark of 3 months London interbank Bid Rate (LIBID) of 0.66 %. Although the rate of return is low, our performance can still be considered to be good as we have exceeded the target rate.

The interest rate earned by the Council's £5m External Property Funds' investments as at 30th June 2019 is 0.90% £91K. This is a reasonable rate in comparison to the benchmark average rate for the two Property investments funds of 0.60% supplied.

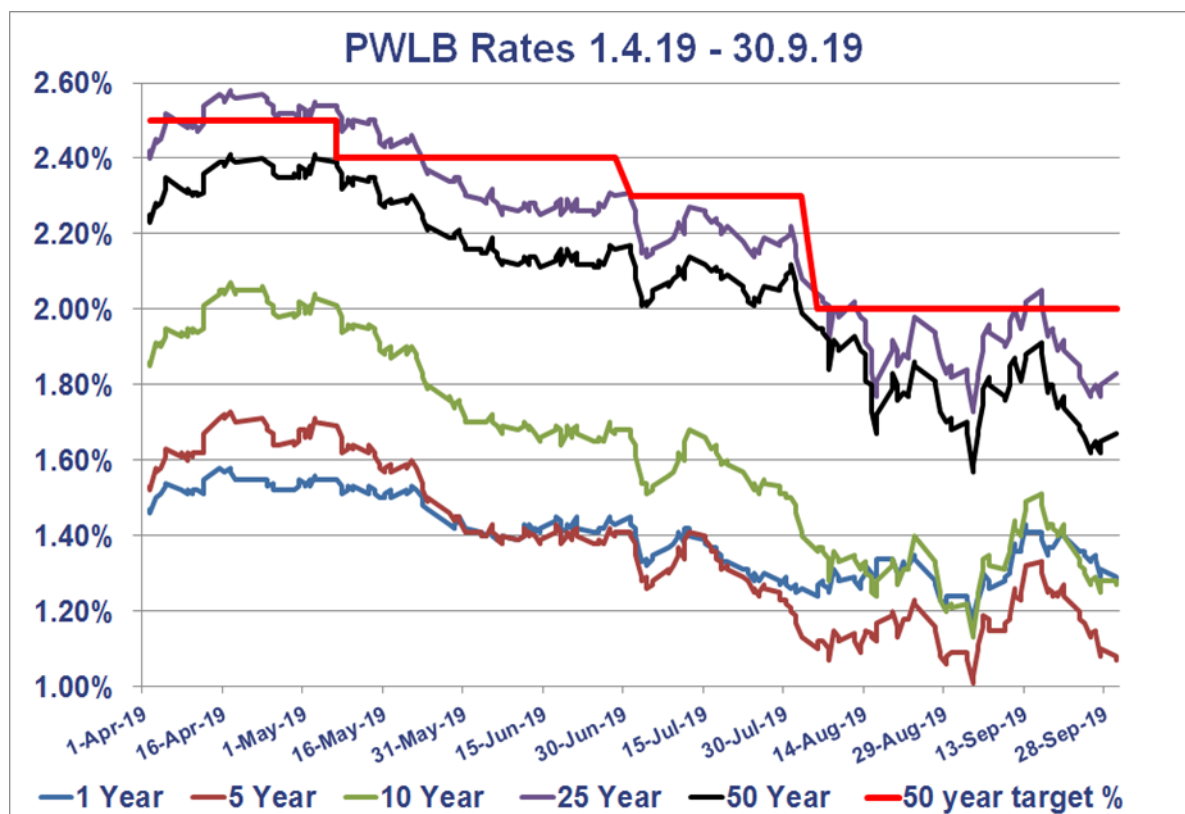
The Head of Finance & Property Services confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2019/20.

The Council's budgeted annual investment return for 2019/20 is £390k, and performance for the year to date is £307k including Property Funds. The Council performed above target in both percentage and actual returns to date and should perform above the budget set 2019/20.

6. Borrowing

The Council's capital financing requirement (CFR) for 2019/20 is £81,190m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 5.4 shows the Council has borrowings of £81,190m.

The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date. PWLB rates have been on a falling trend during this period and longer rate have almost halved to reach historic lows. The 50-year PWLB target (certainty) rate for new long-term borrowing fell from 2.50% to 2.00% during this period.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.17%	1.01%	1.13%	1.73%	1.57%
Date	03/09/2019	03/09/2019	03/09/2019	03/09/2019	03/09/2019
High	1.58%	1.73%	2.07%	2.58%	2.41%
Date	15/04/2019	17/04/2019	17/04/2019	17/04/2019	17/04/2019
Average	1.40%	1.37%	1.62%	2.20%	2.07%

Increase in the cost of borrowing from the PWLB

On 9 October 2019 the Treasury and PWLB announced an increase in the margin over gilt yields of 100bps on top of the current margin of 60 bps which this authority has paid prior to this date for new borrowing from the PWLB. There was no prior warning that this would happen, and it now means that every local authority has to fundamentally reassess how to finance their external borrowing needs and the financial viability of capital projects in their capital programme due to this unexpected increase in the cost of borrowing. Representations are going to be made to HM Treasury to suggest that areas of capital expenditure that the Government are keen to see move forward e.g. housing, should not be subject to such a large increase in borrowing.

Whereas this authority has previously relied on the PWLB as its *main* source of funding, it now has to fundamentally reconsider alternative cheaper sources of borrowing. At the current time, this is a developmental area as this event has also taken the financial services industry by surprise. We are expecting that various financial institutions will enter the market or make products available to local authorities. Members will be updated as this area evolves.

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. This Authority may make use of this new source of borrowing as and when appropriate.

7. Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

No new borrowing was undertaken during the half year, the council however has plans to borrow in light of the Investment Strategy Report of 19th September 2019 and the Purchase of Fleet Cabinet Report 13th September 2018. The 100bps increase in PWLB rates from 9.10.19 only applied to new borrowing rates, not to premature repayment rates.

Appendices

Appendix 1: Portfolio of investments as at 30th September 2019

Appendix 2: Approved countries for investments as at 30.9.2019

Appendix 3: Glossary of Terms

APPENDIX 1: Investment Portfolio

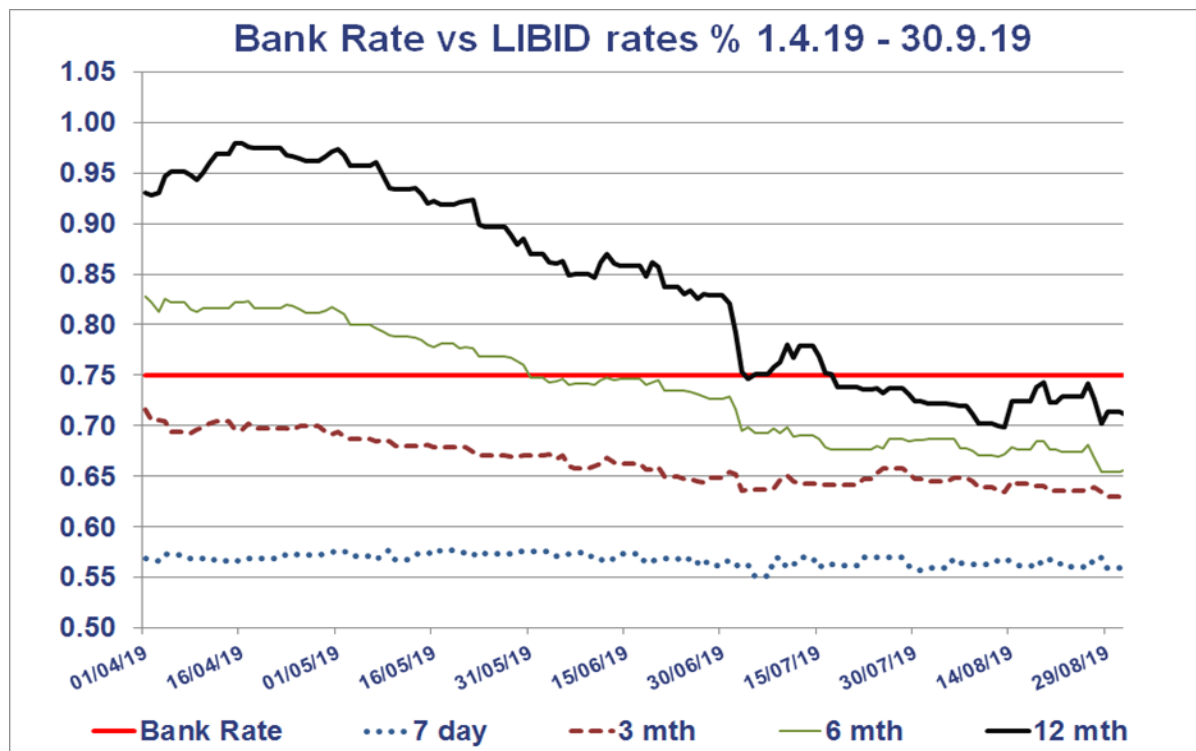
Investments held as at 30 September 2019

Institution	Maturity Date	Interest Rate %	Principal £'000
Lancashire County Council	30/01/2020	1.05	2,000
Wyre Forest District Council	09/10/2020	1.40	2,000
Close Brother	25/10/2019	1.10	2,000
Sumitomo Mitsui Banking Corporation Europe	13/01/2020	0.80	3,000
National Westminster Bank	05/02/2020	0.81	4,000
HSBC	3 Month Notice	0.91	5,000
Santander	180 Day Notice	1.00	8,000
Bank of Scotland	95 Day Notice	1.10	8,000
Goldman Sachs International Bank	95 Day Notice	0.94	2,500
Goldman Sachs International Bank	35 Day Notice	0.80	2,500
Federated Money Market Fund	1 Day Notice	0.74	7,000
Aberdeen Money Market Fund	1 Day Notice	0.74	7,000
Insight Money Market Fund	1 Day Notice	0.69	810
Lothbury Property Fund			2,500
Hermes Property Fund			2,500
Total			58,810

Internal Investment performance year to date as at 30 September 2019 (Excludes Property Funds)

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
6 month	0.73%	0.97%	£216k

	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.75	0.58	0.61	0.72	0.83	0.98
High Date	01/04/2019	09/05/2019	15/04/2019	01/04/2019	01/04/2019	15/04/2019
Low	0.75	0.55	0.58	0.63	0.65	0.69
Low Date	01/04/2019	05/07/2019	08/08/2019	29/08/2019	04/09/2019	04/09/2019
Average	0.75	0.57	0.60	0.66	0.73	0.83
Spread	0.00	0.03	0.03	0.09	0.18	0.29



APPENDIX 2: Approved countries for investments as at 30.9.19

This list is based on those countries which have a sovereign rating of AA- or Higher

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- Hong Kong
- France
- U.K.

AA-

- Belgium
- Qatar

APPENDIX 3: Glossary of Terms

Capital Financing Requirement

CFR is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of expenditure above, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

Operational Boundary

The operational boundary is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Authorised Limit for External Debt

A further key prudential indicator represents a control on the maximum level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Gross External Debt

This is the total amount borrowed by the Council at a point in time.

Investments

The budgeted figure is the estimated average funds available for investment during the year. The actual figure is the total amount invested as at 30th September for Internal Investments and 30th June Property Funds.

Net Borrowing

Net borrowing is gross external debt less investments.

Loans

In this mid-year (and previously) interest receivable has exceeded interest payable for the General Fund producing a negative number for net interest payable and a somewhat odd-looking negative ratio; this can be construed as indicating that the Council has no issues servicing General Fund loans at this time.

AUDIT COMMITTEE – 19th November 2019

Report of the Head of Strategic Support

Part A

ITEM 8 INTERNAL AUDIT PROGRESS REPORT

Purpose of Report

The report summarises the progress made against outstanding audits for the 2018/19 Audit Plan and progress in respect of the 2019/20 Audit Plan. Furthermore, it outlines the key findings from the final audit reports and details the follow-up work completed since the previous progress report, considered by the Audit Committee at the meeting held 11th June 2019.

Recommendation

The Committee notes the report.

Reason

To ensure the Committee is kept informed of progress against the approved Internal Audit Plans.

Policy Justification and Previous Decisions

The Accounts and Audit Regulations 2015 state (Regulation 5 (1)) that the relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards and any appropriate guidance.

Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a quarterly basis.

Report Implications

The following implications have been identified for this report:

Financial Implications

None

Risk Management

There are no specific risks associated with this report

Background Papers:

None

Officers to contact:

Adrian Ward, 01509 634573
adrian.ward@charnwood.gov.uk

Tracey Hayes, 01509 634805
tracey.hayes@charnwood.gov.uk

Part B

1. Progress against the 2018/19 and 2019/20 Audit Plans

General Audits – There are five audits that remain to be completed from the 2018/19 Audit Plan.

In the case of two audits (i.e. Decent Homes and Licensing) the fieldwork has been completed and draft reports will be issued in due course. There are two further audits where the draft reports have been issued (i.e. Performance Management and Car Parking) and one audit (i.e. CCTV) where the service has requested the field work to be undertaken in December.

Since the last Audit Committee meeting in June, additional external resources have been procured from accounting company BDO (Binder, Dijker and Otte) to undertake 7 general audits, during the period September 2019 to January 2020 (90 audit days in total):

Audit	Audit Days	Update
Decent Homes 2018/19	15 days	Draft report to be issued
Car Parking 2018/19	12 days	Draft report issued
Absence Management 2019/20	12 days	To commence 27th January 2020
General Data Protection Regulation 2019/20	12 days	In Progress
Procurement 2019/20	12 days	To commence 6th January 2020
Voids Management 2019/20	12 days	Being scheduled
Responsive Repairs 2019/20	15 days	To commence 20th January 2020

IT Audits – IT audits are undertaken by an external contractor and as scheduled the 2019/20 audit on Disaster Recovery is in progress. In addition, the remaining IT Audit on IT Helpdesk/Demand Management has been scheduled for January 2020.

In relation to the 2019/20 audit plan, there are twenty-eight general audits in the plan (ten key financial audits and eighteen strategic and service risk audits). At the end of September 2019 there was one audit completed (Disabled Facilities Grants); one in progress (GDPR) and four that had been scheduled with services (Absence Management, Procurement, Voids Management and Responsive Repairs).

Consideration is currently being given to commissioning further external support to deliver more of the planned 2019/20 audits.

2. Final Audit Reports Issued

The following final audit reports have been issued since the last update report to the Committee back in June. Further detail in respect of these audits is attached in Appendix B, including a background section, the executive summary, and the agreed action plan listing recommendations made and the management responses.

Audit	Field Work Completed	Draft Report Issued	Final Report Issued	Current Level of Assurance	Previous Audit Level of Assurance	Corporate Significance
Housing Benefits & Council Tax Support 2018/19	Apr-19	Apr-19	Jun-19	Substantial	Substantial	High
Creditors 2018/19	May-19	Jun-19	Jun-19	Substantial	Substantial	High
Debtors 2018/19	Apr-19	Jun-19	Jun-19	Substantial	Substantial	High
Non-Domestic Rates 2018/19	Apr-19	Jun-19	Jun-19	Substantial	Moderate	High
Annual Leave, Flexi & TOIL 2018/19	Feb-19	Feb-19	Jun-19	Moderate	No Previous Audit	Low
Revenues and Benefits Contract 2018/19	Jun-19	Jun-19	Jun-19	Moderate	Moderate	High
Enforcement 2018/19	Apr-19	Apr-19	Jul-19	Substantial	No Previous Audit	Medium
Housing Rents 2018/19	Jun-19	Jun-19	Jul-19	Substantial	Moderate	High
Income Collection 2018/19	May-19	Jun-19	Jul-19	Substantial	Substantial	High
Payroll 2018/19	May-19	Jul-19	Aug-19	Substantial	Substantial	High
Disabled Facilities Grants – Annual Certification 2019/20	Sept-19	N/A	Sept-19	Substantial	Substantial	High
Performance Management 2018/19	Oct-19	Oct-19	Oct-19	Moderate	Substantial	High

3. ICT Audits

One final IT audit report has been issued since the last update report to the Committee. Further details in respect of this audit are included in Appendix B.

Audit	Field Work Completed	Draft Report Issued	Final Report Issued	Current Level of Assurance	Previous Audit Level of Assurance	Corporate Significance
Cyber Security 2019/20	May-19	Jun-19	Jul 19	Moderate	No Previous Audit	High

4. Follow Up of Recommendations

The table below summarises the follow-up status of recommendations which were due to be implemented during the two quarters (April 2019 to June 2019 and July 2019 to September 2019).

The status of recommendations is as follows:

	Priority Level	Implemented	Not Implemented	No Further Action
Apr – Sept 2019	High	0	1	1
	Medium	6	7	0
	Low	16	2	6
Percentages		56%	26%	18%

5. Special Investigations

Since the last Audit Committee there have been two Right to Buy (RTB) applications referred to audit. The cases have been passed to the Corporate Investigation Manager at Leicester City Council for further investigations to be made.

In the meantime, the Audit Team have been working with Property Services (who administer these applications) with the view of implementing more robust procedures. Moving forward Property Services will also be working with the Exchequer Services Manager at Leicester City Council to establish best practice for administering RTB applications and there is also the potential that they will be able to provide additional checks, such as credit checks.

The audit on RTB in the 2019/20 plan will review progress with changes to the current procedures in place and the robustness of the application process.

6. Performance Indicators for Internal Audit

The following summary outlines the results against the local performance indicators for Internal Audit for 2019/20.

Indicator	Target	Result	Notes
Percentage of clients that rated the performance of Internal Audit as satisfactory or higher.	90% (Annual)	-	No data available
Percentage of the agreed 2019/20 Internal Audit plan delivered (as at 30/09/2019).	90%	3%	See commentary in the report. Percentage completed based upon actual time spent on 2019/20 planned audits.
Percentage of agreed recommendations arising from internal audit reviews implemented by the agreed	69%	96%	April – September 2019 (27/39 recommendations)

7. Update on the Internal Audit Shared Service Proposal

Cabinet approved the proposal to enter into a shared service arrangement for Internal Audit with North West Leicestershire and Blaby District Councils at their meeting on 19th September 2019.

Following that the new Senior Auditor post was advertised, but unfortunately no applications were received. Consideration is therefore being given to potential options to move forward, but the unsuccessful recruitment means that the implementation of the shared service will be delayed.

Therefore, and as referred to previously in this report, consideration is currently being given to using additional external resources to undertake further audits from the 2019/20 audit plan.

Appendices

Appendix A – Summary of progress against the 2018/19 and 2019/20 Audit Plans as at 30th September 2019.

Appendix B – Summary of Final Audit Reports Issued.

Appendix C – Recommendations not implemented by the Agreed Date as at 30th September 2019.

PROGRESS AGAINST THE 2018/19 AUDIT PLAN

2018/19 Audit Plan	Plan Days	Spent Days (30.09.19)	Status as at 30.09.19	Assurance Level	Corporate Significance
Key Financial Systems					
<i>Full Systems Audit</i>					
Accountancy & Budgetary Control	10.00	10.00	Completed	Substantial	High
Payroll	10.00	9.00	Completed	Substantial	High
Capital Accounting	8.00	8.00	Completed	Substantial	High
Non-Domestic Rates	8.00	10.00	Completed	Substantial	High
<i>Targeted Testing:</i>					
Creditors	3.00	2.50	Completed	Substantial	High
Debtors	2.00	6.75	Completed	Substantial	High
Income Collection	2.00	2.50	Completed	Substantial	High
Housing Benefits and Council Tax Support	3.00	4.50	Completed	Substantial	High
Council Tax	3.00	3.00	Completed	Substantial	High
Housing Rents	3.00	3.50	Completed	Substantial	High
<i>Quarterly Testing:</i>					
Treasury Management	2.00	2.00	Completed		
Bank Reconciliation	2.00	2.00	Completed		
Sub Total – KFS Reviews	56.00	63.75			
Strategic & Service Risk Audits					
NFI/Counter Fraud	10.00	10.00	Completed		
Homelessness	12.00	13.00	Completed	Substantial	High
Decent Homes Contract	15.00	14.00	In Progress -Draft Report to be issued Oct-19		

2018/19 Audit Plan	Plan Days	Spent Days (30.09.19)	Status as at 30.09.19	Assurance Level	Corporate Significance
Grants to Community Groups (Landlord Services)	8.00	5.50	Completed	Moderate	Low
Licensing	10.00	9.00	In Progress – draft report to be issued Nov-19		
Car Parking	12.00	12.00	Draft Report		
Enforcement (Cross cutting)	20.00	20.50	Completed	Substantial	Medium
Revenues & Benefits Contract	12.00	11.00	Completed	Moderate	High
Performance Management	10.00	16.00	Completed	Moderate	High
Staff Allowances & Expenses	10.00	10.25	Completed	Moderate	Low
Garden Waste Scheme	10.00	11.00	Completed	Moderate	Medium
Sport & Active Recreation	10.00	10.00	Completed	Substantial	Low
CCTV	8.00	1.00	Delayed due to Service		
Mayoralty	8.00	4.50	Completed	Substantial	Medium
Holiday pay/flexi/toil policies and application.	12.00	12.00	Completed	Moderate	Low
ASB (cross cutting use of Sentinel etc)	9.00	10.00	Completed	Moderate	High
Corporate Credit Cards	10.00	10.00	Completed	Moderate	Medium
Sub Total – Strategic & Services Audits	184.00	179.75			
Other Work					
Recommendations - Follow Ups	20.00	20.00	Completed		
Ad Hoc Investigations/Contingency	30.00	7.50	N/A		
Allowance to complete 2017/18 Audits	10.00	50.00	N/A		
Sub Total – Other work	60.00	77.50			
TOTAL – Audit Plan (not including IT externally resourced audit)	300.00	321.00			

PROGRESS AGAINST THE 2019/20 AUDIT PLAN

2018/19 Audit Plan	Plan Days	Spent Days (30.10.19)	Status as at 30.10.19	Assurance Level	Corporate Significance
Key Financial Systems					
<i>Full Systems Audit</i>					
Council Tax	10.00		Scheduled for Q4		
Creditors	10.00		Scheduled for Q4		
Debtors	10.00		Scheduled for Q4		
<i>Targeted Audits</i>					
Payroll	3.00		Scheduled for Q4		
Accountancy and Budgetary Control	3.00		Scheduled for Q4		
Capital Accounting	2.00		Scheduled for Q4		
Income Collection	2.00		Scheduled for Q4		
Housing Benefits and Council Tax Support	3.00		Scheduled for Q4		
Non-domestic Rates	2.00		Scheduled for Q4		
Housing Rents	3.00		Scheduled for Q4		
<i>Quarterly Testing</i>					
Treasury Management	2.00				
Bank Reconciliation	2.00				
Sub Total – KFS Reviews	52.00				
Strategic & Service Risk Audits					
NFI/Counter Fraud	25.00				
Right to Buy	10.00				
Asset Management	10.00				

2018/19 Audit Plan	Plan Days	Spent Days (30.10.19)	Status as at 30.10.19	Assurance Level	Corporate Significance
Project Management	12.00				
Responsive Repairs (outsourced)	15.00		Scheduled for Q4		
Voids Management (outsourced)	12.00		Scheduled for Q3		
Choice Based Lettings/Allocations	12.00				
Food Safety	10.00				
Building Control	12.00				
DFG – Annual Certification	3.00	3.50	Completed	Substantial	High
Town Hall	15.00				
Charnwood Grants	10.00				
Fleet Management	10.00				
Leisure Centre Contract	12.00				
Absence Management (outsourced)	12.00		Scheduled for Q4		
Development and Implementation of People Strategy					
Strategic Communication					
Procurement (outsourced)			Scheduled for Q4		
GDPR (outsourced)			In Progress		
Sub Total – Strategic & Services Audits	231.00	3.50			
IT Audit (delivered by BDO)					
Cyber Security	16.00	16.00	Completed	Moderate	High
Disaster Recovery	13.00		In Progress		
TOTAL IT	29.00	16.00			
Other Work					
Recommendations - Follow Ups	20.00				
Ad Hoc Investigations/Contingency	30.00				
Allowance to complete 2018/19 Audits	10.00				
Sub Total – Other work	60.00				
TOTAL – Audit Plan (not including IT externally resourced audit)	343.00				

SUMMARY OF FINAL AUDIT REPORTS ISSUED

Housing Benefits and Council Tax Support 2018/19

1. Background

The Benefits Service is responsible for administering the Housing Benefit Scheme and the Leicestershire and Rutland Council Tax Support Scheme for the residents of Charnwood. The Revenues and Benefits functions have been outsourced to Capita since February 2010; the monitoring of the contract with Capita is overseen by the Head of Customer Experience.

The Housing Benefits (HB) and Council Tax Schemes (CTS) are one of the identified key financial systems, which are audited on an annual basis.

2. Executive Summary

2.1 Overview

**ASSURANCE RATING –
SUBSTANTIAL ASSURANCE**

**CORPORATE
SIGNIFICANCE – HIGH**

Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

Based on the audit work undertaken there were no significant areas of weakness identified. Testing shows that overpayments of benefit are dealt with in accordance with the overpayment strategy, properly recorded, calculated correctly and arrangements for recovery are made promptly. Write-offs have been dealt with in accordance with agreed procedures and have been properly recorded and accounted for in the Benefits System (Academy).

All reconciliations between the Benefits System and General Ledger were completed as scheduled and were appropriately authorised, reducing the risk of anomalies not being found promptly.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000
- Service failures would have significant impact on customers
- Risk of serious reputational damage (national press/TV)

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- Overpayments of benefit are dealt with in accordance with the overpayment strategy, properly recorded, calculated correctly and arrangements for recovery are made promptly.
- Write-offs are undertaken in accordance with agreed procedures and Financial Procedure Rules.
- All reconciliations between the Benefits System and General Ledger were completed as scheduled and were appropriately authorised, reducing the risk of anomalies not being found promptly.

However, from the work undertaken during the review, we have also identified the following area where there is scope for improvement to ensure that the system operates more effectively, efficiently and address weaknesses identified:

- In 8/10 cases the write-off proforma had been appropriately authorised, but in one case a copy of the proforma could not be located on SharePoint and in the remaining case, the proforma had not been authorised.
- The Write-offs Policy has not been reviewed since 2016.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. In 8/10 cases the write-off proforma had been appropriately	Write-offs are not appropriately authorised, possibly resulting	1. All individual write-off proformas are appropriately authorised in accordance with the	Low	Ensure all scanned documents are double checked once scanned and before destruction to	Revenues and Benefits Contract Officer	May 2019 - ongoing

authorised but in one case a copy of the proforma could not be located on SharePoint and in the remaining case the proforma had not been authorised.	in invalid write – offs being actioned.	limits set in the Financial Procedure Rules. All proformas should be available on SharePoint to evidence the authorisation for the write - off.		ensure valid record of approval.		
2. The Write-offs Policy has not been reviewed since 2016.	The Policy may not reflect current best practice and legislative requirements.	2. The Write-offs Policy is reviewed, and this is evidenced by version control.	Low	The Write Off Policy is reviewed jointly with Capita and Charnwood and where necessary updated	Head of Customer Experience	June 2019

Creditors 2018/19

1. Background

The Creditors system is one of the identified key financial systems, which are audited on an annual basis. The creditors function within Charnwood Borough Council is located within Financial Services and provides a centralised service for the payment of invoices to the suppliers of the Council.

2. Executive Summary

2.1 Overview

**ASSURANCE RATING –
SUBSTANTIAL ASSURANCE**

**CORPORATE
SIGNIFICANCE – HIGH**

Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

Based upon the work undertaken the systems and controls in place surrounding the purchasing of goods and services are operating well and effectively.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000
- Service failures would have significant impact on customers
- Risk of serious reputational damage (national press/TV)

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- There are adequate procedures in place for the validation, authorisation and payment of invoices received.
- Reconciliations between the creditor's system and the general ledger are undertaken on a regular basis and are independently reviewed.
- There is adequate segregation of duties between ordering and payment of goods/services.

3. Action Plan

There are no recommendations for management consideration.

Debtors 2018/19

1. Background

The sundry debtor's function is one of the identified key financial systems, which are audited on an annual basis. The sundry debtor's function within Charnwood Borough Council is located within Financial Services and provides a centralised service for the collection of sundry income due to the Council.

2. Executive Summary

2.1 Overview

**ASSURANCE RATING –
SUBSTANTIAL ASSURANCE**

**CORPORATE
SIGNIFICANCE – HIGH**

Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

Testing found that there is evidence to verify that the Income Section are taking appropriate action, in accordance with the strategic approach of Debt Recovery Policy, however testing highlighted areas of concern in respect of the responsibility of services in relation to debt recovery. For example, ensuring where possible that the collection of the fee/charge involved takes place prior to the service being provided so that credit is only given when essential to do so; ensuring appropriate documentation is in place to allow court action to be taken where necessary (orders or written agreements); ensuring all liable persons are identified for invoicing and ensuring prompt action is taken, where it can be, to prevent debts increasing (i.e. revoking services).

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000

- Service failures would have significant impact on customers
- Risk of serious reputational damage (national press/TV)

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- There is an up to date Sundry Debt Recovery Policy in place.
- Arrears are reviewed monthly.
- The Income Section is taking appropriate action in accordance with the Sundry Debt Recovery Policy.
- Reconciliations between the debtor's system and the general ledger are undertaken on a regular basis and are independently reviewed.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- Testing highlighted concerns in respect of the responsibility of services in relation to debt recovery (as detailed above in 2.1).

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. Testing highlighted concerns in respect of the responsibility of services in relation to debt recovery (as detailed above in 2.1). In addition, key outstanding debt, over 90 days is	Breach of the Sundry Debt Recovery Policy. Current practice allows debts to accumulate resulting in	1.1 The Strategic Director of Corporate Services reminds the Senior Management Team of the Council's strategic approach to the collection of debt and the responsibilities of services in that process. To facilitate this, the analysis	Low	To provide service managers with the current Sundry Debt Recovery Policy, process and service managers responsibilities Sundry Debt Recovery Policy	Head of Finance and Property/ Senior Income Officer	August 2019

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
highlighted in 4.1, for the key groups.	increased risk of bad debt and costs incurred on recovery action.	of outstanding debt, over 90 days to be circulated in order to raise awareness of SMT of the debt by key groups.	Low	Current Debt Analysis reports are provided as key performance indicators, also specific monthly Age Debt reports are sent to Service Managers.	Head of Finance and Property/ Senior Income Officer	Ongoing
	Lack of documentation means legal action cannot be taken.	1.2 The Income Section considers using a suspense account to move income from budgets where services are reluctant to co-operate in debt recovery or write off the debt.	Low	1.2 This has been considered, however, this would not facilitate the debt recovery process and would be inefficient to do.	Head of Finance and Property/ Senior Income Officer	No Further Action
		1.3 <i>Rent Guarantee Debt</i> The Housing Needs Team undertakes a review of the current outstanding debt, particularly in respect of debt more than 90 days old and advises the Income Section of action to be taken.	Low	A Meeting has been set up with Housing Needs on the 21 st June to review this process.	Senior Income Officer	July 2019
		1.4 <i>Markets and Fairs</i> Arrears cases continue to be monitored on a monthly basis and the key actions		Monthly Age Debt Reports are sent to Service Managers to aide this process.	Head of Leisure and Culture/ Markets, Fairs and Town Centre Operations	October 2019

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
		identified in 4.1 be implemented to prevent arrears increasing further.			Manager	

Non-Domestic Rates 2018/19

1. Background

The Non-Domestic Rates (NDR) system is one of the identified key financial systems which are audited on an annual basis. The Revenues and Benefits function which administers the collection of Non-Domestic Rates was outsourced to Capita in February 2010. In April 2013, the Business Rate Retention Scheme was introduced. This changed the way in which non-domestic rates are distributed but did not change the way in which they are collected.

Capita's responsibilities include three main functions: i.e. billing, enforcement and control. The monitoring of the Capita contract is overseen by the Head of Customer Experience.

2. Executive Summary

2.1 Overview

**ASSURANCE RATING –
SUBSTANTIAL ASSURANCE**

**CORPORATE
SIGNIFICANCE – HIGH**

Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

Based on the work undertaken during this review, it was found that the procedures in place reduce the risks associated with ensuring all income due is collected and that all discretionary and mandatory reliefs are appropriately applied. All reconciliations reviewed had been completed promptly and accurately, and where appropriate had been reviewed.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000

- Service failures would have significant impact on customers
- Risk of serious reputational damage (national press/TV)

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- New properties in the Borough are identified and the Valuation Office informed.
- Valuation data is correctly entered into the system.
- Rates are collected, refunded or reconciled in accordance with legislation and local policies.
- Discretionary and Mandatory reliefs are awarded in accordance with legislation or local policy.
- Recovery, write-offs and enforcement are undertaken in accordance with guidance, legislation or financial procedure rules.

3. Action Plan

There are no recommendations for management consideration.

Revenues and Benefits Contract 2018/19

1. Background

The Council currently has in place a contract for the provision of Revenues, Benefits and Associated Transactional Services. The contract was awarded to Capita Business Services Limited for a period of ten years with the option of a five-year extension period. The contract commenced on 1st February 2010 and has an estimated value of £22.5 million, over the contract period.

The monitoring of the contact falls under the responsibility of the Authorised Officer, the Head of Customer Experience. There is a Contract Officer employed by the Council who is responsible for the detailed sample checking of claims processed by the contractor, the monitoring of performance levels in line with contractual requirements and ensuring consistent quality and effective delivery of services in line with statutory regulations and Council policy.

2. Executive Summary

2.1 Overview

ASSURANCE RATING – MODERATE ASSURANCE	CORPORATE SIGNIFICANCE – HIGH
--	--

Assurance

Internal Audit can give moderate assurance to those charged with governance. Whilst there are no serious weaknesses in the internal control environment within the areas reviewed, there is a need to further enhance controls and to improve the arrangements for managing risks.

In the main the findings of this review are based on discussions, with a restricted amount of testing being undertaken. It was found that there are adequate arrangements in place to ensure that the Contract and Key Performance Indicators are monitored however discussions and actions during the monthly management meetings are not documented.

Payments due under the terms of the Contract are checked and made appropriately. Information relating to customer satisfaction has not been received from the contractor in recent years.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000

- Suspected cases of fraud or corruption over £10,000
- Service failures would have significant impact on customers
- Risk of serious reputational damage

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- There is a contract in place that has been developed, agreed and signed by both a representative of the client and the contractor thus ensuring they are legally binding.
- Monthly meetings are held to enable contract management responsibilities to be fulfilled with representatives from CBC and the contractor.
- Adequate arrangements are in place for monitoring the contractor's performance against agreed Key Performance Indicators (KPIs) and all KPIs identified in the contract are included in the monitoring process.
- Expected levels of service and standards are adequately defined and agreed and there are targets that if not met consistently could result in deductions.
- Substandard performance is identified, is followed up with the contractor and appropriate action taken and recorded.
- Concerns and complaints are captured on LAGAN and are dealt with in accordance with the Council's Corporate Complaints Policy.
- There are adequate arrangements in place to ensure that all payments due under the terms of contract are accurately calculated and made appropriately.
- There are arrangements in place whereby performance is monitored and action taken in respect of substandard performance where financial penalties may be enforced.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- A lack of evidence is maintained to demonstrate that the contract is being monitored and that both parties are adhering to the contract conditions.
- Information relating to customer satisfaction has not been received from the contractor in recent years however this is a requirement of the terms of the contract.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. A lack of evidence is maintained to demonstrate that the contract is being monitored and that both parties are adhering to the contract conditions.	Clear objectives are not set which could lead to disputes.	1. Monthly contract management meeting should be formalised with a clear agenda, minutes of discussion points, decisions made and a log of actions arising.	Medium	Electronic minutes are now recorded for the meeting with a Standard Agenda in place	Head of Customer Experience	Implemented
2. Information relating to customer satisfaction has not been received from the contractor in recent years however this is a requirement of the terms of the contract.	Breach of terms and conditions	2. Customer Satisfaction information should be obtained from the contractor in accordance with the terms of the contract and reviewed to identify any areas that require action.	Medium	This is being reviewed as part of the contract extension discussion.	Head of Customer Experience	January 2020
3. There is limited evidence to demonstrate that variations have been made in accordance with the terms of the contract.	Unauthorised payments are made.	3. Documentation to support contract variations should be produced in accordance with Schedule 6 of the contract, appropriately signed by the Authorised	Medium	All changes are now done with relevant sign off documentation to support any contract variations	Head of Customer Experience	Implemented

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
		Officer and the Contractor's Representative and copies retained by the Authorised Officer.				

Annual Leave, Flexi and TOIL 2018/19

1. Background

Officers are allocated eight statutory bank holidays plus four locally agreed holidays, together with annual leave which is dependent on the length of service, as follows: -

- under five years – twenty-two days; and
- over five years – twenty-seven days.

The Council also operates flexi time and Time off in Lieu (TOIL) schemes, and time off in respect of these schemes, is granted at the discretion of the Manager, as stated in the respective policies.

2. Executive Summary

2.1 Overview

ASSURANCE RATING – MODERATE ASSURANCE	CORPORATE SIGNIFICANCE – LOW
--	---

Assurance

Internal Audit can give moderate assurance to those charged with governance. Whilst there are no serious weaknesses in the internal control environment within the areas reviewed, there is a need to further enhance controls and to improve the arrangements for managing risks.

Based on the interviews held with nine Managers across the Council, we noted that there are inconsistencies in managing, documenting and reporting Flexi and TOIL within service areas.

Corporate Significance

The area reviewed has been rated as being of low corporate significance, on the basis of:

- General risk of financial loss less than £10,000
- Risk of minimal reputational damage (e.g. customer complaints)
- No direct links to identified operational or strategic risks

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- The Council has policies in place in relation to TOIL and flexi time schemes, which officers can access via the Intranet.
- Annual leave entitlement is referenced within the Human Resources policies contained in the Officers Handbook, which officers can access via the Intranet.
- Annual leave calculation spreadsheets, for both full time and part time officers, are available to officers via the Intranet.
- In general, flexi and TOIL leave is requested through iTrent 'Self-Serve', which is forwarded to respective Line Managers for approval.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- We were advised by Human Resources (HR) that HR Policies including Flexi and TOIL policies are reviewed every two years and presented to the Personnel Committee for approval. If there are any minor changes arising in the interim period, that require inclusion in the policies, these are processed with immediate effect. Whereas notable changes will require Committee approval.

Review however, of the TOIL policy revealed that this was last reviewed in January 2014. We were advised by HR that this is the latest version available to officers. Discussions with the Improvement and Organisational Development Manager found that HR policies are reviewed in accordance with an annual programme which is agreed at the beginning of each year. Policies with legislative changes and where there are changes in working practices are prioritised higher than those where no changes have been identified.

- Human Resources does not periodically review the annual leave calculations performed by the System Analyst, to confirm accuracy and to ensure that it reflects the work pattern change requested.
- We invited 10 managers across the Council to be interviewed, of which 9 accepted. The remaining manager cancelled the day before the interview and did not respond to emails requesting alternative days and times. The purpose of the interviews was to obtain an understanding of the working practices adopted in the service areas, with regards to flexi time and TOIL and whether these conformed to Council policy requirements. We identified that:
 - The Licensing Manager was unaware of the location as to where the Council's flexi time and TOIL policies were stored.
 - The Property Services Manager reviews TOIL records on an annual basis not every four weeks, as stipulated in the policy. We were advised that this was due to officers not accruing TOIL on a frequent basis.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. Human Resources do not perform periodic accuracy checks of the System Analyst's calculations and the information held on iTrent.	Lack of division of duties resulting in errors going undetected.	<p>1. An independent officer should periodically conduct spot checks on the annual leave calculations against iTrent to ensure accuracy and completeness and provide a segregation of duties.</p> <p>Managers should be reminded to check the annual leave calculation if the employee varies their work pattern.</p>	Low	<p>It is the responsibility of officers and managers to check calculations relating to the information on iTrent.</p> <p>Any errors should be discussed with the System Analyst.</p> <p>No further action will be taken.</p>	Not Applicable	No Further Action
<p>2. Managers do not always adhere to the Flexi Policy with regards to the twelve hours carry forward limit and TOIL is not always reviewed every four weeks.</p> <p>Examples include:</p> <p>The Licensing</p>	<p>Breach of the flexi policy and may have implications in respect of the working time directive.</p> <p>Failure to be familiar with the contents contained within the Flexi and TOIL policies and its location on the intranet</p>	2. A corporate wide reminder is issued reminding Managers of the conditions of the Flexi-time and TOIL policies and of the consequences of not adhering to policy.	Medium	It was agreed that Smart Working may bring forward changes to the Flexi-time and TOIL policies. As Smart Working is rolled out and the pilots are known this action can be reviewed.	Improvement and Organisational Development Manager	August 2019

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
<p>Manager is aware that there is a Flexi and TOIL Policy in place however is unaware of its location and its contents.</p> <p>The Property Services Manager reviews TOIL on an annual basis and not every four weeks as stipulated in the TOIL Policy.</p>	<p>may lead to incorrect procedures and processes being adopted that breach the requirements of the policies.</p> <p>Flexi records not properly maintained for the period may lead to poor document management which may be open to challenge. Failure to adhere to policy requirements will result in a breach of policy and may lead to officers taking or accruing unauthorised TOIL.</p>					
3. Officers working in the Town Hall accrue a significant number of hours as TOIL during	Breach of the flexi policy and may have implications in respect of the working time	3. The Town Hall Manager liaises with Human Resources to put in place a more suitable working practice (this may be	Medium	Agreed as per recommendation.	Town Hall Manager	November 2019

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
the peak periods (October to January) which can be in excess of 200 hours.	directive.	that officer's contracts can be aligned to Entertainment Industry officers contracts).				

Enforcement 2018/19

1. Background

Enforcement is a reactive service and responds to complaints and enquiries received from the Public, Councillors or from Service areas within the Council. It is the Council's responsibility to investigate complaints where breaches have taken place which are conducted by designated Enforcement teams, with action taken in accordance with Policy and Legislation. Effective enforcement maintains public confidence in the system helping to deter unauthorised practices.

The review focused on the following enforcement teams:

- Health & Safety;
- Food Safety;
- Environmental Protection;
- Planning; and
- Private Sector Housing (Houses in Multiple Occupation (HMOs)).

2. Executive Summary

2.1 Overview

**ASSURANCE RATING –
SUBSTANTIAL ASSURANCE**

**CORPORATE
SIGNIFICANCE – MEDIUM**

Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

Based upon the audit work undertaken, enforcement teams possess in-depth knowledge of their respective area's regulation and legislation and are fully versed with process and procedures when conducting investigations. It was noted that case details recorded on the systems were not always concise, comprehensive and case outcomes were not recorded indicating a reason for case closure. Additionally, performance indicators relating to enforcement responses times, reported to Head of Service, were not in alignment with that stated in Policy or annual service plans.

Corporate Significance

The area being audited has been rated as being of medium corporate significance, on the basis of:

- General risk of financial loss between £10,000 and £100,000.
- Suspected cases of fraud or corruption up to £10,000.
- Service failures would have moderate impact on customers.
- Risk of moderate reputational damage (local press)

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- The Corporate Enforcement Policy's key principles are reflected and referenced in the local service areas enforcement policies for Planning and the Private Sector Housing which were approved by Cabinet in May 2018.
- The Regulatory Services' enforcement teams utilise the 'FLARE' (Civica) back office system whereas Planning utilises Northgate M3, which logs the initial complaint received and records the investigation conducted.
- Food Safety and Health & Safety are governed by the Food Safety Standards and the Health and Safety Executive respectively.
- Regulatory Services enforcement teams refer to the Regulatory Information and Management Systems (RIAMS) in accessing guidance and procedural notes with the exception of the Health and Safety team who have access to RIAMS but prefer to rely on procedure notes created by the Managers.
- Enforcement staff have accumulated a significant amount of experience in their respective field and are fully versed with regulation and legislative requirements.

However, from the work undertaken during the review, we have also identified areas where there is scope for improvement to ensure that the systems operate more effectively and efficiently:

- Review of enforcement policies maintained at a local level identified that the Food Safety and Health & Safety policies were last reviewed in April 2012 and 2011 respectively. We were advised that both policies were created in conjunction with nine Local Authorities and have remained unchanged due to no notable changes in legislation or regulation taking place to date.
- Review and testing of five Health & Safety enforcement cases, pertaining to work related accidents, identified that:
 - In two instances, the RIDDOR report had not been saved on to FLARE Link (document imaging system).
 - In two instances, the case status had been incorrectly selected on FLARE.
 - In one instance (case number 180009), a PACE letter had been sent to the organisation in February 2019. At the time of the audit, no response had been received nor had it been chased by the Managers or the Legal Team.

- Review and testing of fifteen Planning enforcement cases identified that:
 - In one instance, the initial site visit, acknowledgement letter and the Planning Contravention Notice were not sent in accordance with the response times as stated in the Enforcement Plan (the 'Plan'). We were advised that the complaint was raised internally by Building Control. Complaints received internally are not dealt with using the same procedure as those received from the Public which should not be the case.
 - In May 2018, a case had been logged on the system relating to a new site development (Peashill). It was noted that the first complaint was not received until October 2018. We were advised that this was a precautionary measure, as past experience has identified that with new site developments over time will accumulate numerous complaints.

We questioned whether this approach would impact on performance indicators reporting on response times and were advised that such cases are removed from the performance indicator calculation where there is no activity. However, there was no documentary evidence retained to demonstrate that this takes place.

- Discussions held with the Planning Enforcement Team Leader revealed that there is a suite of procedures in place which are out of date. The Team Leader is contemplating compiling a 'handbook' which would prove beneficial and useful to new starters who join the team; however, there is no date as to when this task will be completed by.
- Review of performance indicators relating to enforcement response times across teams revealed the following:

Planning

The Enforcement Plan contains several performance indicators relating to response times across different activities, such as acknowledgements sent to the Complainant within three working days. It was noted that whilst the Plan makes reference to 'working days' the performance reports presented to the Head of Service states a response will be sent within 5 'days'.

We were advised by the Team Leader that Northgate M3 is not able to distinguish between 'working days' and 'days'. The performance report recognises that complaints received on a Thursday may not be acknowledged until Tuesday the following week – three working days but within 5 calendar days.

Food Safety

Performance Indicator CS/28 '*Enquiries or requests relating to food hygiene, food safety or health and safety responded to within three working days*' which includes Health & Safety response data.

We were advised that both teams previously worked as one service. Post on departure of the Manager, five years ago, the teams split however the performance indicator did not reflect this change.

Health & Safety

The annual Intervention Plan contains several performance indicators including EH06 which relates to response times in dealing with RIDDOR reported work accidents. Review of the quarterly performance report submitted to the Head of Service against the Intervention Plan identified that the EH06 description differed. The Plan states '*Percentage compliance with service targets.*' whereas the quarterly report states '*Number of service targets.*'

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
<p>1. Review of the Food Safety and Health & Safety Enforcement Policies revealed that these were dated April 2012 and April 2011 respectively.</p> <p>We were advised by the Food Safety Manager that the Policy had been reviewed. The last review took place in 2017; however, this had not been noted on the Policy.</p> <p>The Health & Safety Managers advised that due to no notable changes having taken place since the inception of the Policy. The Policy has not been subject to periodic review.</p>	<p>Failure to review Policies periodically may lead to policies not being fit for purpose and being out of date.</p> <p>Failure to document Policy review may lead to it being deemed out of date and not fit for purpose.</p>	<p>1.1 Where appropriate, it should be ensured that the Enforcement Policies are reviewed periodically, as good practice. Where a review has been conducted, this should be captured by way of a version control table, stating name of reviewer and date of review.</p>	Low	<p>Health and Safety Enforcement Policy to be reviewed in 2019/20 – Also review to include examination of corporate policies</p> <p>Food Safety Enforcement Policy to be reviewed in 2019. Policy to be updated with a version control table for document control purposes.</p>	<p>Health and Safety and Business Engagement Managers</p> <p>Food Safety Managers</p>	<p>August 2019</p> <p>August 2019</p>

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
<p>2. Review and testing of a sample of five work related accidents investigated by the Health & Safety Managers identified that:</p> <ul style="list-style-type: none"> - In two instances, the RIDDOR report had not been saved on to FLARE Link (document imaging system). - In two instances, the case status had been incorrectly selected on FLARE. - In one instance (case number 180009), a PACE letter had been sent to the organisation in February 2019. At the time of the audit, no response had been received nor had it been chased by the Managers or the Legal Team 	Lack of records to support cases and incorrect classification results in an incomplete audit trail and unreliable data contained on the system.	<p>2.1 It should be ensured that enforcement cases are categorised correctly on FLARE, and supporting documents are saved on the system.</p> <p>Additionally, it should be ensured that cases are monitored to ensure timely responses have been received and where this may not be the case, it should be chased by the team.</p>	Low	<p>Cases amended on Civica</p> <p>Cases amended on Civica</p> <p>Ongoing investigation now resolved. Ongoing open cases are reviewed by officers on a daily basis so that outstanding actions can be reviewed</p>	<p>Health and Safety and Business Engagement Manager</p> <p>Health and Safety and Business Engagement Manager</p> <p>Health and Safety and Business Engagement Manager</p>	<p>May 2019</p> <p>May 2019</p> <p>May 2019</p>
<p>3. Review and testing of a sample of 15 Planning Enforcement cases identified that:</p> <ul style="list-style-type: none"> - In one instance, a case had been logged on M3, on 	Breach of Policy	3.1 It should be ensured that	Low	Prepare a template for the	Team Leader Enforcement	July 2019

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
<p>the findings of a property visit conducted by Building Control. The initial site visit, acknowledgement letter and the Planning Contravention Notice were not processed in accordance with the response times as stated in the Enforcement Plan.</p> <p>- In 1 instance, a case had been logged on M3 in May 2018, relating to a new site development (Peashill). The first complaint was not received until October 2018. We were advised that this was a proactive measure as site developments over time will accumulate several complaints.</p> <p>It was also noted that complaints received for a development site will be logged on to one case number and not logged individually which may distort performance results.</p> <p>Additionally, we were advised cases with no activity are removed from the performance calculation. However, supporting documentation</p>	<p>Lack of records to support performance calculations resulting in an incomplete audit trail.</p>	<p>response times as stated in the Enforcement Plan are adhered to.</p> <p>3.2 Evidence should be retained to demonstrate cases logged on M3 for future enforcement activity have been excluded when calculating performance indicators.</p>	<p>Low</p>	<p>acknowledgement of internal notifications of unauthorised development.</p> <p>We will ensure all internal complaints are acknowledged formally in future to ensure an audit trail and proof of KPI targets being met</p> <p>We will ensure in the future any proactive monitoring is recorded separately to complaint cases in order not to distort the figures on complaints.</p> <p>We are currently looking at SharePoint as another means of recording proactive monitoring for the future.</p>	<p>Team Leader Enforcement</p> <p>Team Leader Enforcement</p> <p>Team Leader Enforcement</p>	<p>July 2019</p> <p>December 2019</p> <p>May 2020</p>
<p>Additionally, we were advised cases with no activity are removed from the performance calculation. However, supporting documentation</p>	<p>The accuracy of performance results cannot be relied upon due to</p>	<p>3.3. Additionally, individual cases should be logged to ensure performance</p>	<p>Low</p>	<p>As above. The back office system is address related it is not possible to</p>	<p>Team Leader Enforcement</p>	<p>May 2020</p>

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
to illustrate this task being undertaken is not retained by the Team.	incorrect presentation of data.	indicators reporting on response times are not distorted.		resolve this by creating individual cases for each breach on a site. With a new back office system it is hoped it will be possible to review this system of recording.		
<p>4. The Planning Enforcement team maintains adhoc procedures which are out of date.</p> <p>We were advised by the Team Leader that she is contemplating the preparation of a 'Handbook' which will replace procedure notes however a date as to when this should be put in place is undecided.</p>	Failure to review procedures periodically and lack of complete guidance may lead to staff adopting erroneous working practices and/or result in lack of consistency.	4.1 As a matter of best practice, the Team Leader should review and update the current ad hoc procedures and maintain these on the intranet. A completion date should be agreed to ensure its timely completion.	Low	This process has started and is expected to be complete by June 2020 and will be reviewed each time a procedure is changed.	Team Leader Enforcement	June 2020
<p>5. Review of monthly/ quarterly performance reports with regard to enforcement response times submitted to Heads of Service, identified that:</p> <p>Planning: Response time performance indicators are presented in 'number of days' and not 'working days' as stipulated in the Enforcement Plan. Due to</p>	Performance indicators are calculated and reported incorrectly resulting in non - compliance with Policy/ Plans thereby leading to inaccurate management information.	5.1 It should be ensured that performance indicators are reported accurately against what is stated in Policy, annual Plans and individual service areas.	Low	It is not possible to present performance data in number of working days as the back office system can only record calendar days.	N/A	No Further Action

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
<p>staff unaware of how to generate a report on M3 which would provide such data.</p> <p>Food Safety Performance indicator CS/28 reports on response times for both Food Safety and Health & Safety.</p> <p>Health & Safety Performance Indicator EH06 description differs to that stated in the annual Intervention Plan and report to Head of Service. The performance indicator is being incorrectly reported.</p>						

Housing Rents 2018/19

1. Background

The collection of housing rents is one of the key financial systems for which assurance is required to be provided annually.

The Council's housing stock as at December 2018 is 5,581 dwellings and the budgeted rental income for 2018/19 (net of budgeted voids) is approximately £20.673 million.

The calculation of the annual rent debit is undertaken within Finance & Property Services and the collection of housing rents falls under the responsibility of Rents and Income Management, both within the Landlord Services Directorate.

2. Executive Summary

2.1 Overview

**ASSURANCE RATING –
SUBSTANTIAL ASSURANCE**

**CORPORATE
SIGNIFICANCE – HIGH**

Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

Based on the audit work undertaken during the review, it was found that former tenant arrears, write-offs and refunds are processed in accordance with procedure and the Council's Financial Procedure Rules. However, it was identified that several policies and procedure guides were found to be out of date and documentation in respect of write-offs was not being stored securely.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000
- Service failures would have significant impact on customers
- Risk of serious reputational damage

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- Former Tenant Arrears and write-offs are undertaken in accordance with financial procedure rules;
- All reconciliations reviewed had been undertaken on a regular basis, were completed timely and were appropriate endorsed by the preparing officer and authorising officer.
- An adequate segregation of duties in authorising refunds was in place.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- The former tenant arrears write off summaries and associated paperwork were not held in a locked cupboard.
- The Housing Income Corporate Write Off Policy refers to Charnwood Neighbourhood Housing, which ceased to exist in 2012, therefore it is evident that the policy has not been reviewed for some time.
- The written procedures in place for refunds are out of date due to staffing/title changes and do not contain details in respect of raising a one-off payment request.
- The former tenant arrears procedure was last reviewed in August 2013.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. The former tenant arrears write off summaries and associated paperwork were not held in a locked cupboard.	Loss of personal data leading to a breach of GDPR resulting in a possible financial penalty and/or reputational damage.	1. Documentation is securely stored to prevent unauthorised access to sensitive information.	Low	A lock will be put on the cupboard.	Former Tenant Arrears Officer.	July 2019
2. The Housing Income	Procedures do	2. The Housing	Low	The policy has been	Landlord Services	January

Corporate Write Off Policy refers to Charnwood Neighbourhood Housing, which ceased to exist in 2012, therefore it is evident that the policy has not been reviewed for some time.	not reflect current practice which could lead error and an inconsistent approach and possible Breach of Financial Procedure Rules.	Income Corporate Write off Policy should be reviewed to ensure it reflects current working practices and complies with the Council current Financial Procedure Rules.		reviewed against Financial Procedure Rules and is deemed to comply. Appropriate measures will now be taken to for the policy to be approved.	Manager Income Management Team Leader Former Tenant Arrears Officer.	2020 (dependant on approval process)
3. The written procedures in place for refunds are out of date due to staffing/title changes and do not contain details in respect of raising a one-off payment request.	Incorrect procedures could be followed resulting in refunds not being processed in accordance with policy.	3. The refund procedures should be reviewed to ensure they are still relevant and up to date, including the raising of the payment on UNIT 4 (Agresso). This review should be evidenced by version control.	Low	The procedures have been reviewed and distributed to the appropriate staff.	Rent Accounting and Leasehold Team Leader	No Further Action
4. The former tenant arrears procedure was last reviewed in August 2013.	Incorrect procedures could be followed resulting in arrears not being effectively managed.	4. The procedures should be reviewed to ensure they are relevant and up to date.	Low	The procedures are in the process of being reviewed.	Management Team Leader Former Tenant Arrears Officer.	November 2019

Income Collection 2018/19

1. Background

The cash receipting system is one of the identified key financial systems, which are audited on an annual basis. The cash receipting system is operated by the Customer Services Centre within Customer and Information Services which provides a centralised service for the collection and receipting of income received by the Council.

The Accountancy Control Section, within Finance for reconciliations of the cash receipting system to the bank account and general ledger.

2. Executive Summary

2.1 Overview

**ASSURANCE RATING –
SUBSTANTIAL ASSURANCE**

**CORPORATE
SIGNIFICANCE – HIGH**

Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

Based upon the work undertaken during the review it was found that there are satisfactory procedures in place for the receipting, recording and banking of income. Two areas for improvement were identified where it was found that not all receipts had been received from customer service advisors to allow the Cashiers to complete a full reconciliation and income reconciliations undertaken by the Accountancy Control Team where not always completed by the 19th of the following month in accordance with current procedure.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000
- Service failures would have significant impact on customers
- Risk of serious reputational damage (national press/TV)

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- There are adequate arrangements in place for the receipting, recording and banking of income.
- Reconciliations between the bank and the general ledger, for all income methods, are undertaken on a regular basis and are independently reviewed.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently and to comply with legislation:

- For 3 payments received receipts were not found with the transaction listings to allow for an appropriate reconciliation to be undertaken.
- On a number of occasions (12) there had been delays in completing or reviewing reconciliations.

3. Action Plan

Page 10

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. For 3 payments received receipts were not found with the transaction listings to allow for a complete reconciliation to be undertaken.	Inadequate audit trail and lack of supporting evidence for reconciliation.	1. Ensure receipts match the transactions listing when undertaking the reconciliation.	Low	Ensure receipts match the transactions listing when undertaking the reconciliation.	Customer Service Delivery Manager	July 2019
2. On a number of occasions (12) there had been delays in completing or reviewing reconciliations.	Error or fraud would not be detected in a timely manner.	2. All reconciliations are independent reviews are undertaken by the 19 th of following month, in accordance with current practice.	Low	The numbers of occasions delayed are 12 from 108 (11%) - Due to a vacant post, the reconciliations were delayed slightly but all signed by year end. The team is now fully staff and all reconciliations are up to date and signed off.	Head of Finance and Property Services	No Further Action

Payroll 2018/19

1. Background

The payroll system is one of the identified key financial systems, which are generally audited on an annual basis. The payroll function within Charnwood Borough Council is located within Financial Services and provides a centralised service for the payment of salaries and wages, together with the payment of payroll variations, such as overtime, maternity pay, to employees of the Council.

2. Executive Summary

2.1 Overview

**ASSURANCE RATING –
SUBSTANTIAL ASSURANCE**

**CORPORATE
SIGNIFICANCE – HIGH**

Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

There are established procedures in place for the various functions carried out by the Payroll Team, such as setting up new starters and leavers, the verification of amendments and the running and examination of exception reports. Based upon the work undertaken during the review the controls in place for the payment of salaries are satisfactory.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000;
- Risk of serious reputational damage (local/national press/TV/radio).

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- There are adequate processes in place to ensure amendments to the Payroll are authorised and appropriate supporting documentation is retained to support the additions, deductions, temporary/fixed term contracts and the administration of leavers.

- There are appropriate contingency plans in place should a loss of the key system (iTrent) occur and payments are always made either on or before the 25th of the month.
- There is adequate segregation of duties between the personnel functions, payroll processing and verification and payment process.
- Control account reconciliations are undertaken on a regular basis.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- Although documentation to support the authorisation of overtime was found in all 15 cases tested this was difficult in some cases as generally authorisation is done through the receipt of an e-mail from the appropriate manager.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. Although documentation to support the authorisation of overtime was found in all 15 cases tested this was difficult in some cases as generally authorisation is done through the receipt of an e-mail from the appropriate manager	Insufficient audit trail. Potential for error or fraud.	1. The recording and authorisation of overtime is reviewed to ensure a consistent approach across the organisation and to ensure an appropriate audit trail is in place. Consideration should be given to the possibility of this being undertaken electronically through iTrent, in a similar manner to expense claims.	Low	Emails from Line Managers authorising overtime are now printed and checked against the overtime form. These emails are attached to the overtime form and filed in a separate folder in Payroll. The Senior Payroll Officer in the meantime will look to set up a secure site on SharePoint for Payroll use only to save all overtime claims and emails in future, rather than the manual system. An overtime module on iTrent Payroll will be considered as part of a wider Capital Plan implementation in future.	Senior Payroll Officer	With immediate effect.

Disabled Facilities Grant – Annual Certification 2019/20

1. Background

The purpose of the Disabled Facilities Capital Grant (DFG) is to provide support to authorities in England towards capital expenditure for the provision of adaptations to disabled people's homes. The total DFG for Charnwood Borough Council in 2018/19 was £920,160 but the maximum amount an individual can apply for, as a mandatory grant, is £30,000.

Charnwood Borough Council receives the funding from Leicestershire County Council (LCC) who are required to produce an annual declaration that the grant conditions have been complied with as per The Ministry of Housing, Communities and Local Government document entitled "Integration and Better Care Fund: The Disabled Facilities Capital Grant Determination 2018/19 (31/3337)".

2. Executive Summary

2.1 Overview

ASSURANCE RATING – SUBSTANTIAL ASSURANCE	CORPORATE SIGNIFICANCE – HIGH
---	--

Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is satisfactory and effective, and appropriate actions are being taken to manage risks.

Based on the testing undertaken during this review it was found that the Disabled Facilities Grant awarded to Charnwood Borough Council for 2018/19 has been spent in accordance with the conditions attached to the Disabled Facilities Capital Grant Determination.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000
- Service failures would have significant impact on customers
- Risk of serious reputational damage (national press/TV)

2.2 Key Findings

Funding awarded to Charnwood Borough Council for 2018/19 was £920,160. In accordance with the Better Care Fund Policy Framework and Planning Guidance, National Condition 1 the funding was paid to the authority before the 29th June 2018. It was confirmed that funding was received on the 6th June 2018.

The key conditions were identified (as above in 1.2). A report was obtained of all payments made during 2018/19 and a random sample of 10 payments was selected. The grant files were examined to ensure the key conditions were met. The testing found that grant funding was being utilised in accordance with the conditions, where conditions applied.

In some cases, the conditions do not apply. For example, the requirement to have a signed certificate of future occupation only applies if the applicant is the owner of the property and the grant exceeds £5,000 (as anything below £5,000 cannot be demanded in repayment should the owner move).

Some areas of improvement were identified, as in 40% of cases a 'notice of commencement of works' was not received from the applicant but there was other documentation on file to support commencement of works.

In one case we received no satisfaction statement and there was no Authorisation of Direct Payment of Grant on file which is also documents applicant's satisfaction. However, there was a statement on the Final Payment Certificate that the applicant signs stating they are satisfied with the work carried out.

Testing found that there is no consistent approach for recording approval of the work by the Occupational Therapist where the Essex Model is not suitable. Approval has been noted on the checklist, site plans has been signed in some cases and notes have been made on the Flare system in other cases.

In respect of proof of occupancy there was one case (where a stairlift was installed) where no future occupancy form was received but this appears to be an isolated case and in another case the land registry form was in a family members name but there is no record of this being followed up to prove the applicant's residency.

Cyber Security 2019/20

1. Background

Information Technology (IT) systems enable the Council to provide its critical services to its residents and are used to collect, process and retain ever increasing amounts of confidential information. The vulnerabilities that exist in these IT systems, as well as the infrastructure that supports them, combined with a perceived lack of awareness regarding security issues, have led to attackers targeting public bodies and exposing the Council to risk of a cyber security attack.

Cyber security attacks can be launched from any internet connection and, as recent examples across the public sector have demonstrated, they can have a significant financial and reputational impact on a Council and can affect its ability to operate and provide its critical services to the public.

2. Executive Summary

2.1 Overview

ASSURANCE RATING – MODERATE ASSURANCE	CORPORATE SIGNIFICANCE – HIGH
--	--

Internal Audit can give moderate assurance to those charged with governance. Whilst there are no serious weaknesses in the internal control environment within the areas reviewed, there is a need to further enhance controls and to improve the arrangements for managing risks.

Overall, we conclude that the control framework in place for the management of identifying, protecting against, detecting, responding and recovering from cyber incidents is adequately designed and operationally effective, but management need to address the areas of risk identified from this review to ensure a robust approach to cyber security is maintained.

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000
- Suspected cases of fraud or corruption over £10,000
- Service failures would have significant impact on customers
- Risk of serious reputational damage (national press/TV)
- Major health and safety risk (serious injury or death)
- Direct link to identified strategic risks

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- Network diagram is reviewed every six months and separate virtual local area networks (VLANs) have been configured for trusted and untrusted networks.
- Both the ICT Infrastructure and Information Security policies are up to date and set clear responsibilities amongst all staff and management.
- Software patches are centrally pushed using the PDQ Inventory program with automatic job schedules and deployment logs checked for completeness.
- Firewalls have been configured for all external facing servers with rules regularly reviewed and console access restricted.
- Wireless networks have been configured with wireless protection access (WPA2) encryption.
- 802.1X authentication protocol has been configured for all wired and wireless network ports.
- Domain administrator privileges have been restricted to senior security personnel
- External penetration tests are conducted on an annual basis and remediation plans are overseen by the IT Steering Group
- Vulnerability scans are run on network nodes using Nessus on a monthly basis with issues above common vulnerability scoring system (CVSS) 6.7 addressed
- Technical approach prescribed is to block and isolate issues and then restore as per Information Security policy
- Awareness training is facilitated through Learning Pool eLearning modules with completeness at 87% as at May 2019
- Recovery in response to cyber incidents is incorporated into the disaster recovery plan.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- There is no protocol in place for regular review and update of the IT risk register.
- Application risk assessments are outdated and need review with updates feeding into the information asset register.
- Unsuccessful operating system (OS) update runs have been recorded but not addressed and followed up.
- Antivirus endpoint updates have been recorded but not addressed and followed up.
- Penetration tests to date have not included simulated email phishing exercises.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. There is no protocol in place for regular review and update of the IT risk register	The organisation is unable to identify vulnerabilities which lead to fines, lawsuits and legal fees	1. IT Steering Group should be assigned responsibility for ensuring that regular (at least annually) risk assessments are conducted going forwards	Low	IT Risk register to be included as an item at the next IT Steering Group meeting	ICT Service Delivery Manager	September 2019
2. Application risk assessments are outdated and need review with updates feeding into the information asset register	The organisation is unable to identify vulnerabilities which lead to fines, lawsuits and legal fees	2. Application risk assessments should be updated on a regular basis (at least annually) and updates should be fed into the information asset register to ensure it is up to date	Medium	Risk assessment to be included in the ICT SLA documents and the IT User Group meetings.	ICT Service Delivery Manager Data Protection and Information Security Officer IT Application Administrators	January 2020
3. Unsuccessful OS update runs have been recorded but not addressed and followed up	The organisation is unable to protect against threats which lead to negative publicity	3. Unsuccessful OS update runs should be followed up and appropriate action taken (i.e. rerun updates and incorporate any needs into future end-user training)	Medium	WSUS report will be in place to periodically ensure unsuccessful OS updates are followed up	Technical Services Manager.	November 2019
4. Antivirus endpoint updates have been recorded but not addressed and followed up	The organisation is unable to protect against threats which lead to negative publicity	4. Unsuccessful antivirus update runs on endpoint devices should be followed up and addressed (i.e. updates rerun and causes for failure investigated)	Medium	Ensure unsuccessful antivirus updates are being followed up and addressed	Technical Services Manager.	August 2019

5. Penetration tests to date have not included simulated email phishing exercises	The organisation is unable to detect exploited vulnerabilities which lead to data breaches	5. Management should reconsider on a cost/benefit basis the need for including phishing emails into the next annual external penetration test	Low	Phishing exercise to be organised with a third-party supplier. This may be undertaken either as a separate exercise (with LGA funding) or as part of the next IT Health check	IT Service Delivery Manager.	April 2020
---	--	---	-----	---	------------------------------	------------

Performance Management 2018/19

1. Background

Charnwood Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards to secure continuous improvement in the way in which its functions are exercised. In discharging this overall responsibility, the Council is responsible for putting proper arrangements for the governance of its affairs in place and facilitating the effective exercise of its functions.

In order to demonstrate its commitment to good governance the Council needs to ensure that it has implemented and can sustain an effective performance management system that facilitates effective and efficient delivery of planned services. Performance management is an integrated approach to enabling the Council to achieve its aims and objectives by monitoring and improving the performance of individuals, teams, services, directorates and the Council as a whole. Effective performance management ensures that outcomes are aligned to corporate objectives that are embedded throughout the Council.

The Council has in place the Corporate Plan 2016-2020 which sets out priorities and what will be achieved during the four-year period. The Corporate Plan focusses on three key themes:

- Creating a Strong and Lasting Economy
- Every Resident Matters
- Delivering Excellent Services

Annual Business Plans are developed to support the delivery of the Corporate Plan by setting out both the key activities that services will undertake to deliver the objectives and the key corporate indicators that will be used to monitor corporate performance. The Business Plan is used by Directorates and Members to monitor progress and achievement against the activities, ensuring that activities are delivered, and targets are on track.

The Business Plan measures corporate initiatives, activities and indicators, each service area can also produce an individual team plan and team indicators. Team plans are primarily for the use of services to manage their team on an ongoing basis. Activities which feature in the Business Plan should be outlined in greater detail in the team plans. At an individual level, performance is managed through the Council's staff performance review system which requires specific objectives being set and monitored for all individual members of staff.

In March 2018, the Council invited the Local Government Association (LGA) to undertake a Corporate Peer Challenge which covered areas considered to be critical to the Council's performance and improvement. One of the peer team's key recommendations to the Council is to:

'Embed a consistent performance management approach framework to support delivery.'

To drive and embed a consistent performance management approach across the Council using the agreed framework to strengthen the link between outcomes and corporate objectives.'

This recommendation is based on the following detailed findings:

'A new 2017 – 2020 People Strategy was recently approved, setting out the Council's strategic plan for developing its workforce to meet the aims of the Corporate Plan. Whilst there is a performance management framework, it does not appear well embedded with a clear link between corporate priorities/targets and individual's objectives (i.e. SMT / CMT). Going forward, the Council should use the People Strategy to drive and embed a consistent performance management approach across the Council using the agreed performance management framework which will strengthen the link between outcomes and corporate objectives.'

Following discussions with the Strategic Director of Corporate Services it was decided that the audit review of Performance Management should support the response to this Peer Challenge recommendation. Through review of Business Plan objectives and how these are cascaded through the organisation: to directorates and services; incorporated within the team plans and individual personal reviews; an assessment can be made, and assurance provided, on the embeddedness of corporate objectives within the Council. The consistency of the performance management approach adopted, to ensure that outcomes relate to corporate objectives, can also be assessed.

It is envisaged that the findings from the audit review will provide detailed team specific data that can be used to support subsequent work in response to the Peer Challenge recommendation and implementation of the People Strategy.

Executive Summary

2.1 Overview

ASSURANCE RATING – MODERATE ASSURANCE	CORPORATE SIGNIFICANCE – HIGH
--	--

2.2 Key Findings

Assurance

Internal Audit can give moderate assurance to those charged with governance. Whilst there are no serious weaknesses in the internal control environment within the areas reviewed, there is a need to further enhance controls and to improve the arrangements for managing risks.

For the purposes of clarity; this audit commenced in June 2018 but unfortunately whilst undertaking the audit the went off on long term sick has since left the Council's employment. The audit work has now been reviewed and updated where possible so that it reflects up to date data and processes, however the work undertaken is still in respect of 2018/19.

Based on discussions and testing undertaken in this review it was found that the performance management framework is fully embedded at corporate level. There are clear links from the Corporate Plan and the annual Business Plan and there is a sound monitoring and reporting structure in place at this level. However, as identified in the Local Government Association (LGA) Corporate Peer Challenge, undertaken in March 2018, there is some inconsistency in the performance management approach at service level whereby processes in respect of Service Plans could be strengthened and in respect of corporate objectives cascading through the organisation; as no evidence was forthcoming to support individual's targets reflecting corporate aims.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000
- Suspected cases of fraud or corruption over £10,000
- Service failures would have significant impact on customers
- Risk of serious reputational damage

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- The Corporate Performance Management Framework has been documented and is fully embedded.
- There are clear links documented between the Corporate Plan and Annual Business Plan.
- There is a sound corporate monitoring and reporting structure in place.
- Performance data is available to all Council Officers and a guide highlighting the basic functions of the performance monitoring system (SPOTlite) is available.
- Unfulfilled Business Plan objectives are carried forward in the next years Business Plan for completion.
- The People Strategy is appropriately monitored and updated regularly.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- There is no corporate monitoring of the production of Service/Team Plans resulting in an inconsistent approach in the production of Team Plans, even though a standardised template is provided. This has resulted in some plans not clearing showing links to the corporate objectives and performance indicators/operational risks not being identified (see 4.2 for more detail).
- Assurance cannot be given to management that corporate objectives are being cascaded through the organisation as there was a lack of evidence provided to demonstrate that individual's objectives (in PR's) reflect the corporate aims.
- The Corporate Performance Management guide for Officers have not been reviewed since September 2015.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. There is no corporate monitoring of the production of Service/Team Plans resulting in an inconsistent approach in the production of Team/Service Plans, even though a standardised template is provided. This has resulted in some plans not clearing showing links to the corporate objectives and performance indicators/operational risks not being identified (see 4.2 for more detail).	Corporate objectives are not met.	1.1 Management should enforce the use of the service plan template developed by Improvement and Organisational Development to ensure service/team plans show clear links to the corporate objectives and that performance indicators and operational risks are identified.	Medium	A discussion item to take place at CLT (in conjunction with the development of the new Business Plan) to provide a general consensus on: 1) all teams having a team plan 2) developing and utilising a standardised approach/ template.	Head of Strategic Support	December 2019
	Corporate objectives are not embedded throughout the organisation.	1.2 To ensure all service areas produce appropriate service/team plans procedures should be put in place for all plans to be collected and assessed for adequacy by one service area and made available to all officers in the organisation thus further embedding the council's	Medium	CLT to agree a standardised approach for collecting and monitoring team plan information, via an approach that will run parallel to that of corporate performance.	Head of Strategic Support	

		objectives at service delivery level across the organisation.				
2. Assurance cannot be given to management that corporate objectives are being cascaded through the organisation as there was a lack of evidence provided to demonstrate that individual's objectives (in PR's) reflect the corporate aims.		2. As part of the ongoing work incorporated in the People Strategy in respect of reviewing the Personal Review process (3a), consideration should be given to the format of the review form to ensure that it encourages objectives that support the corporate aims and so that it clearly demonstrates links	Medium	<p>In the current People Strategy (2017-2020) as an action for implementation.</p> <p>Preliminary background work has been taken to identify software options.</p> <p>It has been specified by the Chief Executive to review the introduction of a competency framework and this will need to be undertaken before formal changes to the Personal Review process can be undertaken.</p>	Learning and Organisational Development Co-Ordinator	December 2020
3. The Corporate Performance Management guide for Officers have not been reviewed since September 2015.	The guide may include areas that are no longer applicable and there maybe new elements that have not been included resulting in Officers being misinformed.	3. The Corporate Performance Management guide is reviewed to ensure it represents current practice.	Low	Corporate Performance Management Guide will be reviewed in line with the development of the new Corporate Plan and Business Plan.	Corporate Improvement and Policy Officer	April 2020

Follow Ups: Recommendations Not Implemented by the Agreed Date as at 30th September 2019

Audit	Observation	Recommendation	Priority	Agreed Action	Agreed Date	Responsible Officer	Comments
Housing Benefit and Council Tax Support 2018/19	The Write-offs Policy has not been reviewed since 2016.	The Write-offs Policy is reviewed, and this is evidenced by version control.	Low	The Write Off Policy is reviewed jointly with Capita and Charnwood and where necessary updated.	June 2019	Head of Customer Experience	This has since been implemented.
Capital Accounting 2018/19	Review of the Capital Programme Team's terms of reference revealed that these were last reviewed in May 2016. We were advised that the terms of reference are reviewed whenever there are any notable changes to be actioned.	The Capital Programme Team's terms of reference should be reviewed and approved annually. To ensure relevance and to accord with best practice.	Low	Agreed, will be reviewed prior to the August 2019 meeting.	July 2019	Head of Finance and Property Services.	This has since been implemented.

Income Collection 2018/19	For 3 payments received receipts were not found with the transaction listings to allow for a complete reconciliation to be undertaken.	Ensure receipts match the transactions listing when undertaking the reconciliation.	Low	Ensure receipts match the transactions listing when undertaking the reconciliation.	July 2019	Customer Service Delivery Manager	This has since been implemented.
Housing Rents 2018/19	The former tenant arrears write off summaries and associated paperwork were not held in a locked cupboard	Documentation is securely stored to prevent unauthorised access to sensitive information.	Low	A lock will be put on the cupboard.	July 2019	Former Tenant Arrears Officer.	This has since been implemented

Debtors 2018/19	Testing highlighted concerns in respect of the responsibility of services in relation to debt recovery (as detailed above in 2.1). In addition, key outstanding debt, over 90 days is highlighted in 4.1, for the key groups.	The Strategic Director of Corporate Services reminds the Senior Management Team of the Council's strategic approach to the collection of debt and the responsibilities of services in that process. To facilitate this, the analysis of outstanding debt, over 90 days to be circulated in order to raise awareness of SMT of the debt by key groups.	Low	To provide service managers with the current Sundry Debt Recovery Policy, process and service managers responsibilities. Sundry Debt Recovery Policy. Current Debt Analysis reports are provided as key performance indicators, also specific monthly Age Debt reports are sent to Service Managers.	August 2019	Head of Finance and Property/ Senior Income Officer.	This has since been implemented
--------------------	---	---	-----	--	----------------	---	---------------------------------

Annual Leave, Flexi and TOIL 2018/19	Managers do not always adhere to the Flexi Policy with regards to the twelve hours carry forward limit and TOIL is not always reviewed every four weeks. Examples include The Licensing Manager is aware that there is a Flexi and TOIL Policy in place however is unaware of its location and its contents. The Property Services Manager reviews TOIL on an annual basis and not every four weeks as stipulated in the TOIL Policy.	A corporate wide reminder is issued reminding Managers of the conditions of the Flexi-time and TOIL policies and of the consequences of not adhering to policy.	Medium	It was agreed that Smart Working may bring forward changes to the Flexi-time and TOIL policies. As Smart Working is rolled out and the pilots are known this action can be reviewed.	August 2019	Improvement and Organisational Development Manager	The SMART working pilots are still being reviewed by SMT. The new Chief Executive is reviewing current projects and programmes and it is envisaged that SMART working will feature. It is suggested that the recommendation be re-visited in January 2020.
--------------------------------------	---	---	--------	--	-------------	--	--

Corporate Credit Cards 2018/19	There is currently no specific corporate credit card policy/guidance in place and no expectation for officers to sign a user acceptance policy.	A policy is put in place which provides guidance to users, clearly defining the terms and conditions of being a card holder and clearly states the organisation's procedures regarding lost/stolen cards and misuse. All cards holders should sign the policy as their acceptance of the terms.	Medium	A policy will be written covering all the points raised in the recommendation. All of the 9 existing users will be asked to read and sign the policy as their acceptance of the terms.	September 2019	Head of Finance and Property Services.	The current Head of Finance and Property Services inherited these recommendations from her predecessor. A meeting was held with the Head of Finance and Property and it was agreed that that the recommendations in respect of corporate credit cards will all be adsorbed by the creation of a new policy and guidance document. Deferred to January 2020.
Corporate Credit Cards 2018/19	The procedures in place for authorising monthly expenditure and procurement categories are inadequate.	The authorisation of monthly expenditure and procurement categories is documented by the applicant completing an e-form which automatically goes to the relevant Head of Service for approval.	Medium	The set-up of an e-form will be explored. If the cost and resource required outweighs the benefit it will bring an alternative process for the Head of Service approval will be introduced.	September 2019	Head of Finance and Property Services.	It has been agreed that no further action will be taken in respect of recommendation two as the cost in time etc would out way the benefits, however including the robust processing methods used by the Procurement Manager in the new policy should also resolve this issue.

Corporate Credit Cards 2018/19	The Head of Finance and Property receives no documentation to support the online application before authorising.	The Head of Finance and Property receives a copy of the application e-form to ensure that the authorised limits have been correctly input on the online HSBC application form before authorising.	Medium	Agreed as per recommendation	September 2019	Head of Finance and Property Services	<p>It was agreed that there will be a declaration on the policy which will be signed by the officer and Head of Service. This policy will be presented to Accountancy Control (for input) and the Head of Finance and Property authorisation with the bank.</p> <p>This process will provide a sufficient segregation of duties and the Head of Finance and Property Services will have the appropriate documentation before authorising the application.</p> <p>Deferred to January 2020.</p>
--------------------------------	--	---	--------	------------------------------	----------------	---------------------------------------	--

Corporate Credit Cards 2018/19	In 23% of cases VAT receipts/invoices had not been obtained in respect of purchases. Of the total value of the sample selected (£17,092.31) VAT receipts were not obtained for £3189.26 of the expenditure.	Card holders are reminded that not obtaining VAT receipts, where appropriate, is a breach of Financial Procedure Rules and if not produced the service will be charged at gross.	Medium	Cardholders will be reminded about obtaining VAT receipts. The Financial Procedure Rules will be reviewed to see if they need clarifying and strengthening on this point as they do not state that VAT receipts must be obtained, only that they should be obtained. Also it is acknowledged that it is not always possible to get a VAT receipt so there will be cases where services are charged gross.	September 2019	Head of Finance and Property Services	The new policy will reflect that a VAT receipt must be obtained for purchases. Deferred to January 2020
--------------------------------	---	--	--------	---	----------------	---------------------------------------	--

IT – Cyber Security 2019/20	There is no protocol in place for regular review and update of the IT risk register	IT Steering Group should be assigned responsibility for ensuring that regular (at least annually) risk assessments are conducted going forwards	Low	IT Risk register to be included as an item at the next IT Steering Group meeting	September 2019	ICT Service Delivery Manager	<p>The risk register will be on the agenda at the IT Steering Group meeting in December</p> <p>The previous Risk Manager has now left the Council. ICT will be going through the risk register with an alternative officer for input on impact analysis for consistency. Deferred to December 2019.</p>
Enforcement 2018/19	Review and testing of a sample of 15 Planning Enforcement cases identified that: -In one instance, a case had been logged on M3, on the findings of a property visit conducted by Building Control. The initial site visit, acknowledgement letter and the Planning Contravention Notice were not processed in accordance with the response times as stated in the Enforcement Plan.	It should be ensured that response times as stated in the Enforcement Plan are adhered to.	Low	<p>Prepare a template for the acknowledgement of internal notifications of unauthorised development.</p> <p>We will ensure all internal complaints are acknowledged formally in future to ensure an audit trail and proof of KPI targets being met</p>	July 2019	Team Leader Enforcement	This has since been implemented.

Enforcement 2018/19 cont..	<p>-In 1 instance, a case had been logged on M3 in May 2018, relating to a new site development (Peashill). The first complaint was not received until October 2018. We were advised that this was a proactive measure as site developments over time will accumulate several complaints. It was also noted that complaints received for a development site will be logged on to one case number and not logged individually which may distort performance results. Additionally, we were advised cases with no activity are removed from the performance calculation. However, supporting documentation to illustrate this task being undertaken is not retained by the Team.</p>	It should be ensured that response times as stated in the Enforcement Plan are adhered to.	Low	<p>Prepare a template for the acknowledgement of internal notifications of unauthorised development.</p> <p>We will ensure all internal complaints are acknowledged formally in future to ensure an audit trail and proof of KPI targets being met</p>			
-------------------------------	--	--	-----	--	--	--	--

AUDIT COMMITTEE – 19th NOVEMBER 2019

Report of the Head of Strategic Support

Part A

ITEM 9 RISK MANAGEMENT (RISK REGISTER) UPDATE

Purpose of Report

The purpose of this report is to provide the Committee with an update on the Strategic Risk Register produced for the period to 2019/20.

Recommendation

The Committee notes the report.

Reason

To ensure the Committee is kept informed of progress against the strategic risks that should they crystallise would cause the Council to be unable to operate and/or provide key services leading to a significant adverse effect on public wellbeing.

Policy Justification and Previous Decisions

The Strategic Risk Register for the remainder of the 2018/19 financial year and for 2019/20 was approved by Cabinet on the 13th December 2018. Cabinet resolved that the Audit Committee monitor progress against those risks on the register by receiving and considering monitoring reports on a quarterly basis.

Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a quarterly basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

None

Risk Management

There are no specific risks associated with this decision.

Background Papers: None

Officer to contact: Adrian Ward (01509) 634573
adrian.ward@charnwood.gov.uk

Part B

Background

1. In accordance with the Committee's work programme the Committee receives monitoring reports in respect of the Council's risk management arrangements. The reports provide a detailed commentary against the risks included in the strategic risk register.

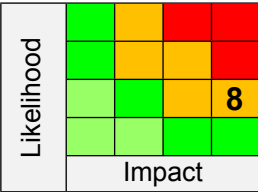
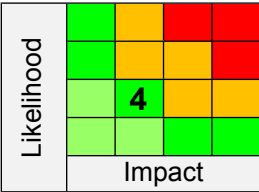
The Strategic Risk Register

2. The Strategic Risk Register was produced following consultation with the Corporate Management Team, Cabinet members and Audit Committee members.
3. The current Strategic Risk Register is attached at Appendix A. Strategic risk SR3 has been updated to include the Council's participation in the Local Resilience Forum's planning for a 'no deal' disorderly Brexit. Although an extension has now been granted by the EU and the preparations have therefore been stood-down for the time being, the situation is being monitored and it is planned to re-start the arrangements if required.

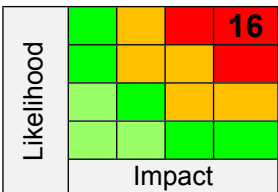
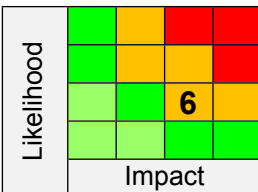
Appendices

Appendix A – Strategic Risk Register 2019/20 (as at August 2019)

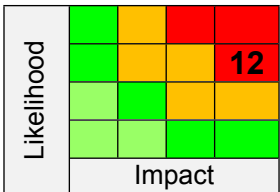
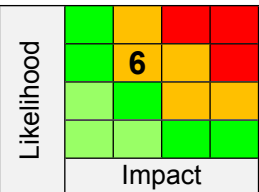
Appendix A: Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR1 Inadequate business continuity and recovery arrangements, resulting in major internal and/or external disruption to services in the event of an incident.	Strategic	<ul style="list-style-type: none"> • Inability to deliver key/critical services e.g. benefits, refuse collection, homelessness applications, emergency repairs. • Reduction in access channels available to residents / customers i.e. contact centre, customer services, telephony 			MAINTAIN AS CURRENT
Current Treatments and Controls	<ul style="list-style-type: none"> • Business Continuity Planning • IT Disaster Recovery Plan • Website hosted externally • Off-site data back-up arrangements • Stand-by generator for ICS building • Cloud based telephony infrastructure • Contingency planning for failure of major contractor 				
Risk Owner	Strategic Director of Corporate Services				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Not applicable		<u>Responsible Officer:</u> N/A	<u>Target Date:</u> N/A	

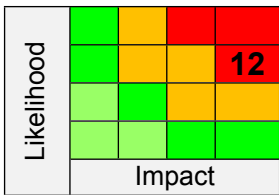
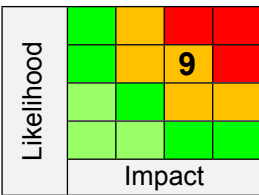
Appendix A: Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR2 Inadequate data sharing and data security arrangements.	Strategic	<ul style="list-style-type: none"> • Ineffective processes for sharing data with other agencies / authorities leading to data breaches • Major reputational damage and loss of public confidence • Potentially significant fines 			MAINTAIN AS CURRENT
Current Treatments and Controls	<ul style="list-style-type: none"> • Information sharing agreements in place with key agencies and authorities • Annual IT health checks including penetration testing • Data Protection Officer in post • Data protection training and awareness for staff and councillors • IT security policies in place • Protective marking of emails • Policies are reviewed on a regular basis 				
Risk Owner	Strategic Director of Corporate Services				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Not Applicable		<u>Responsible Officer:</u> N/A	<u>Target Date:</u> N/A	

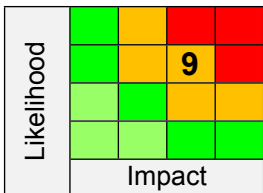
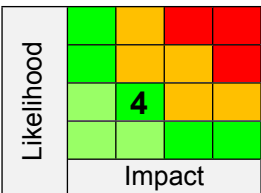
Appendix A: Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR3 Inadequate civil contingency arrangements resulting in failure to respond appropriately to a major incident (eg. flooding, terrorism etc).	Strategic	<ul style="list-style-type: none"> • Inability to respond to affected peoples' basic needs (food, shelter etc) • Adverse effect on the local economy • Major reputational damage and loss of public confidence • Extending the recovery phase longer than necessary 			MAINTAIN AS CURRENT
Current Treatments and Controls	<ul style="list-style-type: none"> • Participation in the Local Resilience Partnership and Forum (LRP and LRF) • Appropriate emergency and incident planning in place • Regular Testing and exercising of emergency plans • Training and awareness for relevant staff • 24/7 call-out arrangements for senior managers (SMT / CMT) • Participation in county-wide Events Safety Group (SAG) • Reviews periodically undertaken within current Treatments and Controls 				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Participation in LRF's 'no-deal' Brexit planning processes, including appointment of a 'Brexit Lead Officer'		<u>Responsible Officer:</u> Head of Strategic Support	<u>Target Date:</u> Ongoing	

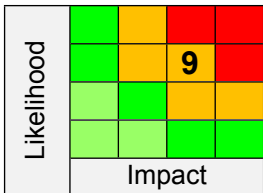
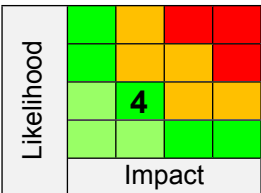
Appendix A: Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR4 Significant reduction in external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives.	Strategic	<ul style="list-style-type: none"> • Inability to meet demand for services • Inability to meet statutory duties • Ceasing or reducing some services 			MAINTAIN AS CURRENT
Current Treatments and Controls	<ul style="list-style-type: none"> • Annual production and monitoring of Medium Term Financial Strategy (MTFS) • Treasury Management Strategy • Budget and revenue monitoring processes • Business continuity planning • Production and monitoring of efficiency plan • Maintenance of reserves at specified required levels • Monitor, consider and respond to government proposals affecting budgets and/or income 				
Risk Owner	Strategic Director of Corporate Services				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Not Applicable		<u>Responsible Officer:</u> N/A	<u>Target Date:</u> N/A	

Appendix A: Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR5 Failure to maintain adequate risk management arrangements and processes, including monitoring risks at operational level and escalating these where required.	Strategic	<ul style="list-style-type: none"> Adverse impact on service delivery Reputational damage 			MAINTAIN AS CURRENT
Current Treatments and Controls	<ul style="list-style-type: none"> Approved risk management framework in place Identification and regular monitoring of strategic and operational risks Quarterly meetings of Risk Management Group to monitor risks, insurance claims, health & safety incidents, and data breaches Monitoring of strategic risks by the Audit Committee Escalation processes in place (strategic risks to Cabinet, operational risks to Risk Management Group) 				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Not Applicable		<u>Responsible Officer:</u> N/A		<u>Target Date:</u> N/A

Appendix A: Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR6 Ineffective strategic communication arrangements	Strategic	<ul style="list-style-type: none"> • Reputational damage • Adverse media coverage • Damage to relationships with partners • Damage to staff morale 			MAINTAIN AS CURRENT
Current Treatments and Controls	<ul style="list-style-type: none"> • Adequately staffed and experienced corporate communications team • Corporate Communications Plan in place • Regular monitoring of all media sources • Continue to expand on social media use and reach • 'Horizon scanning' for potential communication issues at each Corporate Management Team meeting 				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Not Applicable		<u>Responsible Officer:</u> N/A	<u>Target Date:</u> N/A	

AUDIT COMMITTEE – 19th NOVEMBER 2019

Report of the Head of Strategic Support

Part A

ITEM 10 COUNCIL'S USE OF REGULATORY OF INVESTIGATORY POWERS ACT (RIPA)

Purpose of Report

The purpose of this report is to provide the Committee with a summary of the Council's use of RIPA powers.

Recommendation

The Committee notes that there has been no use of RIPA powers by the Council for the period from 1st May 2019 to 31st October 2019.

Reason

To enable the Committee to comply with the request from Cabinet that the Audit Committee assumes responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose.

Policy Justification and Previous Decisions

The use of RIPA to conduct covert surveillance in appropriate instances supports many of the Council's enforcement and anti-fraud policies. The Home Office Code of Practice, which relevant bodies are obliged to follow when using RIPA, requires that elected Members should consider reports on the use of RIPA on at least a quarterly basis to ensure that it is being used consistently with the policy and the policy remains fit for purpose.

Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a quarterly basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

None.

Risk Management

There are no risks associated with this decision.

Background Papers:

Home Office Code of Practice – Covert
Surveillance & Property Interference (2014)

Officer to contact:

Adrian Ward (01509 634573)
adrian.ward@charnwood.gov.uk

Part B

Background

1. RIPA provides for the authorisation of covert surveillance by the Council where that surveillance is likely to result in the obtaining of private information about a person.
2. Surveillance includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. Surveillance is covert if it is carried out in a manner calculated to ensure that any persons who are subject to the surveillance are unaware that it is or may be taking place.
3. The Council only has the power to authorise covert surveillance under RIPA for the purpose of preventing or detecting crime, or of preventing disorder. Since 2012, RIPA applications are required to be approved by a Justice of the Peace (JP) at the Magistrates' Court in addition to the existing application and authorisation process. The amendments in the Protection of Freedoms Act 2012 mean that local authority authorisations and notices under RIPA for the use of particular covert investigation techniques can only be given effect once an order approving the authorisation or notice has been granted by a Justice of the Peace (JP)
4. At its meeting on 14th February 2019 Cabinet agreed to resolve that the Audit Committee continue to assume responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose. This Committee will therefore continue to receive a regular report on the Council's use of RIPA powers.
5. During the period from 1st May 2019 to the 31st October 2019 the Council made no use of RIPA powers.
6. During the same period there was one request received from the Police for the use of the Council's CCTV system for RIPA purposes which relates to an ongoing operation, and therefore no details can be provided at this point in time.
7. The Committee has the option to report to Cabinet any concerns arising from RIPA monitoring reports that may indicate that the use of RIPA is not consistent with the Council's RIPA Policy or that the Policy may not be fit for purpose.

AUDIT COMMITTEE – 19TH NOVEMBER 2019

Report of the Head of Strategic Support

ITEM WORK PROGRAMME

Purpose of Report

This report is submitted to enable the Committee to consider its Work Programme.

Action Requested

Following consideration of the Work Programme, the Committee is asked to consider any deletions, additions or amendments it wishes to make.

This will enable planning for future meetings to be undertaken, for reports and information to be prepared and for the attendance of officers and/or others to be arranged.

Background

The Work Programme agreed at the last meeting of the Committee is attached as an appendix for the consideration of the Committee.

Officer to contact: Nadia Ansari
Democratic Services Officer
(01509) 634502
nadia.ansari@charnwood.gov.uk

ISSUE	MEETING
Internal Audit Business	Ongoing
Internal Audit Plan – Progress	18th February 2020 Quarterly
Risk Management (Risk Register)	18th February 2020 Quarterly - detailed report every six months, exception report quarters in-between.
Council's Use of Regulation of Investigatory Powers Act (RIPA)	18th February 2020 Quarterly
2019/20 Treasury Management Statement, Annual Investment Strategy and MRP Strategy	18th February 2020 Annually
2020/21 Internal Audit Plan	18th February 2020 Annually
2019/20 Annual Internal Audit Report	9th June 2020 Annually
2019/20 Review of the effectiveness of Internal Audit (Feedback from Panel)	9th June 2020 Annually
Internal Audit Charter	9th June 2020 Annually (for approval)
2019/20 Members' Allowances Claimed	9th June 2020 Annually
Whistle Blowing and Anti-fraud, Corruption and Bribery	9th June 2020 Annually
Environmental Audits – Report on Outcomes	9th June 2020 Annually <i>Note: Six month exception report where identified actions are not implemented by the target date.</i>
2019/20 Treasury Management Outturn	9th June 2020 Annually
2019/20 Statement of Accounts	28th July 2020 (Accounts Meeting) Annually
2019/20 Annual Governance Statement and Review of the Code of Practice	28th July 2020 (Accounts Meeting)

Corporate Governance	Annually
Environmental Audits Outcomes – Progress update	22nd September 2020
Annual IT Health Check (Code of Connection)	22nd September 2020
Confidential Report	Annually
Treasury Management Mid-Year Review	22nd December 2020
	Annually
Future of Local Public Audit	Report on Government proposals considered 5th July 2011. Further report once final regulations/guidelines are known. <u>Note:</u> Appointing Your External Auditor briefing note considered June 2016.
Policy for Engagement of External Auditors for non-audit work	Considered March 2013.
	Review policy - date to be agreed
External Audit Business	Ongoing
External Audit Progress Report and Technical Update	18th February 2020
	Quarterly
2019/20 Annual Audit Letter	18th February 2020
	Annually
Certification of Claims and Returns (2019/20 Audit)	18th February 2020
	Annually
2020/21 External Audit Plan	18th February 2020
	Annually
2019/20 Annual Governance Report	28th July 2020 (Accounts Meeting)
	Annually